City of Richmond

Agenda

Finance Committee
Electronic Meeting

Council Chambers, City Hall
6911 No. 3 Road

Monday, May 1, 2023
Immediately following the General Purposes Committee meeting

Pg. #	ITEM	
		MINUTES
FIN-4 **FIN-**7		***Motion to adopt the minutes of the meeting of the Finance Committee held on April 3, 2023 and the minutes of the Special Finance Committee meeting held on April 17, 2023.***
		DELEGATIONS
	1.	Brandon Jonathan Ma, Partner, and Aanu Adeleye, Senior Manager, KPMG LLP, to present the Audit findings on the City's 2022 consolidated financial statements.
		FINANCE AND CORPORATE SERVICES DIVISION
	2.	**2022 CONSOLIDATED FINANCIAL STATEMENTS** (File Ref. No. 03-0905-01) (REDMS No. 7202851)
FIN-9		See Page **FIN-9** for full report
		Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

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

RICHMOND PUBLIC LIBRARY

3. **2022 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**
(File Ref. No. 03-0905-01) (REDMS No. 7196141)

FIN-99 See Page **FIN-99** for full report

Designated Speaker: Susan Walters

STAFF RECOMMENDATION

That the 2022 Richmond Public Library audited financial statements for the year ended December 31, 2022, as presented in the attached report from the Chief Librarian, be received for information.

LULU ISLAND ENERGY COMPANY

4. **2022 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**
(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 7201618)

FIN-123 See Page **FIN-123** for full report

Designated Speaker: Jerry Chong and Alen Postolka

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled "2022 Financial Statements for the Lulu Island Energy Company", dated April 13, 2023, from the Chief Executive Officer and Chief Financial Officer, be received for information.

Pg. # ITEM

RICHMOND OLYMPIC OVAL CORPORATION

5. **RICHMOND OLYMPIC OVAL CORPORATION 2022 AUDITED FINANCIAL STATEMENTS**
(File Ref. No. 03-1200-09) (REDMS No. 7210131)

FIN-162 See Page **FIN-162** for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the report on the 2022 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

Finance Committee

Date:	Monday, April 3, 2023
Place:	Council Chambers Richmond City Hall
Present:	Mayor Malcolm D. Brodie, Chair Councillor Chak Au 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 4:26 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on March 6, 2023, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **2022 ANNUAL DEVELOPMENT COST CHARGES REPORT**
(File Ref. No. 03-0905-01) (REDMS No. 7147949)

A brief discussion ensued with respect to the municipal assist factor and the concept of benefit factor as they relate to various projects.

In response to queries from the Committee, staff noted (i) the DCC factor for the King George Park expenditure in 2022 was $3,361.00, and (ii) specific waivers and reductions noted in Section 563 of the *Local Government Act* pertaining to small lots designed to result in low greenhouse gas emissions, and developments designed to result in a low environmental impact, have never been granted by the City and are currently under review with staff.

It was moved and seconded
That the staff report titled, "2022 Annual Development Cost Charges Report," dated March 8, 2023 from the Director, Finance be received for information.

CARRIED

2. **2022 INVESTMENT REPORT**
(File Ref. No. 03-0900-01) (REDMS No. 7141572)

In response to queries from the Committee, staff noted (i) the completion time of the global ESG reporting standards is unknown at this time, as the regulatory bodies are still reviewing, and once available staff will include for consideration in the City policy, (ii) the City's overall MSCI ESG "AA" Rating is above the benchmark of similar portfolios, staff can report back on the number required to achieve an "AAA" rating.

It was moved and seconded
That the staff report titled "2022 Investment Report" dated March 8, 2023 from the Director, Finance be received for information.

CARRIED

3. **REVENUE ANTICIPATION BORROWING (2023) BYLAW NO. 10445**
(File Ref. No. 03-0900-01) (REDMS No. 7141285)

It was moved and seconded
That Revenue Anticipation Borrowing (2023) Bylaw No. 10445 be introduced and given first, second and third readings.

CARRIED

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (4:35 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, April 3, 2023.

Mayor Malcolm D. Brodie
Chair

Lorraine Anderson
Legislative Services Associate

City of
Richmond

Minutes

Special Finance Committee

Date: Monday, April 17, 2023

Place: Council Chambers
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
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 4:24 p.m.

1. **ANNUAL PROPERTY TAX RATES (2023) BYLAW NO. 10458**
(File Ref. No. 03-0925-01) (REDMS No. 7184979)

It was moved and seconded
That the Annual Property Tax Rates (2023) Bylaw No. 10458 be introduced and given first, second and third readings.

CARRIED

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (4:25 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Special Finance Committee of the Council of the City of Richmond held on Monday, April 17, 2023.

Mayor Malcolm D. Brodie
Chair

Sarah Goddard
Legislative Services Associate

City of Richmond

Report to Committee

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

Staff Recommendation

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

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

Att. 3

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

7202851

Staff Report

Origin

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

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

> *Responsible financial management and efficient use of public resources to meet the needs of the community.*
>
> *4.1 Ensure effective financial planning to support a sustainable future for the City.*
>
> *4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.*

Analysis

KPMG LLP (KPMG) has been appointed by City Council to independently audit the City's consolidated financial statements. They have expressed an opinion, that the City's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards. The complete Audit Findings Report is included as Attachment 1.

The annual financial statements and the auditor's report for the year ended December 31, 2022 are included as Attachment 2.

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

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

Financial Impact

None.

Conclusion

The City's audited consolidated financial statements for 2022 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

CG:cg

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

Attachment 1

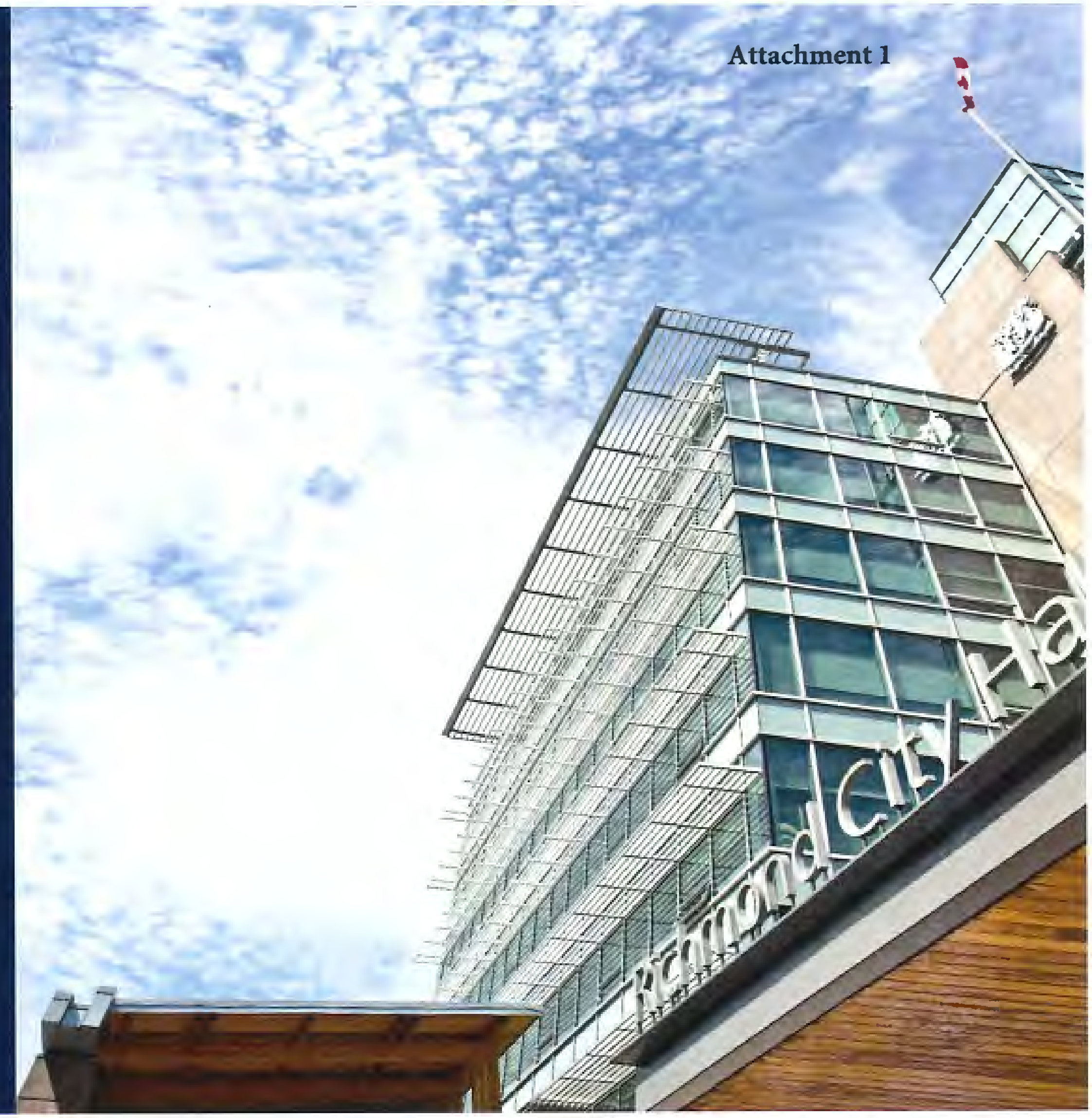
KPMG

City of Richmond

Audit Findings Report for the year ended December 31, 2022

KPMG LLP

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



KPMG contacts

Key contacts in connection with this engagement:

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Engagement Partner
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cjjames@kpmg.ca

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Engagement Quality Control Review Partner
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Senior Manager
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aadeleye@kpmg.ca

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

Digital use information

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

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

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

Highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Richmond City Council ("Council"), in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City of Richmond (the "City") as at and for the year ended December 31, 2022. This audit findings report builds on the audit plan dated December 9, 2022.

Status of the audit

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

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

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

Significant changes to our audit plan

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

Areas of audit focus

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

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

Significant risks

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

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

Highlights (continued)

Audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

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

Quality control and independence

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

Significant accounting policies and practices

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

Control observations

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

Current developments

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

Audit findings - Significant risk

Management override of controls

RISK OF FRAUD

Professional requirements	Why is this significant?
Fraud risk from management override of controls	This is a presumed fraud risk. Although the level of risk of management override of controls will vary from entity to entity, professional standards presume the risk of management override of controls is nevertheless present in all entities and requires the performance of specific procedures to address this presumed risk. We have not identified any specific additional risks of management override relating to this audit.

Our response

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

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

Significant findings

There were no issues noted in our testing.

Audit findings - Areas of audit focus

Area of audit focus	Estimate?
Tangible capital assets	Yes - the established useful lives of tangible capital assets

Our response

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

Significant findings

There were no issues noted in our testing.

Audit findings - Areas of audit focus (continued)

Area of audit focus	Estimate?
Deferred revenue and development cost charges	No

Our response

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

Significant findings

There were no issues noted in our testing.

Audit findings - Areas of audit focus (continued)

Area of audit focus	Estimate?
Valuation of post-employment benefits	Yes – Actuarial valuations of employee future benefits

Our response

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

Significant findings

There were no issues noted in our testing.

Audit findings - Areas of audit focus (continued)

Area of audit focus	Estimate?
Expenses, including payroll	No

Our response

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

Significant findings

There were no issues noted in our testing.

Significant accounting policies and practices

Significant accounting policies

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

Significant accounting estimates

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

Significant disclosures and financial statement presentation

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

Control observations

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

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

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

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

Appendices

1 **Required communications**

2 **Management representation letter**

Appendix 1: Required communications

Draft auditor's report

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

Management representation letter

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

Independence

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

Appendix 2: Management representation letter

MANAGEMENT REPRESENTATION LETTER

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

Date of Council's acceptance of the financial statements

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond (the "City") as at and for the period ended December 31, 2022.

General:

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

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

Responsibilities:

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

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

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

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

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

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

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

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

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

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

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

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

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

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

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

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

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

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

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

Subsequent events:

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

Related parties:

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

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

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

Estimates:

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

Going concern:

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

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

Other information:

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

Non-SEC registrants or non-reporting issuers:

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

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

Employee future benefits:

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

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

Yours very truly,

Jerry Chong, General Manager, Finance
and Corporate Services

Mike Ching, Director, Finance

Cindy Gilfillan, Manager, Financial Reporting

cc: Richmond City Council

Attachment I – Definitions

Materiality

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

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

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

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

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

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

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

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

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

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedules

Summary of Uncorrected Audit Misstatements

There were no uncorrected audit misstatements noted.

Summary of Corrected Audit Misstatements

There were no corrected audit misstatements noted.

KPMG

kpmg.ca

KPMG member firms around the world have 227,000 professionals, in 145 countries.

Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditor's Report thereon

Year ended December 31, 2022

DRAFT April 18, 2023

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the City of Richmond

Opinion

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

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

Chartered Professional Accountants

Vancouver, Canada
May 1, 2023

CITY OF RICHMOND

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

December 31, 2022, with comparative information for 2021

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

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

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

General Manager, Finance and Corporate Services

DRAFT April 18, 2023

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

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

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

See accompanying notes to consolidated financial statements.

1. Operations:

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

2. Significant accounting policies:

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

(a) Basis of consolidation:

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

(*i*) General Revenue Fund:

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

(*ii*) General Capital and Loan Fund:

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

(*iii*) Waterworks and Sewerworks Funds:

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

(*iv*) Reserve Funds:

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

2. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Government transfers:

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

(d) Cash and cash equivalents:

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

(e) Investments:

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

(f) Investment in government business enterprises:

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

(g) Accounts receivable:

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

(h) Development cost charges:

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

(i) Post-employment benefits:

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

2. Significant accounting policies (continued):

(i) Post-employment benefits (continued):

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

(j) Non-financial assets:

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

(*i*) Tangible capital assets:

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

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

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

(*ii*) Contributions of tangible capital assets:

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

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

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

(*iv*) Interest capitalization:

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

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(*v*) Labour capitalization:

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

(*vi*) Leased tangible capital assets:

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

(*vii*) Impairment of tangible capital assets:

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

(*viii*) Inventory of materials and supplies:

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

(k) Revenue recognition:

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

(l) Taxes:

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

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

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

2. Significant accounting policies (continued):

(m) Deferred revenue:

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

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

(n) Deposits:

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

(o) Debt:

Debt is recorded net of related sinking fund balances.

