City of Richmond

Agenda

Finance Committee

Anderson Room, City Hall
6911 No. 3 Road

Monday, May 5, 2025
Immediately following the General Purposes Committee meeting

Pg. # ITEM

MINUTES

FIN-4 ***Motion to adopt the minutes of the meeting of the Special Finance Committee held on April 22, 2025.***

DELEGATION

FIN-6 1. Aanu Adeleye, Engagement Partner, and Chito Lo, Engagement Senior Manager, KPMG, to present the Audit Findings Report on the City's 2024 Consolidated Financial Statements.

FINANCE AND CORPORATE SERVICES DIVISION

2. **2024 CONSOLIDATED FINANCIAL STATEMENTS**
(File Ref. No. 03-0905-01) (REDMS No. 8021882)

FIN-31 See Page **FIN-31** for full report

Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

That the 2024 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

8033575

Pg. # ITEM

RICHMOND PUBLIC LIBRARY

3. **2024 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**
(File Ref. No. 03-0905-01) (REDMS No. 8027857)

FIN-133 See Page **FIN-133** for full report

Designated Speaker: Susan Walters

STAFF RECOMMENDATION

That the 2024 Richmond Public Library audited financial statements for the year ended December 31, 2024, as presented in the attached report from the Chief Librarian, be received for information.

LULU ISLAND ENERGY COMPANY

4. **2024 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**
(File Ref. No. 03-0950-01) (REDMS No. 8022654)

FIN-158 See Page **FIN-158** for full report

Designated Speakers: Alen Postolka & Helen Zhao

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled "2024 Financial Statements for the Lulu Island Energy Company", dated April 10, 2025, from the Chief Executive Officer and Chief Financial Officer, be received for information.

RICHMOND OLYMPIC OVAL CORPORATION

5. **RICHMOND OLYMPIC OVAL CORPORATION 2024 AUDITED FINANCIAL STATEMENTS**
(File Ref. No.) (REDMS No.)

Report distributed separately at a later date

Designated Speaker: Rick Dusanj

Pg. # ITEM

ADJOURNMENT

City of Richmond

Minutes

Special Finance Committee

Date:	Tuesday, April 22, 2025
Place:	Anderson Room Richmond City Hall
Present:	Mayor Malcolm D. Brodie, Chair Councillor Carol Day Councillor Laura Gillanders Councillor Kash Heed Councillor Andy Hobbs Councillor Alexa Loo Councillor Bill McNulty Councillor Michael Wolfe
Absent:	Councillor Chak Au
Call to Order:	The Chair called the meeting to order at 5:10 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Special Finance Committee held on April 15, 2024, and the Finance Committee held on April 7, 2025 be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **ANNUAL PROPERTY TAX RATES (2025) BYLAW NO. 10653**
(File Ref. No. 03-1240-01) (REDMS No. 7957895)

It was moved and seconded
That the Annual Property Tax Rates (2025) Bylaw No. 10653 be introduced and given first, second and third readings.

CARRIED

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (5:11 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 Tuesday, April 22, 2025.