(p) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City's Consolidated 5 Year Financial Plan (2022-2026) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10327 on January 24, 2022.

(q) Contaminated sites:

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

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

(*i*) An environmental standard exists;

(*ii*) Contamination exceeds the environmental standard;

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

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

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

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

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

2. Significant accounting policies (continued):

(r) Use of accounting estimates:

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

(s) Segment disclosures:

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

3. Investments:

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

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.

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

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

Summarized financial information relating to LIEC is as follows:

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

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

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

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

5. Accounts receivable:

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

6. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2022 are as follows:

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

7. Post-employment benefits:

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

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

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

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

7. Post-employment benefits (continued):

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

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

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

8. Development cost charges:

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

9. Deposits and holdbacks:

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

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

10. Deferred revenue:

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

11. Debt, net of MFA sinking fund deposits:

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

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

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

Current borrowing includes:

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

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

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

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

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

12. Tangible capital assets:

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

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

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

12. Tangible capital assets (continued):

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

(a) Assets under construction:

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

(b) Contributed tangible capital assets:

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

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of art and historical treasures:

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

(e) Write-down of tangible capital assets:

There were no write-down of tangible capital assets in 2022 (2021 - nil).

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

13. Accumulated surplus:

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

14. Reserves:

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

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

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

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

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

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

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

16. Contingent assets and contractual rights:

(a) Contingent assets:

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

The City has legal claims, service agreements, and land dedications that may qualify as contingent assets. Amounts cannot be estimated as of December 31, 2022. Contingent assets are not recorded in the consolidated financial statements.

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

16. Contingent assets and contractual rights (continued):

(b) Contractual rights:

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

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

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

17. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

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

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

17. Commitments and contingencies (continued):

(c) Litigation:

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

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

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

(e) Contractual obligation:

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

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

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 37 Class A and 18 Class B shares issued and outstanding as at December 31, 2022). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

(g) Community associations:

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

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

18. Trust funds:

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

	2022	2021
Richmond Community Associations	$ 696	$ 1,928

19. Taxation and levies:

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

20. Other revenue:

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

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

21. Government transfers:

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

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

22. Segmented reporting:

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

(a) **Community Safety** brings together the City's public safety providers such as Police (RCMP), Fire-Rescue, Emergency Programs, and Community Bylaws. It is responsible for ensuring safe communities by providing protection services with a focus on law enforcement, crime prevention, emergency response, and protection of life and properties.

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

(c) **Engineering, Public Works and Project Development** comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering, Project Development, Sustainability and Facility Management. The services provided are construction and maintenance of the City's infrastructure and all City owned buildings, maintenance of the City's road networks, managing and operating a mixed fleet of vehicles, heavy equipment and an assortment of specialized work units for the City operations, development of current and long-range engineering planning and construction of major projects.

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

22. Segmented reporting (continued):

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

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

(f) **Planning and Development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City including the City's transportation systems, and community social development.

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

(h) **Richmond Public Library** provides public access to information by maintaining 5 branches throughout the City.

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

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

22. Segmented reporting (continued):

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

23. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated 5 Year Financial Plan adopted by Council on January 24, 2022. The table below reconciles the adopted Consolidated Financial Plan to the budget amounts reported in these consolidated financial statements.

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

24. Comparative information:

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

25. Subsequent events:

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

2022 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2022 Financial Statements

Richmond

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Introduction

The *Community Charter* requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for the year ended December 31st, 2022 have been prepared in accordance with Canadian public sector accounting standards.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis has been prepared by management and is intended to be read in conjunction with the 2022 audited consolidated financial statements.

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

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

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

The consolidated financial statements include the following statements:

- **Consolidated Statement of Financial Position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st, 2021 and 2022.
- **Consolidated Statement of Operations** outlines revenues, expenses, surplus for the year and accumulated surplus at year-end. This statement reflects the combined operations of the general, utility, capital, and reserve funds for the City and its consolidated entities.
- **Consolidated Statement of Changes in Net Financial Assets** outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- **Consolidated Statement of Cash Flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Consolidated Statement of Financial Position

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

The City maintained its strong financial position in 2022 allowing for flexibility and financial sustainability into the future.

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

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

Financial Assets

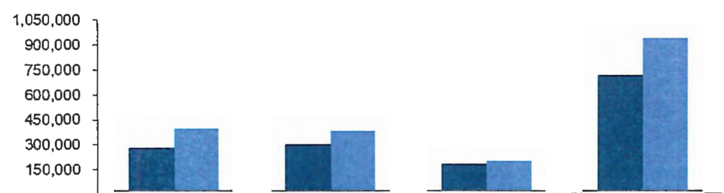
Cash

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

Investments

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

Investment Portfolio by Type **($000's)**



	Short-term notes and deposits	Government and Government Guaranteed Bonds	Other bonds	Total Investments
2021	257,701	280,063	159,122	696,886
2022	379,378	361,993	180,122	921,493

The breakdown cash and investments include $725M of Council approved capital projects and committed funds, $370M of amounts collected from developments to pay for current and future capital infrastructure required to support growth and towards the City's operational or contractual requirements concerning future obligations. The remaining amount is set aside in the City's reserves, which are subject to restrictions as prescribed by the City's reserve bylaw, the *Local Government Act* and the *BC Community Charter*.

Investment in LIEC

Effective January 1, 2017, LIEC was classified as a GBE. The City uses the modified equity method to account for this investment of $35.0M (2021 – $33.6M).

Accrued interest receivable

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

Accounts receivable

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

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

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Financial Assets

Taxes receivable

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

Development fees receivable

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

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

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

Debt reserve fund - deposits

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

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Liabilities

Accounts payable and accrued liabilities

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

Post employment benefits

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

Development cost charges

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

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

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

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

Deposits and holdbacks

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

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

Liabilities

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

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

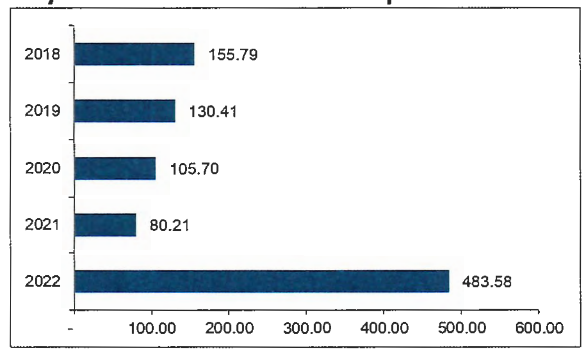
Deferred revenues decreased due to capital grants offset by increases in Oval's deferred revenue, building permits/developments and other revenues, resulting in an overall $2.9M increase compared to 2021.

Debt, net of MFA sinking fund deposits

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

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

City of Richmond Debt Per Capita 2018-2022

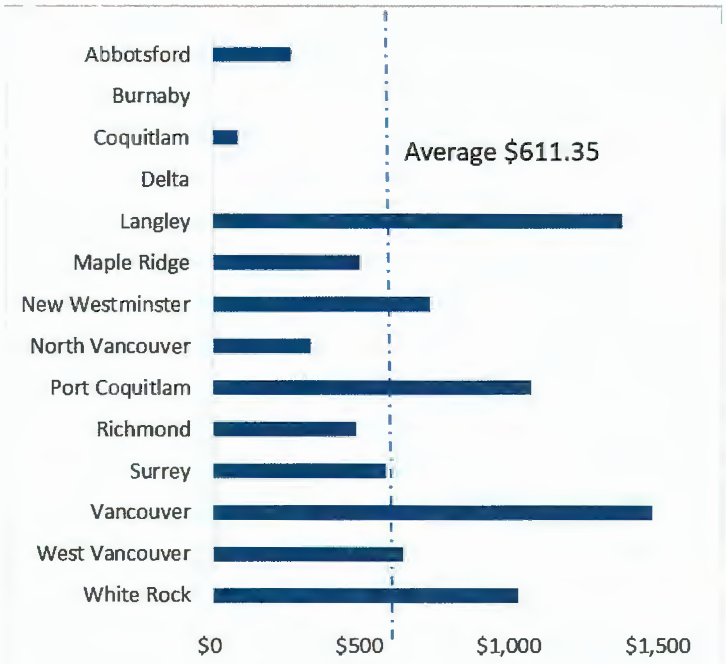


Graph has been updated with population estimates from BC Stats, Demographic Analysis Section, April 2023.

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

Liabilities

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



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

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Non-Financial Assets

Tangible Capital Assets

Tangible capital assets (TCA) are recorded at original cost and are amortized over their useful life. The net book value (original cost less accumulated amortization) is presented below. Additional information can be obtained in Note 12 of the consolidated financial statements.

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

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

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

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

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

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

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

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

Inventory of materials and supplies

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

Prepaid expenses

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

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Accumulated Surplus

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

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

Investment in TCA

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

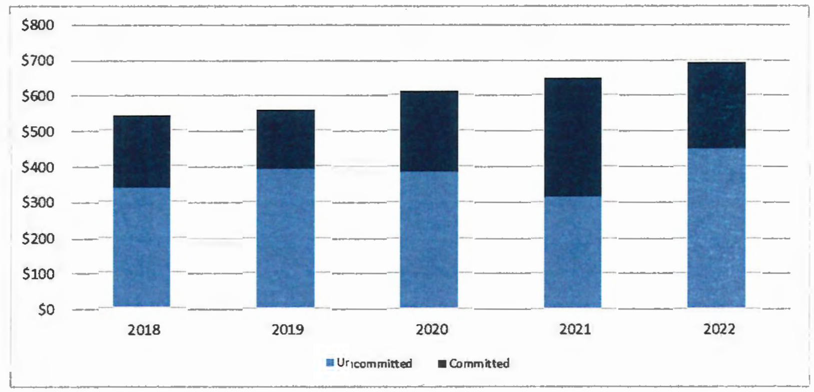
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by $59.6M. This is the net activity of asset additions, amortization, disposals and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of $703.2M includes amounts that have been approved for expenditure but remain unspent as at December 31st. The uncommitted reserve balance is $448.3M (2021 - $313.7M).

Reserve Balance 2018-2022



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including strategic land acquisitions and the Phoenix Net Loft that have reserve funds allocated towards the project but have not been spent as of the reporting date December 31st, 2022.

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

Accumulated Surplus

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

Appropriated Surplus

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

Investment in LIEC

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

Surplus

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

Other Equity

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

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Consolidated Statement of Operations

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

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

Note 23 outlines the adjustments to the approved budget, particularly the exclusion of transfers to reserves and other funds, and tangible capital asset acquisitions. These adjustments to budgeted values are required to provide comparative budget values based on the full accrual basis of accounting. As the accrual based budget does not include transfers to reserves, investment in assets and other items, the budget presented on the financial statements can show a surplus or deficit while the budget as approved by Council is a balanced budget.

Revenues

2022 Budget to Actual Comparison

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

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

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

Utility fees had a favourable variance of $3.8M mainly due to unbudgeted preconstruction revenue, higher customer counts for water, sewer, recycling and garbage offset by lower metered billings due to lower than budgeted consumption.

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

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

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

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

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

Revenues

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

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

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

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

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

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Revenues

2022 to 2021 Actual Comparison

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

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

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

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

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

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

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

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

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

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

Revenues

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

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

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

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

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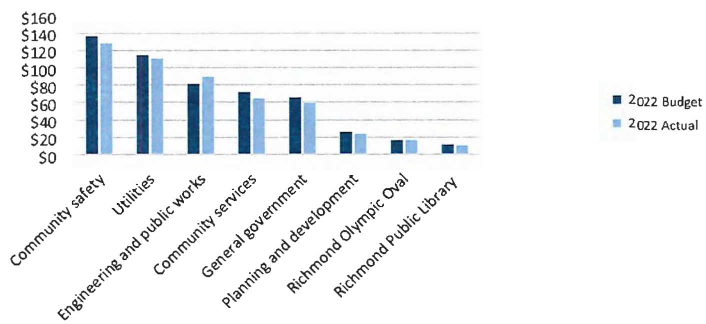
Expenses

2022 Budget to Actual Comparison

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

2022 Expenses by Function



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

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

Utilities had a favourable variance of $3.9M mainly due to lower spends on receivable projects, less labour costs as more was spent on capital projects, and less water purchased than budgeted due to lower consumption, lower consulting expenses, processing fees, lower waste management and container collection fees and vacant positions.

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

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

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

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

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

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

Expenses

2022 to 2021 Actual Comparison

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

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

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

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

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

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

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

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

Expenses

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

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

Expenses by Object

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

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

Public Works maintenance increased by $1.4M due to higher material and equipment costs incurred for catch-up of maintenance projects that were put on hold due to the COVID -19 pandemic.

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

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

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

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

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

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

Annual Surplus

The 2022 consolidated annual surplus of $141.3M is calculated as the difference between revenues and expenses and is reflected in the change in the accumulated surplus.

Annual Surplus Distribution

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

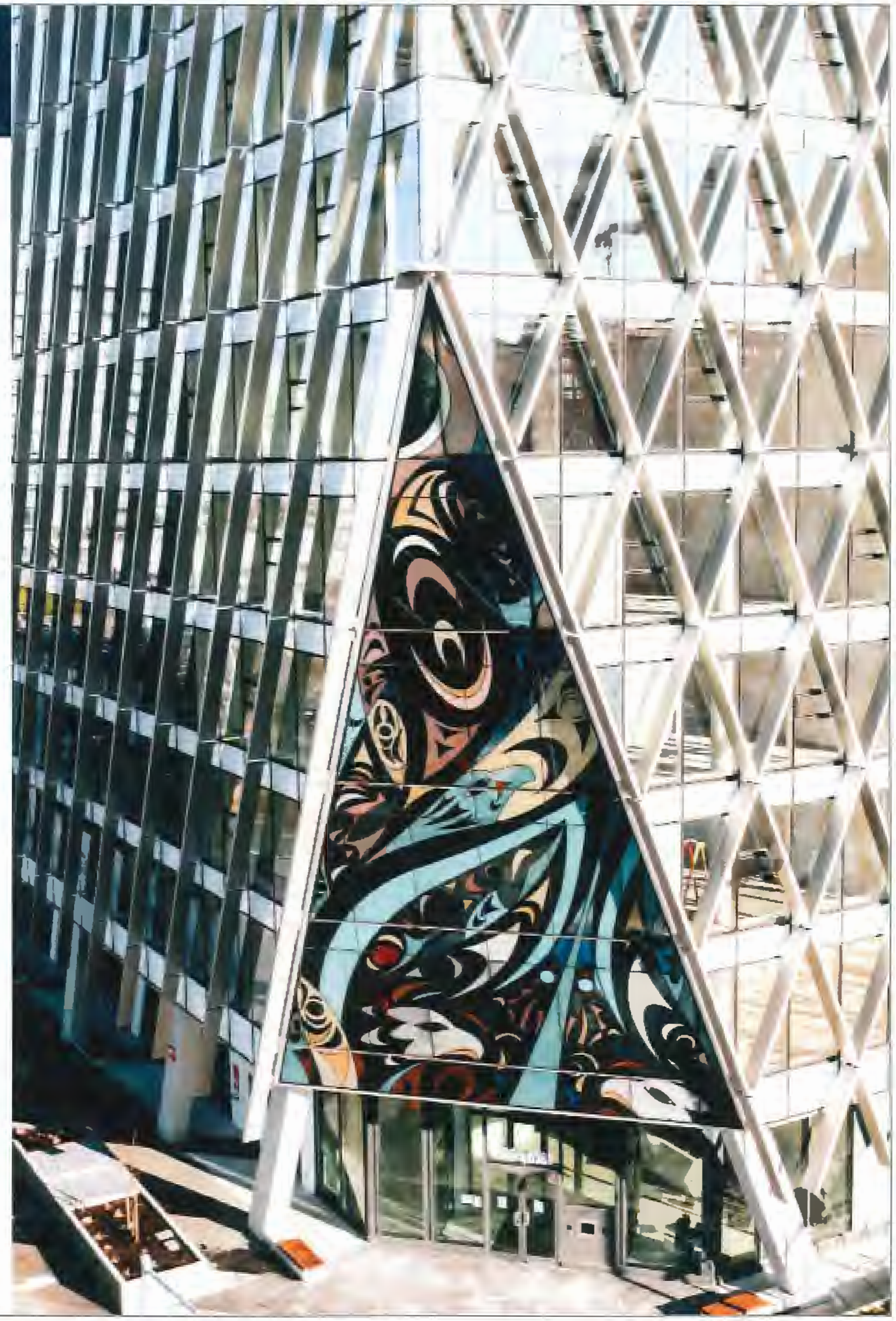
Investment in LIEC increased by $1.4M.

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

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

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

Other surplus increased by $0.7M.



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Consolidated Statement of Changes in Net Financial Assets

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

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

The City's net financial assets as at December 31st, 2022 increased by $85.7M to $1.025B (2021 - $940M).

Consolidated Statement of Cash Flows

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

The City's cash decreased by $17.4M to $654.7M and investments increased by $224.6M to $921.5M.

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

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

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

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

Ratio Analysis

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

The analysis addresses the following three key areas:

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

The following table presents the ratio analysis for the three-year period 2020-2022:

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

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

Vulnerability ratios:	**2022**	**2021**	**2020**
Government transfers to total revenues	4.0%	3.2%	3.4%
Government transfers (excluding gaming revenue) to total revenues	2.0%	2.2%	2.9%

An explanation of each of the ratios is provided below.

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

  The increase in the 2022 ratio is due to the $96.0M debt acquired for the Steveston Community Centre and Branch Library. Though this ratio has increased, the burden over the earning capacity is partially mitigated due to the use of gaming revenue to fund the annual debt servicing costs as opposed to relying on taxation revenue. The annual debt servicing costs relating to the Minoru Centre for Active living, currently funded from $5.0M gaming revenue and $1.0M taxation revenue will be applied to the Steveston Community Centre and Branch Library annual servicing costs once the final repayment for the Minoru Centre for Active Living is complete in 2024.

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

Assessment of flexibility

- Debt charges to revenues, indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.
- Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.
- Net book value of capital assets (excluding land) to cost, indicates the estimated useful life remaining of depreciable capital assets. Land is not a depreciable asset and its inclusion can distort the net book value to cost ratio. A higher ratio indicates a newer asset inventory.
- Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a lesser proportion of existing revenues from own sources on the current assessment base.

Assessment of vulnerability

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

Environmental Analysis

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

The following section highlights:

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

Strategic Plans

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

1. A Safe and Resilient City
Continue enhancing and protecting the safety and well-being of Richmond.

2. A Supported Economic Sector
Continue facilitation of diversified economic growth through innovative and sustainable policies, practices, and partnership.

3. A Sustainable and Environmentally Conscious City
Adapt environmentally conscious decision-making that demonstrates leadership in implementing innovative, sustainable practices and supports the City's unique biodiversity and island ecology.

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

5. An Engaged and Informed Community
Ensure that the citizenry of Richmond is well-informed and engaged about City business and decision-making.

Strategic Plans

6. One Community Together
Continue support on vibrant and diverse arts and cultural activities and opportunities for community engagement and connection.

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

8. Strategic and Well-Planned Growth
Continue leadership in effective and sustainable growth that supports the City's physical and social needs.

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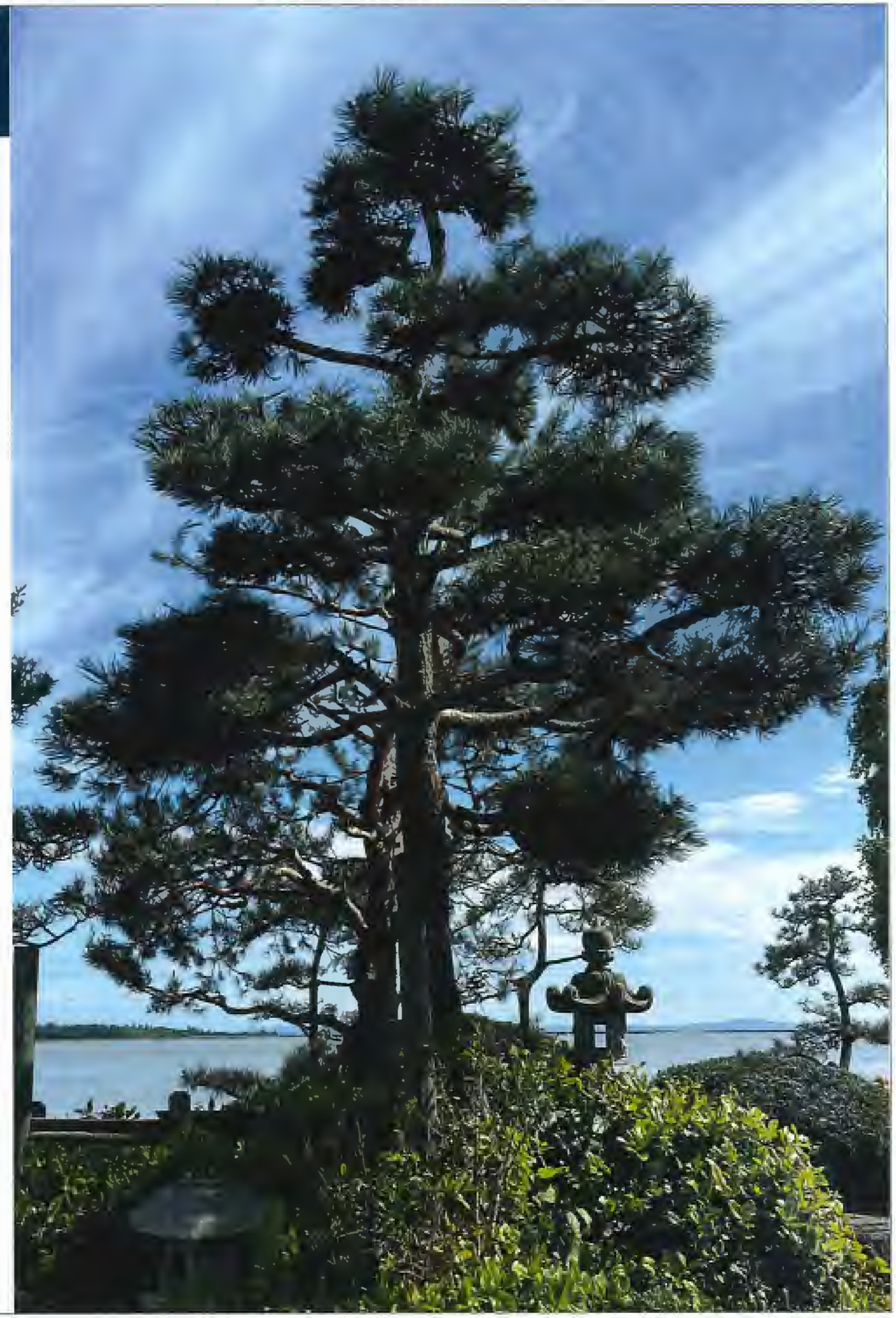


Strategic Plans

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

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

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

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

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

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

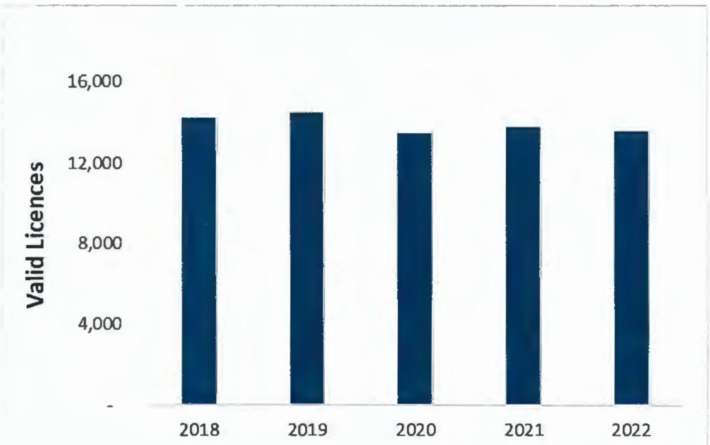
5. **A Leader in Environmental Sustainability**
   Leadership in environmental sustainability through innovative, sustainable and proactive solutions that mitigate climate change and other environmental impacts.

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

Business Licences

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

Business Licences 2018-2022

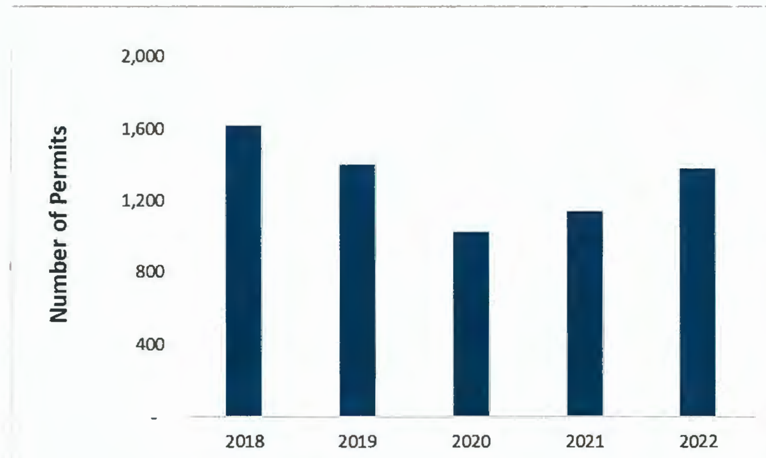


Housing Activity

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

In 2022, the total number of building permits issued was 1,382, which was a 21.3% increase from 2021. The year over year, changes are cyclical. The increase is a result of increases in all types permits issued including single family dwellings, multi-family developments, commercial and industrial. The actual permit fees collected for 2022 was $13.1M.

Building Permits 2018-2022



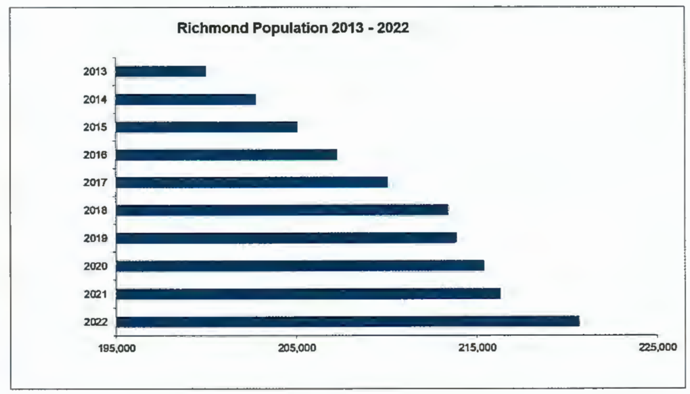
The construction value of building permits issued in 2022 was $926.6M, which increased by approximately 28.9% from 2021 of $719.1M.

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

Population

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

Richmond Population 2013-2022



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

Services

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

- Performing land use and transportation planning, building approvals, property use and zoning.
- Providing and maintaining roads, dikes, water and sewerage systems, drainage and irrigation systems.
- Providing sanitation and recycling services.
- Providing for the safety and protection of citizens by maintaining policing, fire-rescue services, bylaw enforcement, emergency and environmental programs.
- Providing for the recreational and cultural needs of citizens by: funding library services; building and maintaining recreational and cultural facilities, including pools, arenas, community centres, art centres, theatre and numerous heritage sites.
- Designing, constructing, and maintaining a recreational trail system and a system of parks with playing fields, playgrounds, and various amenities including tennis courts and basketball courts.
- Developing a sustainable community through: affordable housing, child care programs, wellness and outreach programs, tree protection, pesticide use restrictions, waste reduction programs, pollution prevention, district energy utility, energy management programs, purchasing policies and high performance building programs.
- Providing business licences and economic development initiatives.
- 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 2022 operating, capital and utility budgets.