Mayor Malcolm D. Brodie
Chair

Raman Grewal
Legislative Services Associate

KPMG

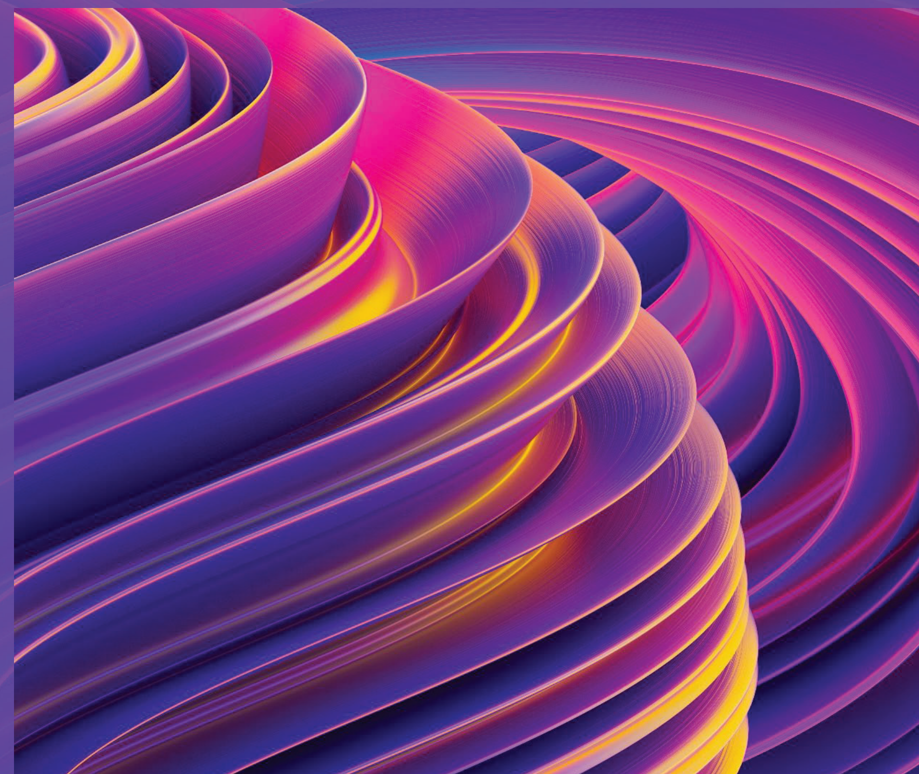
City of Richmond

Audit Findings Report
for the year ended December 31, 2024

KPMG LLP

Prepared April 15, 2025 for presentation on May 5, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

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

Brandon Ma
Engagement Quality Control Review Partner
604-617-3880
bjma@kpmg.ca

Chito Lo, MSc, CPA, CA
Engagement Senior Manager
514-840-2630
chitolo@kpmg.ca

* We have transitioned the role of Engagement Partner providing services to the City of Richmond. This change has been discussed with and approved by Management.

FIN – 7

Table of contents

4 Highlights

5 Status

6 Risks and results

12 Control deficiencies

13 Policies and practices

15 Audit quality

16 Appendices

The purpose of this report is to assist you, as a member of Richmond City Council ("Council"), in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management 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 has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

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

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

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

Audit highlights

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

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of Richmond City Council ("Council") in your review of the results of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City of Richmond (the "City") as at and for the year ended December 31, 2024. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

Status

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

Significant changes

Significant changes since our audit plan

- No change to risk assessment
- No change to audit strategy assessment

Current developments

Current developments

There have been no updates to the current developments included in our Audit Planning Report that was previously provided to you.

Risks and results

Significant risks

- Presumed risk of management override of controls

Other risks of material misstatement

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

Other areas of audit focus

- Valuation of post-employment benefit liability

Misstatements - uncorrected

Uncorrected misstatements

We identified misstatements that remain uncorrected in the financial statements. Based on both qualitative and quantitative considerations, management has decided not to correct the misstatements and represented to us that the misstatements - individually and in the aggregate - are, in their judgment, not material to the financial statements.

We concur that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Misstatements - corrected

Corrected misstatements

Control deficiencies

Significant deficiencies

Other deficiencies

Policies and practices

Accounting policies and practices

Significant unusual transactions

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, 2024 up to the date of this report.

FIN – 9

Status

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

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

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

FIN – 11

Significant risks and results

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

Risk of management override of controls
presumed significant risk in accordance with Canadian Auditing Standards ("CAS") 240

RISK OF **FRAUD**

Significant risk

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our response

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

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

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results

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

Revenue including new accounting standards, deferred revenues, and development cost charges

RISK OF ERROR

Other risk of material misstatement	Estimate?
Revenue from transactions with performance obligations are recognized when the City satisfies the performance obligation by providing the promised goods or services to a payor. Revenue from transactions with no performance obligations are recognized when the City has the authority to claim the economic inflow and an event has given rise to the asset. Revenue relating to future periods, including property taxes, development cost charges ("DCCs"), government grants, contributions for future capital works, and amounts collected for building permits and facility upgrades, are reported as deferred revenue and recognized when earned. PS 3400 Revenue ("PS 3400") is a new accounting standard effective for the City's 2024 fiscal year. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.	Yes – Deferred revenue for permits

Our response

- We updated our understanding of the process activities and controls over revenue, deferred revenue, development cost charges, and restricted funds.
- We performed a walkthrough of the contributions received and related expenditures process, by tracing a transaction from initiation through to being recorded in the general ledger to confirm that the controls are implemented as designed.
- We inspected specific contracts and new grants to determine whether there were stipulations or restrictions impacting revenue recognition. We assessed whether revenue was appropriately recognized, or the amount was appropriately deferred. We also agreed the amounts recorded to cash receipts and the funding letter.
- We assessed whether the appropriate stipulations were met by inspecting and recalculating expenses incurred for certain projects.
- We performed substantive analytical procedures over taxation revenue to establish expected changes in taxation revenue, and compared with the actual recorded amount to assess the revenue recorded is within our expectation.
- We selected a sample of revenue transactions other than taxation revenue and vouched to supporting documents to ensure revenue was recognized appropriately.
- We reconciled permits to new development cost charges ("DCC") during the year and inspected appropriate bylaws noting the appropriation for its specified purpose.