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

[1] *Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, April 2023.*
[2] *This reflects the amended capital budget excluding internal transfers, debt repayment and contributions.*
[3] *Other grants include contributions towards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society, various youth grants and Provision Transfer.*

Conclusion

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

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

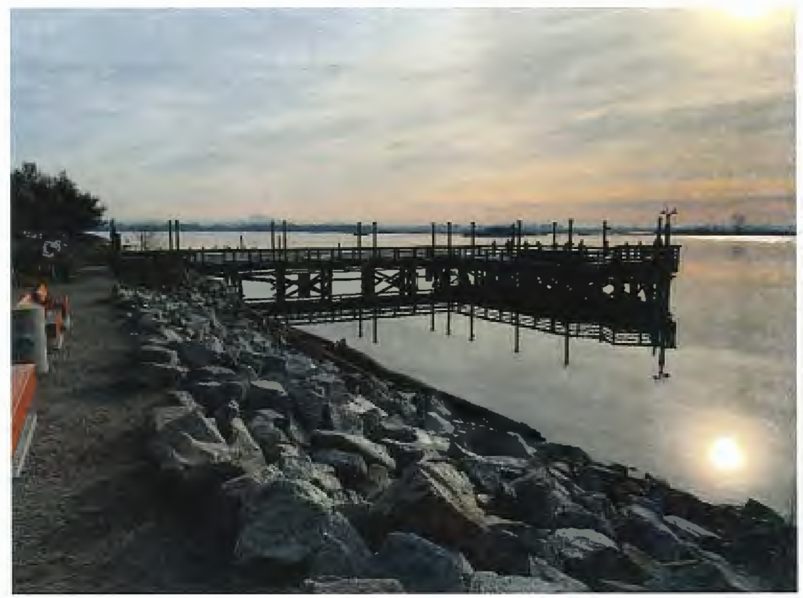
The Consolidated Financial Statements and FSD&A provide details about past activity and the balances at December 31st of the fiscal year. This information, in conjunction with planning documents, provides a comprehensive depiction of the future financial viability of the City.

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

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

The 2022 – 2026 Five Year Financial Plan combines the Operating, Utility and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

Additional information about the current financial plan can be found at:
http://www.richmond.ca/cityhall/finance/reporting/fiveyear.htm



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City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 6, 2023
From:	Jerry Chong General Manager, Finance and Corporate Services	**File:**	03-0905-01/2023-Vol 01
Re:	**2022 Financial Statements for the Richmond Public Library**		

Staff Recommendation

That the 2022 Richmond Public Library audited financial statements for the year ended December 31, 2022, as presented in the attached report from the Chief Librarian, be received for information.

Jerry Chong
General Manager, Finance and Corporate Services
(604-276-4064)

REPORT CONCURRENCE	
SENIOR STAFF REPORT REVIEW	INITIALS:
APPROVED BY CAO	

7196141

Richmond Public Library

REPORT TO CITY OF RICHMOND FINANCE COMMITEE

TO:	City of Richmond Finance Committee
FROM:	Susan Walters, Chief Librarian
DATE:	March 31, 2023

Recommendation

That the 2022 Financial Statements of the Richmond Public Library Board be received for information.

SWalters.

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

Attachment:
Financial Statements of Richmond Public Library Board Year Ended December 31, 2022

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 2022 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, 2022. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

KPMG conducted the audit both virtually and 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 21, 2023, and the Library Board approved them at their regular meeting on Wednesday, March 29, 2023.

Statement of Financial Position

	2022 Actual	**2021 Actual**	**Change**
Financial Assets	$4,723,657	$4,598,278	$125,379
Liabilities	1,382,519	1,479,189	-96,670
Net Financial Assets	**3,341,138**	**3,119,089**	**222,049**
Non-Financial Assets	3,995,892	3,881,447	114,445
Accumulated Surplus	**$7,337,030**	**$7,000,536**	**$336,494**

The library's overall financial position improved by $336,494, with accumulated surplus totaling $7.3 million. The increase in financial assets is mainly due to an increase in the amount due from the City of Richmond as a result of lower expenditures in library operations. The decrease in liabilities is primarily due to a decrease in payroll liabilities, offset by an increase in deferred revenue due to a Provincial COVID-19 Relief and Recovery One-Time Grant. Donation and grant revenue are recognized in the year in which the related expenses are incurred. The increase in non-financial assets is mainly due to an increase in tangible capital assets which included new additions to library collections, furniture and IT equipment.

The accumulated surplus balance of $7.3 million consists of tangible capital assets of $3.2 million, appropriated surplus of $3.4 million and surplus of $830,454. Note that in 2022, $1.1 million was transferred from surplus to appropriated surplus to support various initiatives that are expected to materialize in 2023. Appropriated surplus includes provisions for future library enhancement, capital expenditures, IT infrastructure, training, budget stabilization, library operations and future salary and benefits obligations.

Statement of Operations

	2022 Budget	2022 Actual	2021 Actual
Revenue	$10,879,200	$10,928,437	$10,796,708
Expenses	11,129,900	10,591,943	9,833,381
Annual Surplus	-$250,700	$336,494	$963,327

Budget Variance

Revenue of $10.9 million was slightly greater than budgeted revenue by $49,237 mainly due to:

- $30,854 of recognized restricted donations relating to expenses incurred in the year that are not budgeted.
- $20,602 of gain on sale of tangible capital assets that are not budgeted.

Expenses of $10.6 million was lower than budgeted expenses by $537,957 mainly due to:

- $580,369 lower than budgeted salaries and employee benefits due to vacancies.
- $47,401 higher than budgeted library subscriptions and databases as the library strengthens its digital resources.
- $302,837 lower than budgeted supplies and equipment services mainly because the Special Collection on Chinese Culture project extended into 2023, and the strategic planning project is now underway.
- $77,151 lower than budgeted general and administration expenses due to lower than expected contract costs and lower IT equipment failure rates.
- $73,043 higher than budgeted building, leases and maintenance expenses primarily due to a temporary increase in janitorial hours required and higher City's trade costs.

Year Over Year Change

Revenue of $10.9 million increased by $131,727 over 2021 mainly due to:

- $105,700 increase in municipal contribution.
- $26,948 increase in photocopy and printer revenue as library services return to pre-pandemic levels.
- $14,365 increase in InterLINK revenue as more non-residents are borrowing physical collections from Richmond.

Expenses of $10.6 million increased by $758,561 over 2021 mainly due to:

- $659,635 increase in salaries and employee benefits resulting from a number of filled vacancies and contractual obligations.
- $46,156 increase in library subscriptions and databases as the library strengthens its digital resources.
- $91,539 increase in building, leases and maintenance expenses mainly due to an increase in janitorial services required as all library branches returned to full operational hours in 2022.

Library Board Approval

The Library Board reviewed the statements and approved them at their meeting on Wednesday, March 29, 2023.

Susan Walters

SWalters.

Chief Librarian & Secretary to the Board
Richmond Public Library

Attachment 1

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

And Independent Auditor's Report thereon

Year ended December 31, 2022

KPMG LLP
PO Box 10426 777 Dunsmuir Street
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, 2022
- 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, 2022, 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.

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 29, 2023

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2022, with comparative information for 2021

		2022		2021
Financial Assets				
Due from City of Richmond (note 3)	$	4,658,349	$	4,460,829
Accounts receivable		65,308		137,449
		4,723,657		4,598,278
Liabilities				
Accounts payable and accrued liabilities (note 4)		627,590		747,538
Post-employment benefits (note 5)		533,200		631,500
Deferred revenue (note 6)		221,729		100,151
		1,382,519		1,479,189
Net financial assets		3,341,138		3,119,089
Non-Financial Assets				
Tangible capital assets (note 7)		3,155,373		3,057,224
Prepaid expenses		840,519		824,223
		3,995,892		3,881,447
Accumulated surplus (note 8)	$	7,337,030	$	7,000,536

Commitments (note 15)
Economic dependence (note 18)

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

Caty Liu
_________________________ Trustee

Jordan Dye
_________________________ Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2022 with comparative information for 2021

	Budget 2022 (notes 2(a) and 17)	2022	2021
Revenue:			
Municipal contribution	$ 10,396,100	$ 10,396,050	$ 10,290,350
Grants (note 9)	376,500	378,203	376,528
Fines and miscellaneous (note 10)	88,200	76,757	39,976
Donations (note 11)	-	30,854	58,765
Investment income (note 12)	18,400	25,971	13,534
Gain on sale of tangible capital assets	-	20,602	17,555
	10,879,200	10,928,437	10,796,708
Expenses:			
Salaries and employee benefits	8,342,400	7,762,031	7,102,396
Amortization	593,100	930,948	960,196
Library subscriptions and databases (note 13)	655,200	702,601	656,445
Supplies and equipment services	603,600	300,763	277,979
General and administration	375,200	298,049	303,754
Building, leases and maintenance	417,000	490,043	398,504
Utilities	143,400	107,508	134,107
	11,129,900	10,591,943	9,833,381
Annual surplus (deficit)	(250,700)	336,494	963,327
Accumulated surplus, beginning of year	7,000,536	7,000,536	6,037,209
Accumulated surplus, end of year	$ 6,749,836	$ 7,337,030	$ 7,000,536

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

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

	Budget 2022 (notes 2(a) and 17)	2022	2021
Annual surplus (deficit)	$ (250,700)	$ 336,494	$ 963,327
Acquisition of tangible capital assets	(1,217,400)	(1,029,097)	(1,154,999)
Amortization of tangible capital assets	593,100	930,948	960,196
Gain on sale of tangible capital assets	-	(20,602)	(17,555)
Proceeds on sale of tangible capital assets	-	20,602	17,555
Increase in prepaid expenses	-	(16,296)	(161,001)
Change in net financial assets	(875,000)	222,049	607,523
Net financial assets, beginning of year	3,119,089	3,119,089	2,511,566
Net financial assets, end of year	$ 2,244,089	$ 3,341,138	$ 3,119,089

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operations:		
Annual surplus	$ 336,494	$ 963,327
Items not involving cash:		
Amortization	930,948	960,196
Gain on sale of tangible capital assets	(20,602)	(17,555)
Changes in non-cash operating working capital:		
Due from City of Richmond	(197,520)	(629,543)
Accounts receivable	72,141	(41,377)
Prepaid expenses	(16,296)	(161,001)
Accounts payable and accrued liabilities	(119,948)	27,896
Post-employment benefits	(98,300)	59,800
Deferred revenue	121,578	(24,299)
Net change in cash from operating activities	1,008,495	1,137,444
Capital activities:		
Proceeds on sale of tangible capital assets	20,602	17,555
Acquisition of tangible capital assets	(1,029,097)	(1,154,999)
Net change in cash from capital activities	(1,008,495)	(1,137,444)
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 (the "City"). Funding for the provisions of these services is primarily through an annual contribution from 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 2022 budget approved by the Board of Trustees (the "Board") on November 29, 2021. Note 17 reconciles the approved budget to the budget figures reported in these financial statements.

(b) Use of estimates:

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. Significant 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:

Revenue is recorded on the accrual basis and is recognized when it is earned.

(d) Deferred revenue:

The Library records the receipt of restricted donations 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.

2. Significant accounting policies (continued):

(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.

(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.

(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 7).

(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.

2. Significant accounting policies (continued):

(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.

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:

	2022	2021
Accounts payable	$ 172,296	$ 286,360
Accrued liabilities	25,449	16,428
Accrued payroll liabilities	429,845	444,750
	$ 627,590	$ 747,538

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.

Details of the accrued employee future benefit liability are as follows:

	2022	2021
Balance, beginning of year	$ 616,500	$ 618,000
Current service cost	51,800	50,200
Interest cost	15,200	12,700
Past service cost (credit)	(101,700)	20,200
Benefits paid	(63,600)	(25,700)
Actuarial (gain) loss	48,700	(58,900)
Balance, end of year	$ 566,900	$ 616,500

5. Post-employment benefits (continued):

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

	2022	2021
Actuarial benefit obligation:		
Accrued liability, end of year	$ 566,900	$ 616,500
Unamortized net actuarial gain (loss)	(33,700)	15,000
Balance, end of year	$ 533,200	$ 631,500

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

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

6. Deferred revenue:

	2022	2021
Balance, beginning of year	$ 100,151	$ 124,450
Contributions	153,894	33,830
Revenue recognized as donations revenue	(30,641)	(58,129)
Revenue recognized from other grants	(1,675)	-
Balance, end of year	$ 221,729	$ 100,151

7. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Library collections	$ 6,713,005	$ 684,729	$ (613,372)	$ 6,784,362
Furniture and fixtures	1,437,980	179,607	-	1,617,587
Equipment	2,559,742	164,761	-	2,724,503
	$ 10,710,727	$ 1,029,097	$ (613,372)	$ 11,126,452

7. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Library collections	$ 4,868,325	$ 748,365	$ (613,372)	$ 5,003,318
Furniture and fixtures	902,674	33,746	-	936,420
Equipment	1,882,504	148,837	-	2,031,341
	$ 7,653,503	$ 930,948	$ (613,372)	$ 7,971,079

Net book value	Balance at December 31, 2022	Balance at December 31, 2021
Library collections	$ 1,781,044	$ 1,844,680
Furniture and fixtures	681,167	535,306
Equipment	693,162	677,238
	$ 3,155,373	$ 3,057,224

8. Accumulated surplus:

	2022	2021
Operating:		
Appropriated surplus:		
Capital expenditures	$ 669,718	$ 612,046
Library Enhancement	1,544,452	1,292,581
IT Infrastructure	375,000	231,000
Training	100,000	-
Budget stabilization	370,000	200,000
Future capital acquisitions	175,630	155,028
Library operations	33,401	33,401
Future salary and benefit obligations	83,002	83,003
Total appropriated surplus	3,351,203	2,607,059
Surplus	830,454	1,336,253
Invested in tangible capital assets	3,155,373	3,057,224
	$ 7,337,030	$ 7,000,536

During the year ended December 31, 2022, the Board approved transfers from surplus of $510,000 to Library Enhancement (2021 - $1,292,581), $175,000 to IT infrastructure (2021 - $231,000) and $100,000 to Training Provision (2021 - nil).

9. Grants:

			2022		2021
Provincial Revenue Sharing Grant	(a)	$	352,990	$	352,990
One Card Grant	(b)		16,664		16,664
British Columbia Equity Grant	(c)		4,500		4,500
Resource Sharing Grants	(d)		2,374		2,374
COVID-19 Relief and Recovery One-Time Grant	(e)		1,675		-
		$	378,203	$	376,528

(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) COVID-19 Relief and Recovery One-Time Grant is awarded by the Ministry of Municipal Affairs of the Province of British Columbia to support COVID-19 relief and recovery, including emergency planning.

10. Fines and miscellaneous:

		2022		2021
Book fines	$	9,697	$	4,496
InterLINK revenue		13,468		(897)
Photocopy and printer revenue		43,516		16,568
Miscellaneous		10,076		19,809
	$	76,757	$	39,976

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.

	2022	2021
Province of BC	$ -	$ 38,538
Friends of the Library	5,000	1,822
Other	25,854	18,405
	$ 30,854	$ 58,765

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 $282,900 at December 31, 2022 (2021 - $282,900). The balance is comprised of donations from Friends of the Library ($156,000), Vancouver Foundation's matching program ($75,000), and other donors ($51,900).

As at December 31, 2022, the fair value of the capital in the fund amounted to $377,227 (2021 - $427,219).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income for the year ended December 31, 2022 was $13,583 (2021 - $11,074) and is presented as investment income 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 $150,518 at December 31, 2022 (2021 - $145,518). The balance is comprised of donations from Friends of the Library of $59,000 (2021 - $54,000) and other donors of $91,518 (2021 - $91,518).

As at December 31, 2022, the fair value of the capital in the fund amounted to $176,506 (2021 - $189,439).

12. Investment income (continued):

(b) Richmond Public Library Permanent Agency Endowment Fund administered by the Richmond Community Foundation (continued):

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income of $6,630 for the year ended December 31, 2022 was reinvested into the Endowment Fund's capital (2021 - $7,956). This amount is presented as investment income and recorded in general and administration expense on the statement of operations when reinvested.

13. Library subscriptions and databases:

	2022	2021
Digital books and multimedia	$ 579,786	$ 508,447
Databases, newspapers and magazines	122,815	147,998
	$ 702,601	$ 656,445

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

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

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

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.

14. Pension plan (continued):

The Library paid $536,430 (2021 - $538,561) for employer contributions while employees contributed $496,109 (2021 - $477,941) to the plan in fiscal 2022.

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

15. Commitments:

The Library has committed to operating lease payments for the Ironwood and Cambie Branch premises, with minimum annual lease payments as follows:

2023	$ 311,367
2024	104,902
2025	15,544
2026	15,544

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 2022 budget approved by the Board of Trustees on November 29, 2021. 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	$ 10,879,200	$ 10,879,200
Expenses:		
Operating budget	(10,536,800)	(10,536,800)
Less: Transfer from Surplus	290,000	-
Less: Transfer from Budget Stabilization	110,000	-
Less: Acquisition of tangible capital assets	(742,400)	-
Less: Amortization of tangible capital assets	-	(593,100)
Annual deficit	$ -	$ (250,700)

18. Economic dependence:

The Library is economically dependent on receiving funding from the City.

19. Comparative information:

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

RICHMOND PUBLIC LIBRARY BOARD

Unaudited Statement of Operations by Fund

Year ended December 31, 2022

	2022			2021		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	$ 9,653,650	$ 742,400	$ 10,396,050	$ 9,547,950	$ 742,400	$ 10,290,350
Grants	378,203	-	378,203	376,528	-	376,528
Fines and miscellaneous	76,757	-	76,757	39,976	-	39,976
Donations	30,854	-	30,854	58,765	-	58,765
Investment income	25,971	-	25,971	13,534	-	13,534
Gain on sale of tangible capital assets	-	20,602	20,602	-	17,555	17,555
	10,165,435	763,002	10,928,437	10,036,753	759,955	10,796,708
Expenses:						
Salaries and employee benefits	7,762,031	-	7,762,031	7,102,396	-	7,102,396
Amortization	-	930,948	930,948	-	960,196	960,196
Library subscriptions and databases	702,601	-	702,601	656,445	-	656,445
Supplies and equipment services	300,763	-	300,763	277,979	-	277,979
General and administration	298,049	-	298,049	303,754	-	303,754
Building, leases and maintenance	490,043	-	490,043	398,504	-	398,504
Utilities	107,508	-	107,508	134,107	-	134,107
	9,660,995	930,948	10,591,943	8,873,185	960,196	9,833,381
Annual surplus (deficit)	504,440	(167,946)	336,494	1,163,568	(200,241)	963,327
Accumulated surplus, beginning of year	3,583,755	3,416,781	7,000,536	2,420,187	3,617,022	6,037,209
Accumulated surplus, end of year	$ 4,088,195	$ 3,248,835	$ 7,337,030	$ 3,583,755	$ 3,416,781	$ 7,000,536

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 13, 2023
From:	John Irving, P.Eng., MPA General Manager, Engineering and Public Works Chief Executive Officer, Lulu Island Energy Company Jerry Chong, CPA, CA General Manager, Finance and Corporate Services Chief Financial Officer, Lulu Island Energy Company	**File:**	01-0060-20-LIEC1/2023-Vol 01
Re:	**2022 Financial Statements for the Lulu Island Energy Company**		

Staff Recommendation

That the Lulu Island Energy Company report titled "2022 Financial Statements for the Lulu Island Energy Company", dated April 13, 2023, from the Chief Executive Officer and Chief Financial Officer, be received for information.

John Irving, P.Eng., MPA
General Manager, Engineering
Public Works
Chief Executive Officer,
Lulu Island Energy Company
(604-276-4140)

Jerry Chong, CPA, CA
General Manager, Finance and
and Corporate Services
Chief Financial Officer,
Lulu Island Energy Company
(604-276-4064)

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

Richmond

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Lulu Island ENERGY COMPANY

6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

DATE: March 30, 2023

TO: Board of Directors

FROM: Jerry Chong, CPA, CA, Chief Financial Officer

Re: **2022 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 ending December 31, 2022, 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 2022 audited financial statements for the LIEC Board's approval. See Attachment 1 for a brief overview of the District Energy Utility service areas.

Background

Richmond's 2041 Official Community Plan (OCP) establishes a target to reduce greenhouse gas (GHG) emissions 50 percent below 2007 levels by 2020 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 purposes of carrying out the City's district energy initiatives on the basis of the following guiding principles:

1. The DEU will provide end users with energy costs that are competitive with conventional energy costs, based on the same level of service; and
2. Council will retain the authority of setting customer rates, fees and charges for DEU services.

The City established three DEU service areas: ADEU, OVDEU, and CCDEU. Table 1 below provides a summary of the developments connected to the DEU service areas to-date.

Table 1 – DEU Service Areas - Current and Projected Connected Space

	Buildings To-Date	Residential Units To-Date	Floor Area To-Date	Floor Area Build-out
Alexandra District Energy Utility	13	2,200	2.4M ft^2	4.4M ft^2
Oval Village District Energy Utility	13	3,007	3.5M ft^2	6.4M ft^2
City Centre District Energy Utility	2	728	0.8M ft^2	48.0M ft^2
Total	**28**	**5,935**	**6.7M 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 over 2,200 residential units and over 2.4 million square feet of floor area. While some electricity is consumed for pumping and equipment operations, most of this energy is 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 13 buildings, containing over 3,000 residential units. Energy is currently supplied from the three interim energy centres with natural gas boilers which provide 16 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. Once completed, the system will be able to produce up to 80% of low-carbon energy from the Gilbert Trunk sanitary force main sewer.

In 2022, LIEC executed agreements (Project Agreement) with Corix Utilities Inc. (Corix) and the Canada Infrastructure Bank (CIB) to design, build, finance, operate, and maintain CCDEU infrastructure providing heating and cooling services to over 170 new residential and mixed-use commercial developments by 2050. The first two developments in the CCDEU service area comprising of over 790,000 square feet and over 720 residential units was connected in 2022. The CCDEU project is expected to reduce GHG emissions by one million tonnes by 2050.

LIEC owns and operates DEU infrastructure within the service areas. All capital and operating costs are recovered through revenues from user fees, ensuring that the business is financially sustainable. City Council is the regulator and thus sets customer rates as noted in the principles above.

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 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. Their report precedes the financial statements in Attachment 2.

In 2020, the Covid-19 outbreak was declared a pandemic by the World Health Organization. The services that LIEC provides have been classified as essential services in British Columbia during the pandemic. In 2022, the outbreak incidence has been stable and declining, LIEC experienced minimal delays with payments from customers.

Financial Position

Table 1: Summary of assets, liabilities and shareholder's equity

	2022	2021	$ Changes	% Change
Current Assets	$ 17,756,420	$ 17,431,735	$ 324,685	2%
Non-current Assets	45,745,053	38,905,146	6,839,907	18%
Total Assets	$ 63,501,473	$ 56,336,881	$ 7,164,592	13%
Current Liabilities	$ 5,842,906	$ 6,321,761	$ (478,855)	(8%)
Non-current Liabilities	22,630,407	16,367,580	6,262,827	38%
Shareholder's Equity	35,028,160	33,647,540	1,380,620	4%
Total Liabilities and Shareholder's Equity	$ 63,501,473	$ 56,336,881	$ 7,164,592	13%

The statement of financial position distinguishes current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered within 12 months; non-current assets and liabilities are those where the recovery is expected to occur more than 12 months from the reporting date. LIEC's overall financial position improved by $7,164,592 in 2022 with total assets of $63,501,473 (2021 - $56,336,881).

Total assets are comprised of current assets (cash, investments, and receivables) totaling $17,756,420 (2021 – $17,431,735) and non-current assets (plant and equipment) of $45,745,053

(2021 - $38,905,146). The current assets increased by $324,685 mainly due to increased accounts receivable balance as a result of higher energy sales. During 2022, LIEC transferred more cash to investments in order to benefit from higher bank interest rate. Non-current assets increased by $6,839,907, bringing the total to $45,745,053. The increase is the net result of capital additions in the year offset by amortization expense.

LIEC's current liabilities of $5,842,906 (2021 - $6,321,761) consists of outstanding invoices and payables due within 12 months. The decrease of $478,855 is mainly due to lower current portion of Project Agreement liability, in comparison to Concession Agreement liability in prior year. The reason for the change is because energy transfer station (ETS) work in progress is paid on a monthly basis and is no longer included to form part of the Project Agreement liability. The non-current liabilities increased by $6,262,827 to $22,630,407 (2021 - $16,367,580), mainly due to increase in deferred developers' contribution in the CCDEU area which in turn increased assets. The deferred developers' contributions are recovering the cost of the service connection, including installation of the energy transfer station (ETS) and interim low carbon energy plant (LCEP) infrastructure. In accordance with IFRS, the contributions are recognized over the useful life of the equipment, which is 25 years for ETS and 30 years for LCEP from the date within which it becomes in service. Therefore, unrecognized contributions are deferred and recognized as non-current liabilities of the company. The Project Agreement liabilities are linked to the 30 year Project Agreement between LIEC, Corix and CIB, where Corix designs, constructs, finances, and maintains the OVDEU and CCDEU's infrastructure. The Project Agreement liabilities are the anticipated cash outflow for future obligations under the agreement for the capital and operating costs of the assets.

The shareholder's equity represents the net worth of the company. It is equal to the total assets minus the total liabilities and measures the company's financial health. In 2022, LIEC's shareholder equity was $35,028,160 (2021 - $33,647,540).

Income Statement

	2022	2021	$ Changes	% Change
Revenues				
Metered billings	$ 6,626,509	$ 5,450,201	$ 1,176,308	22%
Service fee	981,500	981,000	500	-%
	7,608,009	6,431,201	1,176,808	18%
Cost of Sales				
Contracts	1,150,431	771,619	378,812	49%
Utilities	1,937,484	1,016,861	920,623	91%
Amortization	1,540,099	1,335,399	204,700	15%
	4,628,014	3,123,879	1,504,135	48%
Gross Margin	**2,979,995**	**3,307,322**	**(327,327)**	**(10%)**
General and Administration Expenses				
Salaries and benefits	886,834	841,736	45,098	5%
Administration expenses	118,904	83,624	35,280	42%
Insurance	136,697	88,007	48,690	55%
Professional fees	237,278	29,762	207,515	697%
	1,379,713	1,043,129	336,584	32%
Net Income Before Other Items	1,600,282	2,264,193	(663,911)	(29%)
Contributions and Financing Expense				
Developer contributions	397,695	237,347	160,348	68%
Other income	120,394	49,521	70,873	143%
Other expense	(426,141)	(1,084,975)	658,834	(61%)
Net finance cost	(311,610)	(555,046)	243,436	(44%)
	(219,662)	(1,353,153)	1,133,491	(84%)
Net Income	**$ 1,380,620**	**$ 911,040**	**$ 469,580**	**52%**

Earnings before interest, taxes and amortization (EBITA)

Net income per above	$1,380,620	$ 911,040	$ 469,580	52%
Net finance cost	311,610	555,046	(243,436)	(44%)
Amortization expense	1,540,099	1,335,399	204,700	15%
EBITA	$3,232,329	$2,801,485	$ 430,844	15%

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The income statement provides a summary of the company's revenues, expenses and profits over the fiscal year of 2022. It reports the financial performance of the company.

Table 2: Percentage of revenue

	December 31, 2022	December 31, 2021
Percentage of Revenue		
Gross margin percentage	39%	51%
General and administration percentage	18%	16%
EBITA percentage	42%	44%
Net income percentage	18%	14%

Year-over-Year Change

The metered billings reflect the full year energy sales based on the actual customers' energy usage and consumption. Overall, the metered billings increased by $1,176,308 to $6,626,509 (2021 - $5,450,201) mainly due to:

- An increase of $113,029 in ADEU metered billings due to additional energy use during summer and additional service for three buildings that were not fully occupied in prior years (Trafalgar, Westmark and Berkeley House).
- An increase of $362,693 in OVDEU metered billings due to additional heating days and additional energy use by buildings that were not fully occupied in prior years (Aspec 12, Cascade City).
- $700,586 in CCDEU metered billings for the first building connection.

No increase to the service fee of $981,500 (2021 - $981,000) 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 over 13,993 tons of GHG emissions.

The cost of sales is the accumulated total expenses attributable to the metered billing revenue, which includes contract services, utilities (electricity and natural gas), and amortization expenses. The total contract expense increased by $378,812 to $1,150,431 (2021 - $771,619) due to the additional operations and maintenance work as a result of more buildings being serviced, including two on-site low carbon energy plants (LCEP).

Utility expenses increased by $920,623 to $1,937,484 (2021 - $1,016,861). This increase is mainly due to continued growth at the ADEU, OVDEU and CCDEU utilities; new building connections, including the first two on-site low carbon energy plants, resulted in an increased use of electricity and natural gas required to run the generation, distribution and auxiliary equipment used to deliver energy to the buildings. Natural gas and electricity rate increases and unbudgeted carbon tax contributed to this increase as well.