Other risks of material misstatement and results (continued)

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

Revenue including new accounting standards, deferred revenues, and development cost charges (continued)

RISK OF ERROR

Our response

- We tested a sample of DCC charges, recalculated the total amount, agreed each factor in the calculation to supporting documentation and agreed the amount recorded to cash receipts.
- We tested a sample of DCC expenditures, ensuring the expenditure bylaws were approved by Council and agreed the amount recorded to supporting documentation.
- We selected a sample of letters of credit held by the City and confirmed the authenticity of the letter of credit with the financial institution
- We assessed the impact of the new PS3400 *Revenue* ("PS 3400") standard on timing, measurement, recognition, and presentation of revenue. The adoption of this standard has resulted in changes to the timing of revenue recognition for certain revenue streams such as licenses and contributions.
  - We reviewed management's analysis of the impact of PS 3400 on the City's accounting policies for revenue recognition.
  - We performed a walkthroughs over the City's process for identifying performance obligations in revenue streams impacted by the initial implementation of PS 3400.
  - We assessed the adjustment calculated by management by testing a sample of license revenue and agreed the revenue recognition to supporting documentation.
  - We reviewed the financial statement note disclosures to ensure they are accurate and comply with the requirements in PS 3400.

The City has applied the prospective transitional provisions on initial implementation of the accounting standard. As a result, the City's licences and permits revenue increased by $1,812,934, with a corresponding decrease in deferred revenue. In addition, the City's other revenues increased by $492,557, with a corresponding decrease in deferred revenue.

As a result of management's analysis, two adjustments were identified relating to the accounting for Major Roads Network revenue. The related adjustments were corrected in the current year, although some of the amounts relate to the prior year. We proposed audit adjustments to recognize the impact of the adjustments in prior year. The adjustments remains uncorrected and have no impact on our auditor's report since the amounts are not material. See *Appendix 2 – Management Representation Letter* for further details.

Our findings

Except for the adjustments noted above, there were no other issues noted in our testing.

Other risks of material misstatement and results (continued)

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

Expenses, including salaries and benefits expense

RISK OF ERROR

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

Our response

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

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results (continued)

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

Tangible Capital Assets

RISK OF ERROR

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

Our response

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

Our findings

There were no issues noted in our testing.

Other area of audit focus

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

Valuation of post-employment benefit liability

RISK OF ERROR

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

Our response

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

Our findings

There were no issues noted in our testing.

Control deficiencies and observations

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

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

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR. We did not identify any other observations during the audit.

Accounting policies and practices

Significant accounting policies

- Effective January 1, 2024, the City adopted three new accounting standards – PS 3400 *Revenue* ("PS 3400"), PS 3150 *Public Private Partnerships* ("PS 3150") and PSG-8 *Purchased Intangibles* ("PSG-8")
  - We inquired with management and reviewed their analysis of the impact of the new accounting standards relative to the City's transactions/balances and accounting policies.
  - We reviewed the presentation and financial statement note disclosures to ensure they comply with the requirements in the new standards.
  - Refer to page 8 for further details about PS 3400.
  - PS 3150 and PSG-8 did not have an impact on the amounts presented in the financial statements.
- 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.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Description of new or revised significant accounting policies and practices

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

Accounting policies and practices (continued)

Significant qualitative aspects

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

FIN – 20

Audit quality - How do we deliver audit quality?