The amortization expense increased due to capital asset additions. Overall, the total cost of sales increased by $1,504,135 to $4,628,014 (2021 - $3,123,879).

The general and administration expenses are expenditures that LIEC incurs to engage in business development activities and includes salaries and benefits, administration expenses, insurance and professional fees. The general and administration expenses include a fee of $282,499 (2021 - $129,412), paid by LIEC to the City of Richmond for the support provided by the City. The increase is a result of the additional support that the City staff have provided to LIEC during the CCDEU negotiations. The general and administration expenses increased by $336,584 to $1,379,713 (2021 - $1,043,129), mainly due to:

- Salaries and benefits - The increase by $45,098 to $886,834 (2021 - $841,736) of salaries and benefits is due to staffing and adjustments to existing salaries and fringe benefits based on the City's annual increase.
- Insurance - The premium increased by $48,690 due to a general insurance rate increase and the additional capital assets insured.
- Professional fees - The increase by $207,515 to $237,278 (2021 - $29,762) is due to professional fees in relation to the CCDEU expansion project, BCUC inquiry in the municipally owned energy utilities, and audit fee.

Overall, general and administration expenses as a percentage of revenues is 18% for 2022 (2021- 16%).

The contributions and financing expense section represents other sources of revenue and expenses for the business. The energy modeling review fees collected are higher than 2021 due to more building permits being reviewed. The net finance cost is lower in comparison to 2021 as the finance costs on Project Agreement liabilities were offset by increased interest income due to higher rates of returns on investments. This section includes other expense costs that pertain to the environmental remediation and legal services related to the unforeseen construction defect, which resulted in a leak and subsequent clean up of the released heat transfer fluid in the Alexandra DEU service area.

LIEC's EBITA (earnings before interest, tax, and amortization), was 42% (2021 - 44%) used as a proxy to measure LIEC's financial performance.

Overall, LIEC's revenues exceeded expenses resulting in a net income of $1,380,620 (2021 - $911,040).

LIEC's financial sustainability and future growth must be taken into consideration when reviewing its EBITA 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 such as the Alexandra DEU leak. Other important factors include the planning of future projects, which consists of research and development, and exploratory reviews of future technology and opportunities. The net income will be set aside in LIEC's equity to build a reserve fund for future capital replacement and to ensure long-term rate stability for ratepayers.

Budget Variance
(See Attachment 1 for 2022 budget to actual comparison)

Revenues

The metered billings are the total energy sales of both ADEU, OVDEU and CCDEU service areas. The metered billings revenue is $2,857,251 from the ADEU and $3,068,672 from the OVDEU and $700,586 for CCDEU. 2022 actual revenues of $7,608,009 are slightly over the budget of $7,564,631

Cost of Sales

The cost of sales includes contract services, utilities (electricity and natural gas) and amortization expenses. The contract expense is under budget by 18%.

The utility expenses are based on actual customers' energy usage and consumption of electricity and natural gas. The overall utility cost is higher than budget by $316,785. The main reasons are as follows:

- Natural gas is still used to provide a majority of heating capacity at the OVDEU and CCDEU service areas, which was 48% over the budget. The variance is attributed to the larger than excepted (15%) increase in natural gas rate, unbudgeted carbon tax amount of $240k, and natural gas consumption higher than projected. This increase is partially offset by lower-than-budget natural gas amount for the ADEU service area.
- Electricity used to run pumps and peaking equipment at ADEU was lower than projected due to moderate weather conditions. Similarly, air-source heat pumps that service the Central at Garden City development in Area A did not operate at maximum heating and cooling capacity throughout the year, resulting in lower than expected electricity use.
- Natural gas, used to provide peak heating capacity at ADEU, was lower than expected due to moderate winter conditions. ADEU was able to meet 93% of the total energy demand using renewable sources, resulting in lower than expected natural gas consumption. Similarly, at Smart Centres air-source heat pumps were able to meet most heating demand without the use of natural gas as outdoor air temperatures rarely went below freezing conditions.

The amortization expense is lower than budgeted mainly due to the timing of new capital asset additions. Overall, the cost of sales is below the budget by 4%.

General and Administration Expenses

The general and administration expenses are expenditures that LIEC incurs to engage in business development activities and includes salaries and benefits, administration expense, professional fees, insurance expense, etc. The salary expense is slightly lower than budget due to reduction to post employment benefit liability as a result of 3rd party actuary assessment. Administration expenses were lower in 2022 as staff have not participated in as many training opportunities. The insurance and professional fees expenses are over the budget due to the reallocation of the insurance and professional fees expenses related to CCDEU project under the general and administration expenses, while this was allocated under the contract expenses for the OVDEU project. The total general and administration expense of $1,379,713 is over budget by 5%, mainly due to professional fees related to CCDEU expansion project.

Contributions and Financing Expense

The Contributions and Financing Expense section represents other sources of income and costs. Developer contributions have decreased due to the change in the timing of few developments in 2022. Other income is made up of energy model review fees and has increased over the budget due to more building permits being reviewed. The Other expense is a result of the expenses related to the construction defect of the pipe that resulted in a leak and related clean up of the released heat transfer fluid in the Alexandra DEU service area. It increased slightly over the budget due to the write-off of the defective distribution pipe that has been replaced. The net finance cost is the result of the finance costs on Project Agreement liabilities offset by interest income. The finance cost on Project Agreement liabilities is in line with budget; however, the overall Net finance cost is lower than budget due to the higher than projected interest income.

Despite the higher than expected utility cost and general and administration expenses, LIEC's overall financial performance exceeded budget with the net income 46% over the budget.

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 of December 31, 2022, and its financial performance and cash flows for the year end in accordance with International Financial Reporting standards.

Cody Lan

Francisco Del Castillo Controller (604-276-4019)	Cody Lan Assistant Controller (604-247-4698)

Attachment 1: 2022 Budget and Actual Comparison
Attachment 2: 2022 Audited Financial Statements

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2022 Budget and Actual Comparison

	Budget	Actual	$ Changes	% Change
Revenues				
Metered Billings	$ 6,583,145	$ 6,626,509	$ 43,364	1%
Service fee	981,486	981,500	14	-%
	7,564,631	7,608,009	43,378	1%
Cost of Sales				
Contracts	1,400,550	1,150,431	(250,119)	(18%)
Utilities	1,620,699	1,937,484	316,785	20%
Amortization	1,791,047	1,540,099	(250,948)	(14%)
	4,812,296	4,628,014	(184,282)	(4%)
Gross margin	**2,752,335**	**2,979,995**	**227,660**	**8%**
General and Administration Expenses				
Salaries and benefits	963,130	886,834	(76,296)	(8%)
Administration expenses	153,172	118,904	(34,268)	(22%)
Insurance	120,000	136,697	16,697	14%
Professional Fees	80,205	237,278	157,073	196%
	1,316,507	1,379,713	63,206	5%
Net income before other items	1,435,828	1,600,282	164,454	11%
Contributions and Financing expense				
Developer contributions	566,380	397,695	(168,685)	(30%)
Other income	48,000	120,394	72,394	151%
Other expense	(418,000)	(426,141)	(8,141)	2%
Net finance cost	(685,970)	(311,610)	374,360	(55%)
	(489,590)	(219,662)	269,928	(55%)
Net Income	**$ 946,238**	**$1,380,620**	**$ 434,382**	**46%**
Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$ 946,238	$1,380,620	$ 434,382	46%
Net Financing cost	685,970	311,610	(374,360)	(55%)
Amortization expense	1,791,047	1,540,099	(250,948)	(14%)
EBITA	$3,423,255	$3,232,329	($190,926)	(6%)

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2022 Audited Financial Statements

Financial Statements
(Expressed in Canadian dollars)

LULU ISLAND ENERGY COMPANY LTD.

And Independent Auditor's Report thereon

Year ended December 31, 2022

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Lulu Island Energy Company:

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, 2022
- the statement of net income 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 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 Entity as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 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 IFRS, 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 11, 2023

LULU ISLAND ENERGY COMPANY LTD.

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 3,191,380	$ 11,707,794
Accounts receivable (note 4)	2,240,807	1,676,423
Investments (note 5)	12,324,233	4,047,518
	17,756,420	17,431,735
Non-current assets:		
Plant and equipment (note 6)	45,745,053	38,905,146
	$ 63,501,473	$ 56,336,881
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,852,889	$ 2,671,416
Current portion of deferred developer contributions (note 7(a))	471,964	337,732
Current portion of Project Agreement liability (note 8)	1,518,053	-
Current portion of Concession Agreement liability (note 8)	-	3,312,613
	5,842,906	6,321,761
Non-current liabilities:		
Government grants (note 7(b))	241,051	-
Deferred developer contributions (note 7(a))	12,545,851	7,415,806
Project Agreement liability (note 8)	9,843,505	-
Concession Agreement liability (note 8)	-	8,951,774
	22,630,407	16,367,580
Shareholder's equity:		
Share capital and contributed surplus (note 9)	27,397,115	27,397,115
Retained earnings	7,631,045	6,250,425
	35,028,160	33,647,540
Commitments and contingencies (note 12)		
	$ 63,501,473	$ 56,336,881

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 Net Income and Other Comprehensive Income

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

	2022	2021
Revenue (note 13)	$ 7,608,009	$ 6,431,201
Cost of sales:		
Operating expenses	3,087,915	1,788,480
Depreciation	1,540,099	1,335,399
	4,628,014	3,123,879
Gross profit	2,979,995	3,307,322
General and administrative expenses (note 10)	1,379,713	1,043,129
Income before undernoted items	1,600,282	2,264,193
Developer contributions, other income (expenses) and net finance cost:		
Developer contributions (note 7(a))	397,695	237,347
Other income (note 13)	120,394	49,521
Other expenses (note 6)	(426,141)	(1,084,975)
Net finance cost (note 11)	(311,610)	(555,046)
	(219,662)	(1,353,153)
Net income and other comprehensive income	$ 1,380,620	$ 911,040

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, 2022, with comparative information for 2021

	Share capital (note 9)	Contributed surplus (note 9)	Retained earnings	Shareholder's equity
Balance, January 1, 2021	$ 5	$ 27,397,110	$ 5,339,385	$ 32,736,500
Net income and other comprehensive income	-	-	911,040	911,040
Balance, December 31, 2021	5	27,397,110	6,250,425	33,647,540
Net income and other comprehensive income	-	-	1,380,620	1,380,620
Balance, December 31, 2022	$ 5	$ 27,397,110	$ 7,631,045	$ 35,028,160

The accompanying notes are an integral part of these financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net income and other comprehensive income	$ 1,380,620	$ 911,040
Adjustments for:		
Depreciation	1,540,099	1,335,399
Recognition of deferred contributions	(397,695)	(237,347)
Other income	-	(12,978)
Finance expense on Project Agreement liability	128,179	-
Finance expense on Concession Agreement liability	568,174	672,135
Write off of assets	81,179	-
Changes in non-cash operating working capital:		
Accounts receivable	(564,384)	1,358,087
Accounts payable and accrued liabilities	1,181,473	880,497
Net cash provided by operating activities	3,917,645	4,906,833
Cash flows provided by (used in) investing activities:		
Additions to plant and equipment	(1,305,119)	(1,460,215)
Deferred developer contributions	662,882	638,525
Cash receipts from sale of investments	4,047,518	4,014,336
Cash payments to acquire investments	(12,324,233)	(4,047,518)
Net cash used in investing activities	(8,918,952)	(854,872)
Cash flows provided by (used in) financing activities:		
Cash received from government grants	241,051	-
Project Agreement liability	(1,482,165)	-
Concession Agreement liability	(586,371)	(948,671)
Repayment of the non-capital portion of the Concession Agreement liability	(1,687,622)	-
Net cash used in financing activities	(3,515,107)	(948,671)
(Decrease) increase in cash and cash equivalents	(8,516,414)	3,103,290
Cash and cash equivalents, beginning of year	11,707,794	8,604,504
Cash and cash equivalents, end of year	$ 3,191,380	$ 11,707,794
Non-cash transactions:		
Additions to plant and equipment	$ (7,156,066)	$ (1,370,459)
Project Agreement liability	407,902	-
Concession Agreement liability	1,637,906	1,370,459
Developer contributions	4,999,090	-
Finance cost capitalized to plant and equipment	111,168	-

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 International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issue by the Board of Directors on April 11, 2023.

(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 the most significant effect on the amounts recognized in the financial statements is included in the following note:

Note 7 - recognition of deferred developer contributions.

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 notes:

Note 6 - accrued liabilities for distribution pipe leak; and

Note 3(a) - useful lives of plant and equipment.

3. Significant accounting policies:

The 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. Significant 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	25-30

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. Significant accounting policies (continued):

(c) Concession projects:

Concession projects are delivered by partners selected to design, build, finance, and maintain the assets which are owned by the Company. 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 (2021 – Concession Agreement liability) (note 8).

(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 amounts received from developers toward the cost of equipment and/or assets received from developers, required for the supply of district energy to the developer site. Developer contributions are recognized into income over the expected useful life of the related assets from when the assets are available for use. Non-cash developer contributions are initially recorded at fair value.

(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 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/Concession Agreement liability (2021 – Concession 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. Significant accounting policies (continued):

(i) Financial instruments:

(*i*) 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. Significant accounting policies (continued):

(i) Financial instruments (continued):

(*i*) 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(i)(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 amortized cost. Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the 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
Government grants	Amortized cost
Project Agreement liability	Amortized cost
Concession Agreement liability	Amortized cost

(*ii*) Measurement categories:

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2022 and 2021. Unless otherwise noted, the fair values on the instruments approximate their carrying amount due to their short-term nature and/or due to application of market rates of interest.

3. Significant accounting policies (continued):

(i) Financial instruments (continued):

(*ii*) Measurement categories (continued):

		2022		2021
Financial assets:				
Financial assets at amortized cost:				
Cash and cash equivalents	$	3,191,380	$	11,707,794
Accounts receivable		2,240,807		1,676,423
Investments		12,324,233		4,047,518
	$	17,756,420	$	17,431,735
Financial liabilities:				
Financial liabilities at amortized cost:				
Accounts payable and accrued liabilities	$	3,852,889	$	2,671,416
Project Agreement liability		11,361,558		-
Concession Agreement liability		-		12,264,387
	$	15,214,447	$	14,935,803

(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).