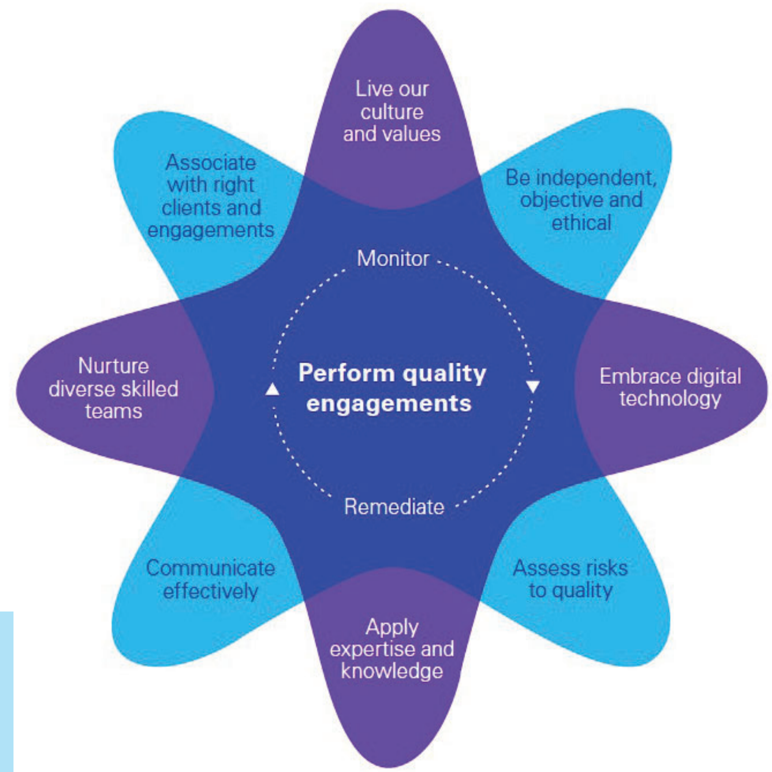
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

KPMG Canada Transparency Report

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

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



Doing the right thing. Always.

Appendices

1 Required communications

2 Management Representation Letter

Appendix 1: Other required communications

Auditor's report

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

Engagement letter

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

Audit findings report

Represented by this report.

Management representation letter

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

Independence

We have confirmed our independence to Council on page 4 of this report.

Internal control deficiencies

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

We did not identify any other observations during the audit.

Appendix 2: Management representation letter

(Letterhead of City of Richmond)

MANAGEMENT REPRESENTATION LETTER

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

Date of Council's acceptance of the financial statements

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond (the "City") as at and for the period ended December 31, 2024.

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, short-sellers, or others.

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

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

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

Subsequent events:

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

Related parties:

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

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

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

Estimates:

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

Going concern:

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

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

Other information:

11) We confirm that the final version of the 2024 annual report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

Misstatements:

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

Non-SEC registrants or non-reporting issuers:

13) 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).

14) 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:

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

16) 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,

____

Serena Lusk, Chief Administrative Officer

____

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 2024

	Uncorrected Misstatements	Annual Surplus (Increase) / Decrease	Asset Increase / (Decrease)	Liability (Increase) / Decrease	Opening Accumulated Surplus (Increase) / Decrease
1	Dr. Opening surplus (factual)	-	-	-	6,497,346
	Cr. Provincial and federal contributions	(6,497,346)	-	-	-
	The effects of an out-of-period adjustment to Major Road Network revenue of fiscal year 2024 made by management in order to record revenue in the period where the transfer stipulations have been satisfied.				
	Total	**(6,497,346)**	**-**	**-**	**6,497,346**