3. Significant accounting policies (continued):

(j) Impairment (continued):

(*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.

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, 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

3. Significant accounting policies (continued):

(l) Standards issued but not yet effective (continued):

The following amended standards and interpretations are not expected to have a significant impact on the financial statements;

- IFRS 17, Insurance contracts and its amendments are effective for annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1, Presentation of financial statements: Classification of Liabilities as Current or Non-Current are effective for annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1, Presentation of financial statements: Disclosure of accounting policies are effective for annual periods beginning on or after January 1, 2023; and
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates are effective for annual periods beginning on or after January 1, 2023.

4. Accounts receivable:

	2022	2021
Trade receivables	$ 194,213	$ 33,455
Due from City of Richmond	152,937	151,454
Unbilled trade receivables	1,874,018	1,491,514
GST receivable	19,639	-
	$ 2,240,807	$ 1,676,423

5. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	Interest rate	2022	2021
July 19, 2022	July 19, 2023	5.05%	$ 4,123,378	$ -
November 7, 2022	November 7, 2023	5.95%	3,193,869	-
December 21, 2022	December 21, 2023	5.10%	5,006,986	-
July 15, 2021	July 15, 2022	1.50%	-	2,033,628
October 28, 2021	October 28, 2022	1.50%	-	2,013,890
			$ 12,324,233	$ 4,047,518

6. Plant and equipment:

	Energy plant center	General equipment	Distribution piping	Total
Cost:				
Balance as at December 31, 2020	$ 5,031,915	$ 24,685,820	$ 12,217,654	$ 41,935,389
Additions	-	1,955,387	925,313	2,880,700
Balance as at December 31, 2021	5,031,915	26,641,207	13,142,967	44,816,089
Additions	-	6,954,522	1,506,663	8,461,185
Disposals	-	-	(88,238)	(88,238)
Balance as at December 31, 2022	$ 5,031,915	$ 33,595,729	$ 14,561,392	$ 53,189,036
Accumulated depreciation:				
Balance as at December 31, 2020	$ 268,368	$ 3,637,984	$ 669,192	$ 4,575,544
Depreciation	67,092	1,045,148	223,159	1,335,399
Balance as at December 31, 2021	335,460	4,683,132	892,351	5,910,943
Depreciation	67,092	1,207,563	265,444	1,540,099
Disposals	-	-	(7,059)	(7,059)
Balance as at December 31, 2022	$ 402,552	$ 5,890,695	$ 1,150,736	$ 7,443,983
Net book value:				
At January 1, 2020	$ 4,763,547	$ 21,047,836	$ 11,548,462	$ 37,359,845
At December 31, 2021	4,696,455	21,958,075	12,250,616	38,905,146
At December 31, 2022	4,629,363	27,705,034	13,410,656	45,745,053

Included in plant and equipment is $3,642,359 (2021 - $1,951,975) of assets under construction being $1,340,818 (2021- $1,070,537) general equipment and $2,301,541 (2021 - $881,438) distribution piping. For the year ended December 31, 2022, capitalized borrowing costs related to the construction of the general equipment and distribution system in the year amounted to $111,168 (2021 - $37,048).

In 2020, the Company identified a distribution pipe leakage of heat transfer fluid at one of the Company's service areas. During the year ended December 31, 2022, the Company continued to repair, remediate and monitor the service area and recognized expenses of $344,962 (2021 - $1,084,975) in other expenses. As of December 31, 2022, $716,403 (2021 - $596,585) is included in accounts payable and accrued liabilities pertaining to the accrued costs for the leak. Management believes the Company has adequately provided for the remediation costs and intends to seek compensation for such costs from the third parties involved.

7. Deferred developer contributions and Government grants:

(a) Deferred developer contributions:

The following table summarizes deferred developer contribution amounts recognized:

	2022	2021
Deferred developer contributions, beginning of year	$ 7,753,538	$ 7,352,360
Developer contributions received (net of refunds)	662,882	638,525
Developer contributions received (non-cash)	4,999,090	-
Recognized revenue from developer contributions	(397,695)	(237,347)
	13,017,815	7,753,538
Less: current portion of deferred developer contributions	471,964	337,732
Non-current deferred developer contributions	$ 12,545,851	$ 7,415,806

(b) Government grants:

In 2021, the Company was awarded a grant (the "Sewer Heat Recovery grant") from CleanBC Communities Fund. In 2022, the Company recognized $241,051 (2021 - nil) under the grant. The relevant assets were under construction at December 31, 2022 and therefore the grant received is recognized in deferred income.

8. City Centre District Energy Utility Project Agreement:

On October 30, 2014, the Company and Corix Utilities Inc. ("Corix") entered into a 30-year concession project (the "Concession Agreement"), where Corix will design, construct, finance, operate and maintain the infrastructure for the district energy utility at the Oval Village community (the "OVDEU project"). On September 22, 2022, the Company terminated the Concession Agreement after the Company entered into a new concession project (the "Project Agreement") with City Centre Energy Limited Partnership ("Project Contractor"), a wholly owned subsidiary of Corix to design, build, finance, operate and maintain City Centre District Energy Utility infrastructure providing heating and cooling services to new residential and mixed use commercial developments within the City Centre area (the "CCDEU project").The existing OVDEU project has been transferred into the CCDEU project, and the OVDEU plant and equipment, financing and operations are now executed by the Project Contractor under the Project Agreement. Part of the transfer of the existing OVDEU project into the CCDEU project was the termination of the existing Concession Agreement liability, including repayment of the non-capital portion of the Concession Agreement liability in the amount of $1,687,622.

The total estimated Project Agreement liability to finance the construction of the CCDEU project at full build out is estimated at $383,000,000 (2021 – OVDEU project $41,414,000) and will be accrued over time as the infrastructure is constructed and services are rendered.

8. 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 12.

The following tables summarizes the changes in the Project Agreement liability and the Concession Agreement liability due to financing cash flows and liability related charges:

(a) Project Agreement liability:

	2022	2021
Opening balance September 22, 2022	$ -	$ -
Transfer balance from Concession Agreement liability	10,966,470	-
Additions	1,637,906	-
Finance expense (note 11)	239,347	-
Net repayment	(1,482,165)	-
Ending balance	$ 11,361,558	$ -

	2022	2021
Project Agreement liability	$ 11,361,558	$ -
Less: Current portion of Project Agreement liability	(1,518,053)	-
Non-current portion of Project Agreement liability	$ 9,843,505	$ -

(b) Concession Agreement liability:

	2022	2021
Opening balance Concession Agreement liability	$ 12,264,387	$ 11,133,416
Additions	407,902	1,370,459
Finance expense (note 11)	568,174	709,183
Repayment of the non-capital portion of the Concession Agreement liability	(1,687,622)	-
Net repayment	(586,371)	(948,671)
Transfer balance to Project Agreement liability	(10,966,470)	-
Ending balance Concession Agreement liability	$ -	$ 12,264,387

	2022	2021
Concession Agreement liability	$ -	$ 12,264,387
Less: Current portion of Concession Agreement liability	-	(3,312,613)
Non-current portion of Concession Agreement liability	$ -	$ 8,951,774

8. City Centre District Energy Utility Project Agreement (continued):

The finance cost on the OVDEU projects financed under the Concession Agreement up to September 22, 2022 is 6.12% (2021 – Concession Agreement 5.24%). The finance cost on the OVDEU projects transferred to the Project Agreement for the period from September 22, 2022 to December 31, 2022 is 6.23%. The finance cost on the new CCDEU project financed under the Project Agreement from September 22, 2022 to December 31, 2022 is 4.40%.

The Project Agreement liability is repayable as follows:

2023	$	1,518,053
2024		1,548,414
2025		1,579,383
2026		1,610,970
2027 and thereafter		5,104,738
Total	$	11,361,558

The Project Agreement liability and the termination payment obligation under the Project Agreement is secured by the CCDEU project infrastructure assets and energy services agreements with customers.

9. Share capital:

At December 31, 2022, the authorized share capital comprised 10,000 (2021 - 10,000) common shares without par value.

As at December 31, 2022, the Company has issued 450 common shares (2021 - 450) at $0.01 per share totaling $4.50 (2021 - $4.50) and contributed surplus of $27,397,110 (2021 - $27,397,110).

10. Personnel expenses:

The following expenses are included in general and administrative expenses:

		2022		2021
Wages and salaries	$	886,834	$	834,736
Other payroll expenses		-		7,000
	$	886,834	$	841,736

11. Net finance cost:

		2022		2021
Finance income:				
Investment interest	$	169,433	$	51,182
Bank interest		186,562		63,729
Other		28,748		2,178
		384,743		117,089
Finance cost:				
Finance expense on Project Agreement liability (note 8)		(239,347)		-
Finance expense on Concession Agreement liability (note 8)		(568,174)		(709,183)
Less: Finance cost capitalized to plant and equipment (note 6)		111,168		37,048
		(696,353)		(672,135)
Net finance cost	$	(311,610)	$	(555,046)

12. 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 the each contract year. The capital obligations are comprised of capital expenditures, financing costs and the Project Contractor's return on equity. The commodity costs include costs of fuel, electricity, water, waste 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 customer rates. As construction progresses the asset values are recorded as plant and equipment and the corresponding liabilities are recorded as Project Agreement liability as disclosed in note 8.

As at December 31, 2022, 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 $748,661 to Project Contractor.

(b) Distribution pipe leakage:

An accrual has been maintained in accounts payable and accrued liabilities for the damages that resulted from a distribution pipe leakage at one of the Company's service areas (note 6). Management believes the Company has adequately provided for the remediation costs and intends to seek compensation for such costs from the third parties involved. It is not permissible at this time to accrue the estimated financial effect of any recovery of expenses from the other parties involved or the Company's insurer.

13. 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 2022, the Company received and recognized in revenues $981,500 (2021 - $981,000) 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 revenue for 2022 is $30,830 (2021 - $34,920) 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 $120,394 (2021 - $36,543) relating to district energy permit fees collected by the City for in-building district energy related equipment reviews performed by the Company.

The total amount due from the City as at December 31, 2022 is $152,937 (2021 - $151,454) 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.

(b) Key management personnel:

A fee of $282,498 (2021 - $129,412), 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.

14. Fair values:

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).

14. Fair values (continued):

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.

(a) 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.

(b) Non-current financial liabilities:

Subsequent to initial recognition the Project Agreement liability is accounted for at amortized cost using the effective interest method. The carrying amount of the Project Agreement liability approximates its fair value due to the nature of liabilities accrued and benchmark market rate of interest rate applied (Level 3 inputs).

15. Financial risk management and financial instruments:

(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.

15. Financial risk management and financial instruments (continued):

(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 trades mainly 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 receivables to be low.

(*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 investments:

Credit risk arising from other financial assets of the Company comprises cash 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.

15. Financial risk management and financial instruments (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 asset. 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 12.

The information presented below shows the undiscounted contractual maturities of the Project Agreement liability (2021 – Concession Agreement liability), including estimated interest payments.

	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years
December 31, 2022	$ 11,361,558	$ 12,437,215	$ 2,882,097	$ 4,301,253	$ 5,253,865
December 31, 2021	12,264,387	13,821,248	3,397,805	1,952,570	8,470,873

(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 8) by securing the debt funding for the project at fixed interest rates until 2032.

16. 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 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. In order to maintain or adjust the capital structure, the Company may request additional investment from its shareholder. 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.

17. Pension plan:

The Company 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, 2022 and 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

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

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a $3,761 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be at December 31, 2024, with results available in 2025.

The Company paid $72,275 (2021 - $86,323) for employer contributions to the Plan in 2022.

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 Committee	**Date:**	April 21, 2023
From:	Jerry Chong General Manager, Finance & Corporate Services	**File:**	03-1200-09/2023-Vol 01

Re: **Richmond Olympic Oval Corporation 2022 Audited Financial Statements**

Staff Recommendation

That the report on the 2022 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

Jerry Chong
General Manager
Finance & Corporate Services
(604-276-4064)

REPORT CONCURRENCE
APPROVED BY CAO

7210131

RICHMOND OLYMPIC OVAL

Report

DATE: April 21, 2023

TO: Serena Lusk
Chief Administrative Officer, City of Richmond

Jerry Chong
General Manager, Finance & Corporate Services, City of Richmond

FROM: Rick Dusanj, CPA, CA
Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation 2022 audited financial statements**

Origin

This staff report addresses the Richmond Olympic Oval Corporation's (the "Corporation") 2022 audited financial statements (attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD") on April 20, 2023, as well as an update on the 4^{th} quarter ("Q4").

Q4 Highlights

The following are some of the highlights of the activities undertaken by the Corporation during Q4.

Community Use

The Oval continued to trend in the right direction in the quarter, with membership uptake continuing to increase and developmental youth sport programs such as Learn to Skate and youth climbing remaining popular in Q4. Numerous community groups utilized the Oval to operate their programs and services for ages ranging from tots to seniors. These programs and services included the following sports: aikido, basketball, figure skating, gymnastics, hockey, karate, soccer, and speed skating.

In accordance with the Richmond Oval Agreement between the City of Richmond ("City") and the Corporation, the funding that is received from the City on an annual basis is required for the Corporation to fulfill the operating objectives which include the Corporation providing facilities, programs and services for quality sport, fitness, recreational uses and wellness services for the Richmond community, neighbouring communities and the general public. Without the Oval and the annual contribution from the City, these facilities, programs and services would have to be provided elsewhere. As in previous quarters, community group use continued to constitute the majority of Oval usage in Q4.

Sport Development and Events

Events that took place in this quarter included: Taekwondo Korean Consul General Cup, PGA of BC Buying Show, Wheelchair Boccia Provincial Championships, ParaTough Cup, The RCMP Regimental Service, ClearOne Badminton Exhibition, Wheelchair Rugby Selection Camp, Canada Open Karate Championships, Pinnacle Cheer Pink Cheerleading Championships, Short Track BC Cup and Team BC Short Track Selection Trials, TOCA Futsal Tournament, and the Sport Climbing BC Oval Youth Climbing Competition.

New events secured in Q4 by Events and Sport Hosting included: 2023 Delta Gymnastics Invitational and Cash & Carry Cup, 2023 Boccia National Championships, 2023 Climbing Escalade Canada High Performance Competitions, 2023 Wheelchair Basketball National Championships, 2023 Wheelchair Rugby Vancouver Invitational, 2023 Wheelchair Rugby National Team Training Camp, U17/18 Volleyball BC 2023 Provincial Championships, 2023 Canadian Championships in Men's and Women's Artistic Gymnastics, and the 2023 Can-Am Martial Arts Championships.

Athletes representing provincial and national sports organizations utilized the Oval for training in Q4. The represented organizations included, but were not limited to the following: Field Hockey Canada, Basketball BC, Wheelchair Basketball Canada, BC Wheelchair Basketball Society, BC Wheelchair Sports Association, Sport Climbing BC, Climbing Escalade Canada, Volleyball BC, Volleyball Canada, Wheelchair Rugby Canada, Wheelchair Curling Canada, and Speed Skating BC.

Governance

Meetings of the Corporation's Audit & Finance Committee, Business Planning Committee and the Board of Directors took place during Q4.

2022 Audited Financial Statements

Please see attachment #1 for the audited financial statements of the Corporation for the year ended December 31, 2022. The comments below refer to figures included in the audited financial statements.

Independent Auditors Report

The Corporation received an unqualified audit opinion, which means that the auditor has concluded that the financial statements are presented fairly in accordance with Canadian public sector accounting standards.

Statement of Financial Position

The total financial assets of the Corporation were $16.7M, with liabilities of $11.8M, and non-financial assets of $14.5M as of December 31, 2022. The total financial assets of $16.7M primarily included investments of $14.2M which represents the Corporation's investments held by the Corporation and through the City, an accounts receivable balance of $0.6M and a cash balance of $1.7M. The total liabilities of $11.8M primarily included accounts payable and accrued liabilities of $3.2M and deferred revenue of $8.6M. The non-financial assets of the Corporation of $14.5M included $14.3M of tangible capital assets and $0.2M of prepaid expenses.

Statement of Operations

Although the Oval's operations are trending in a positive direction, the Corporation's gross revenues from memberships, admissions, programs and services for 2022 were approximately $1.2M less than they were compared to 2019 during pre-pandemic times. The 2022 audited financial statements have a surplus of $2.5M before amortization and transfers to reserves, which represents a favorable variance of $2.1M when compared to budget and an increase of $0.7M compared to the prior year. Total revenues for 2022 were $17.6M, and total expenses in 2022 before amortization were $15.1M.

Rick Dusanj, CPA, CA
Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation

Atta:

Attachment 1

Financial Statements of

RICHMOND OLYMPIC OVAL CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2022

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the 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, 2022
- 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, 2022, 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the 2022 annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2022 annual report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard

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 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 20, 2023

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets		
Cash	$ 1,743,783	$ 1,358,636
Investments (note 3)	14,206,580	11,576,894
Accounts receivable	595,183	331,912
Due from City of Richmond (note 4)	16,968	-
Inventories held for resale	160,232	139,566
	16,722,746	13,407,008
Liabilities		
Accounts payable and accrued liabilities	3,167,071	1,847,650
Deferred revenue (note 6)	8,578,270	5,624,365
Due to City of Richmond (note 4)	-	8,515
Rental deposits	7,373	7,373
	11,752,714	7,487,903
Net financial assets	4,970,032	5,919,105
Non-Financial Assets		
Tangible capital assets (note 7)	14,327,807	12,146,220
Prepaid expenses and other deposits	196,972	702,300
	14,524,779	12,848,520
Economic dependence (note 12)		
Accumulated surplus (note 8)	$ 19,494,811	$ 18,767,625

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, 2022, with comparative information for 2021

	2022 Budget (Note 2(h))	2022	2021
Revenue:			
2010 Games Operating Trust Fund (note 5)	$ 3,725,000	$ 4,212,071	$ 3,928,165
Contribution from City of Richmond (note 10(a))	3,754,292	3,754,292	3,669,885
Memberships, admissions and programs	5,854,079	8,048,501	5,472,453
Other (note 14)	1,174,859	1,556,569	1,135,930
	14,508,230	17,571,433	14,206,433
Expenses:			
Salaries and benefits	9,759,431	10,396,266	8,802,318
Utilities	1,002,318	954,149	919,381
Amortization	2,200,000	1,782,243	1,738,703
Supplies and equipment	858,517	863,286	663,344
Insurance	617,000	620,064	514,280
General and administration	764,253	827,767	516,603
Marketing	148,941	162,782	184,917
Program services	884,160	1,188,153	704,324
Professional fees	55,060	49,537	47,965
	16,289,680	16,844,247	14,091,835
Annual surplus (deficit)	(1,781,450)	727,186	114,598
Accumulated surplus, beginning of year	18,767,625	18,767,625	18,653,027
Accumulated surplus, end of year	$ 16,986,175	$ 19,494,811	$ 18,767,625

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets

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

	2022 Budget (Note 2(h))	2022	2021
Annual surplus (deficit), for the year	$ (1,781,450)	$ 727,186	$ 114,598
Acquisition of tangible capital assets	(4,072,000)	(3,966,248)	(2,200,995)
Loss on sale of tangible capital assets	-	1,609	3,561
Proceeds on sale of tangible capital assets	-	809	-
Amortization of tangible capital assets	2,200,000	1,782,243	1,738,703
	(1,872,000)	(2,181,587)	(458,731)
Acquisition of prepaid expenses and other deposits	-	(415,822)	(1,326,451)
Use of prepaid expenses and other deposits	-	921,150	754,176
Change in net financial assets	(3,653,450)	(949,073)	(916,408)
Net financial assets, beginning of year	5,919,105	5,919,105	6,835,513
Net financial assets, end of year	$ 2,265,655	$ 4,970,032	$ 5,919,105

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operations:		
Annual surplus	$ 727,186	$ 114,598
Items not involving cash:		
Amortization of tangible capital assets	1,782,243	1,738,703
Loss on sale of tangible capital assets	1,609	3,561
Changes in non-cash operating working capital:		
Accounts receivable	(263,271)	42,720
Due from (to) the City of Richmond	(25,483)	23,271
Inventories held for resale	(20,666)	14,512
Prepaid expenses and other deposits	505,328	(572,275)
Accounts payable and accrued liabilities	1,319,421	(74,747)
Deferred revenue	2,953,905	128,758
	6,980,272	1,419,101
Capital activities:		
Acquisition of tangible capital assets	(3,966,248)	(2,200,995)
Proceeds on sale of tangible capital assets	809	-
	(3,965,439)	(2,200,995)
Investing activities:		
Net (purchase) redemption of investments	(2,629,686)	33,242
Increase (decrease) in cash	385,147	(748,652)
Cash, beginning of year	1,358,636	2,107,288
Cash, end of year	$ 1,743,783	$ 1,358,636

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").

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:

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. 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.

Sponsorship revenues are deferred and amortized to revenue over the term of sponsorship agreements.

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 are initially classified upon initial recognition as a fair value or amortized cost instrument. The Corporation holds financial instruments consisting of accounts receivables, due from City of Richmond, and term deposits that mature within one year. Due to the short-term nature of these assets, their fair values approximate book value.

The Corporation does not have any financial instruments required or elected to be subsequently recorded at fair value. As there are no financial instruments carried at fair value, the statement of remeasurement gains and losses has not been prepared.

(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.

2. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(*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 years
Computer software and equipment	3 years
Facility equipment	3 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.

(*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 sports, fitness, and recreation. As a result, the expenses of the Corporation are presented by object in the statement of operations.

2. Significant accounting policies (continued):

(h) Budget data:

The budget data presented in these financial statements is based upon the 2022 budget approved by the Board of Directors on December 3, 2021.

(i) Use of estimates:

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 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.

3. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	2022	2021
July 14, 2022	July 14, 2023	$ 3,987,088*	$ -
July 19, 2022	July 19, 2023	3,619,492*	-
December 21, 2022	April 21, 2023	6,000,000	-
December 29, 2022	May 1, 2023	600,000	-
March 25, 2021	March 25, 2022	-	2,500,000*
May 25, 2021	May 25, 2022	-	2,570,383*
June 30, 2021	June 30, 2022	-	2,578,346*
July 14, 2021	July 14, 2022	-	3,928,165*
		$14,206,580	$ 11,576,894

The interest rate of the term deposits ranges from 5.05% to 5.22% (2021 - 1.00% to 1.50%).

* Investments held by the City of Richmond on behalf of the Corporation, with income earned fully attributable to the Corporation.

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 Agreement ("GOT"), 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. 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:

	2022	2021
2021 annual distributable amount approve and received in 2022	$ 4,212,071	$ -
2020 annual distributable amount approve and received in 2021	-	3,928,165
	$ 4,212,071	$ 3,928,165

6. Deferred revenue:

	2022	2021
Balance, beginning of year	$ 5,624,365	$ 5,495,607
Add: amounts received	12,558,975	6,737,141
Less: revenue recognized	(9,605,070)	(6,608,383)
Balance, end of year	$ 8,578,270	$ 5,624,365

Deferred revenue comprises of:

	2022	2021
Memberships and programs	$ 1,061,065	$ 1,058,726
Sponsorship fees	28,226	73,000
Sport Hosting funding (note 10(b))	817,964	754,223
Richmond Olympic Experience (note 10(b))	3,638,995	3,738,416
The Fields (a)	3,032,020	-
	$ 8,578,270	$ 5,624,365

(a) During year ended December 31, 2022, the Corporation received funding from various organizations pertaining to The Fields project. The Fields will be a year-round outdoor activity space for sports programs and events. As at December 31, 2022, $3,032,020 of the funds restricted for The Fields project remain in deferred revenue and the revenue will be recognized based on the terms specified by the related agreements.

7. Tangible capital assets:

Cost	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022
Athletic equipment	$ 4,045,029	$ 411,363	$ (73,102)	$ 4,383,290
Building improvements	2,980,545	145,130	-	3,125,675
Computer software and equipment	3,524,589	172,222	-	3,696,811
Facility equipment	1,395,946	139,301	-	1,535,247
Infrastructure	5,880,940	-	-	5,880,940
Signage	183,836	11,706	-	195,542
Simulators and exhibit fabrication	3,872,913	11,393	-	3,884,306
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	371,000	28,227	-	399,227
Work in progress	2,449,982	3,046,906	-	5,496,888
	$ 24,770,509	$ 3,966,248	$ (73,102)	$ 28,663,655

7. Tangible capital assets (continued):

Accumulated amortization	Balance December 31, 2021	Amortization expense	Disposals	Balance December 31, 2022
Athletic equipment	$ 2,627,462	$ 310,050	$ (70,684)	$ 2,866,828
Building improvements	1,870,719	483,744	-	2,354,463
Computer software and equipment	3,048,029	291,806	-	3,339,835
Facility equipment	1,245,541	100,878	-	1,346,419
Infrastructure	904,046	147,024	-	1,051,070
Signage	155,515	17,955	-	173,470
Simulators and exhibit fabrication	2,360,891	412,205	-	2,773,096
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	346,357	18,581	-	364,938
	$ 12,624,289	$ 1,782,243	$ (70,684)	$ 14,335,848

	2022 Net book value	2021 Net book value
Athletic equipment	$ 1,516,462	$ 1,417,567
Building improvements	771,212	1,109,826
Computer software and equipment	356,976	476,560
Facility equipment	188,828	150,405
Infrastructure	4,829,870	4,976,894
Signage	22,072	28,321
Simulators and exhibit fabrication	1,111,210	1,512,022
Uniforms, ice skates and helmets	34,289	24,643
Work in progress	5,496,888	2,449,982
	$ 14,327,807	$ 12,146,220

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 (2021 - nil).

8. Accumulated surplus:

	2022	2021
Accumulated surplus is comprised of:		
Share capital	$ 1	$ 1
Capital reserve	9,846,053	8,100,246
Other reserves/provisions	1,166,472	1,558,557
Operating surplus	610,286	605,776
Invested in tangible capital assets	7,871,999	8,503,045
	$ 19,494,811	$ 18,767,625

9. 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 notcollectible 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 will fluctuate because of changes in the market interest rate.

It is management's opinion that the Corporation is not exposed to significant market or interest rate risk from its financial instruments.

9. 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 2021.

10. Related party transactions:

(a) City of Richmond:

The Corporation leases the Oval from the City for $1 annually.

In 2022, $24,663 (2021 - $34,458) of general and administration and salaries and benefits expenses were charged to the Corporation for the provision of City staff time.

In 2022, nil (2021 - $25,000) salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed.

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. In accordance with the Agreement, the City will provide, for the first 15-years of the term, financial support as agreed between the City and the Corporation from time to time; for the years 2010, 2011 and 2012 the annual financial support shall not be less than $1,500,000 per year indexed at the City of Vancouver's Consumer Price Index. After 15-years, any financial assistance from the City will be determined by the City in its sole discretion.

During 2022, the Corporation received a contribution from the City of $3,754,292 (2021 - $3,669,885) (note 15).

(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 2022, $399,996 (2021 - $325,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2022, $817,964 (2021 - $754,223) has been included in deferred revenue (note 6) and during 2022, $336,255 (2021 - $124,867) was recognized in memberships, admissions, and programs revenue on the statement of operations relating to Sport Hosting.

10. Related party transactions (continued):

(b) Sport Hosting Function (continued):

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, $3,638,995 (2021 - $3,738,416) of the funds restricted for the purchase of 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.

11. 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, 2021, the Plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as of December 31, 2021, indicated a $3,761,000,000 funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2024, with results available in 2025.

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

The Corporation paid $553,353 (2021 - $524,491) for employer contributions to the Plan in fiscal 2022.

12. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT (note 5) and the City (note 10).

13. Contractual rights:

Contractual rights are 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 sponsorship revenue and lease revenue over the next five years in the following total amounts:

2023	$ 422,574
2024	425,311
2025	430,873
2026	407,547
2027	420,952

In addition, the Corporation receives funding from the City (note 10(a)) and from the GOT (note 5).

14. Other revenue:

Other revenue consists primarily of sponsorship revenue, leasing revenue, parking fees, and interest income.

15. Government transfers:

Government transfers are received for operating and capital activities. During 2022, the Corporation received an operating transfer of $3,754,292 (2021 - $3,669,885) (note 10) and capital transfers of $1,353,601 (2021 – nil). The capital transfers are included in deferred revenue.