Summary of Corrected Audit Misstatements 2024

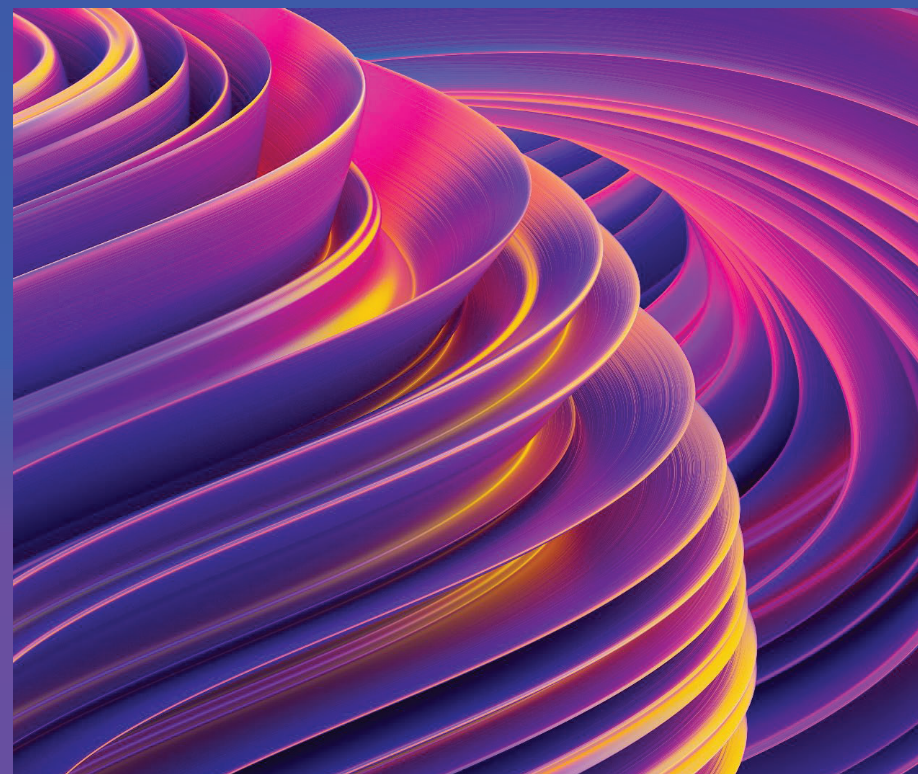
We did not identify misstatements that were communicated to management and subsequently corrected in the financial statements.

Summary of Uncorrected Audit Misstatements 2023 (updated)

	Uncorrected Misstatements	Annual Surplus (Increase) / Decrease	Asset Increase / (Decrease)	Liability (Increase) / Decrease	Opening Accumulated Surplus (Increase) / Decrease
1	Dr. Opening surplus (factual)	-	-	-	7,631,435
	Cr. Provincial and federal contributions	(1,134,089)	-	-	-
	Cr. Deferred revenue	-	-	(6,497,346)	-
	To appropriately reflect revenue recognition of Major Road Network revenue of fiscal year 2023, and record revenue in the period where the transfer stipulations have been satisfied.				
	Total	**(1,134,089)**	**-**	**(6,497,346)**	**7,631,435**

KPMG

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



City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 9, 2025
From:	Mike Ching Director, Finance	**File:**	03-0905-01/2025-Vol 01
Re:	**2024 Consolidated Financial Statements**		

Staff Recommendation

That the 2024 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

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

Att. 3

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

Staff Report

Origin

Sections 98 and 167 of the *Community Charter* require that the City of Richmond (the City) prepare annual audited financial statements. The City's audited consolidated financial statements for 2024 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, 2024, 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, 2024 are included as Attachment 2.

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

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in Attachment 3. The FSD&A explains 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 audited 2024 consolidated financial statements.

Adoption of new accounting standards

New Public Sector accounting standards (PS) and guidelines (PSG) were adopted effective for the 2024 consolidated financial statements. The new standards and guidelines include:

1. PS 3160 Public Private Partnerships. This standard addresses the recognition, measurement, presentation and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. The adoption of these standards did not have any impact on the amounts presented in the consolidated financial statements.
2. PSG-8 Purchased Intangibles. This guideline defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. The adoption of these guidelines did not have any impact on the amounts presented in the consolidated financial statements.
3. PS 3400 Revenue. This standard establishes how to account for and report on revenue arising from transactions that include performance obligations and applies to all revenues, except for taxation revenues, government transfers, income from investments in GBE and other revenues which are covered in other PS. Details on the impact of adopting these standards on the amounts presented in the consolidated financial statements is provided in Attachment 2, Note 3(c).

Financial Impact

None.

Conclusion

The City's audited consolidated financial statements for 2024 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, 2024, 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, CPA, CMA
Manager, Financial Reporting
(604-276-4077)

Att. 1: Audit Findings Report for the year ended December 31, 2024
2: 2024 City of Richmond Consolidated Financial Statements
3: 2024 Financial Statement Discussion and Analysis

Attachment 1

KPMG

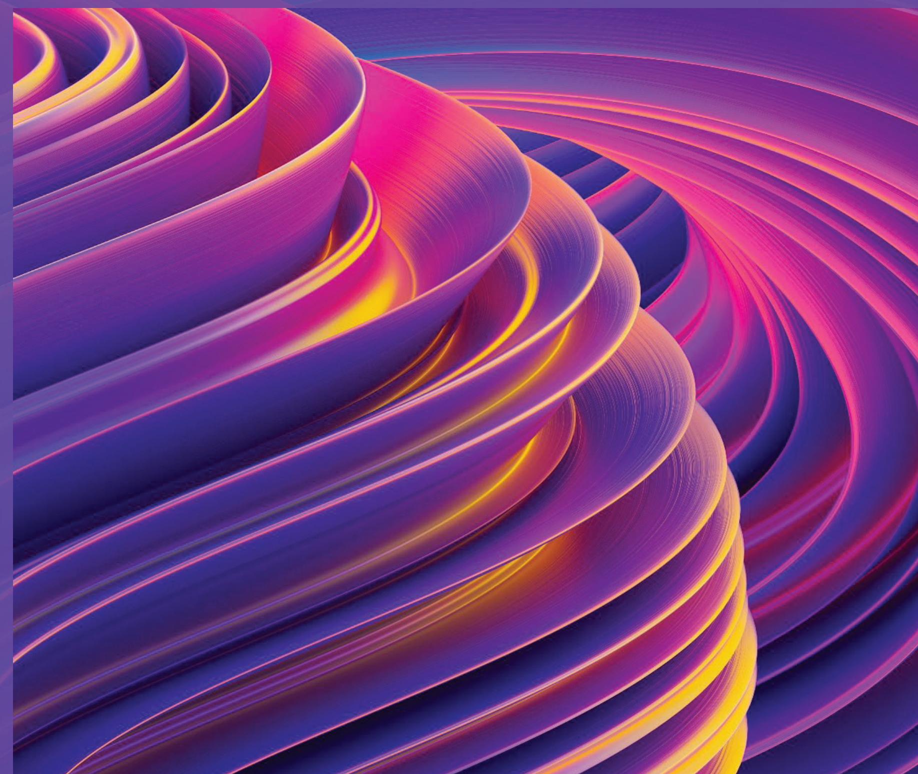
City of Richmond

Audit Findings Report
for the year ended December 31, 2024

KPMG LLP

Prepared April 15, 2025 for presentation on May 5, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

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

Brandon Ma
Engagement Quality Control Review Partner
604-617-3880
bjma@kpmg.ca

Chito Lo, MSc, CPA, CA
Engagement Senior Manager
514-840-2630
chitolo@kpmg.ca

* We have transitioned the role of Engagement Partner providing services to the City of Richmond. This change has been discussed with and approved by Management.

Table of contents

4 Highlights

5 Status

6 Risks and results

12 Control deficiencies

13 Policies and practices

15 Audit quality

16 Appendices

The purpose of this report is to assist you, as a member of Richmond City Council ("Council"), in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management 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 has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

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

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

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

Audit highlights

No matters to report

Matters to report – see link for details

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of Richmond City Council ("Council") in your review of the results of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City of Richmond (the "City") as at and for the year ended December 31, 2024. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

Status

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

Significant changes

Significant changes since our audit plan

- No change to risk assessment
- No change to audit strategy assessment

Current developments

Current developments

There have been no updates to the current developments included in our Audit Planning Report that was previously provided to you.

Risks and results

Significant risks

- Presumed risk of management override of controls

Other risks of material misstatement

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

Other areas of audit focus

- Valuation of post-employment benefit liability

Misstatements - uncorrected

Uncorrected misstatements

We identified misstatements that remain uncorrected in the financial statements. Based on both qualitative and quantitative considerations, management has decided not to correct the misstatements and represented to us that the misstatements - individually and in the aggregate - are, in their judgment, not material to the financial statements.

We concur that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Misstatements - corrected

Corrected misstatements

Control deficiencies

Significant deficiencies

Other deficiencies

Policies and practices

Accounting policies and practices

Significant unusual transactions

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, 2024 up to the date of this report.

FIN – 37

Status

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

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

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

Significant risks and results

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

Risk of management override of controls

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

RISK OF FRAUD

Significant risk

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our response

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

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

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results

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

Revenue including new accounting standards, deferred revenues, and development cost charges

RISK OF ERROR

Other risk of material misstatement	Estimate?
Revenue from transactions with performance obligations are recognized when the City satisfies the performance obligation by providing the promised goods or services to a payor. Revenue from transactions with no performance obligations are recognized when the City has the authority to claim the economic inflow and an event has given rise to the asset. Revenue relating to future periods, including property taxes, development cost charges ("DCCs"), government grants, contributions for future capital works, and amounts collected for building permits and facility upgrades, are reported as deferred revenue and recognized when earned. PS 3400 Revenue ("PS 3400") is a new accounting standard effective for the City's 2024 fiscal year. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.	Yes – Deferred revenue for permits

Our response

- We updated our understanding of the process activities and controls over revenue, deferred revenue, development cost charges, and restricted funds.
- We performed a walkthrough of the contributions received and related expenditures process, by tracing a transaction from initiation through to being recorded in the general ledger to confirm that the controls are implemented as designed.
- We inspected specific contracts and new grants to determine whether there were stipulations or restrictions impacting revenue recognition. We assessed whether revenue was appropriately recognized, or the amount was appropriately deferred. We also agreed the amounts recorded to cash receipts and the funding letter.
- We assessed whether the appropriate stipulations were met by inspecting and recalculating expenses incurred for certain projects.
- We performed substantive analytical procedures over taxation revenue to establish expected changes in taxation revenue, and compared with the actual recorded amount to assess the revenue recorded is within our expectation.
- We selected a sample of revenue transactions other than taxation revenue and vouched to supporting documents to ensure revenue was recognized appropriately.
- We reconciled permits to new development cost charges ("DCC") during the year and inspected appropriate bylaws noting the appropriation for its specified purpose.

Other risks of material misstatement and results (continued)

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

Revenue including new accounting standards, deferred revenues, and development cost charges (continued)

RISK OF ERROR

Our response

- We tested a sample of DCC charges, recalculated the total amount, agreed each factor in the calculation to supporting documentation and agreed the amount recorded to cash receipts.
- We tested a sample of DCC expenditures, ensuring the expenditure bylaws were approved by Council and agreed the amount recorded to supporting documentation.
- We selected a sample of letters of credit held by the City and confirmed the authenticity of the letter of credit with the financial institution
- We assessed the impact of the new PS3400 *Revenue* ("PS 3400") standard on timing, measurement, recognition, and presentation of revenue. The adoption of this standard has resulted in changes to the timing of revenue recognition for certain revenue streams such as licenses and contributions.
  - We reviewed management's analysis of the impact of PS 3400 on the City's accounting policies for revenue recognition.
  - We performed a walkthroughs over the City's process for identifying performance obligations in revenue streams impacted by the initial implementation of PS 3400.
  - We assessed the adjustment calculated by management by testing a sample of license revenue and agreed the revenue recognition to supporting documentation.
  - We reviewed the financial statement note disclosures to ensure they are accurate and comply with the requirements in PS 3400.

  The City has applied the prospective transitional provisions on initial implementation of the accounting standard. As a result, the City's licences and permits revenue increased by $1,812,934, with a corresponding decrease in deferred revenue. In addition, the City's other revenues increased by $492,557, with a corresponding decrease in deferred revenue.

  As a result of management's analysis, two adjustments were identified relating to the accounting for Major Roads Network revenue. The related adjustments were corrected in the current year, although some of the amounts relate to the prior year. We proposed audit adjustments to recognize the impact of the adjustments in prior year. The adjustments remains uncorrected and have no impact on our auditor's report since the amounts are not material. See *Appendix 2 – Management Representation Letter* for further details.

Our findings

Except for the adjustments noted above, there were no other issues noted in our testing.

Other risks of material misstatement and results (continued)

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

Expenses, including salaries and benefits expense

RISK OF ERROR

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

Our response

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

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results (continued)

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

Tangible Capital Assets

RISK OF ERROR

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

Our response

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

Our findings

There were no issues noted in our testing.

Other area of audit focus

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

Valuation of post-employment benefit liability

RISK OF ERROR

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

Our response

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

Our findings

There were no issues noted in our testing.

Control deficiencies and observations

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

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

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR. We did not identify any other observations during the audit.

Accounting policies and practices

Significant accounting policies

- Effective January 1, 2024, the City adopted three new accounting standards – PS 3400 *Revenue* ("PS 3400"), PS 3150 *Public Private Partnerships* ("PS 3150") and PSG-8 *Purchased Intangibles* ("PSG-8")
  - We inquired with management and reviewed their analysis of the impact of the new accounting standards relative to the City's transactions/balances and accounting policies.
  - We reviewed the presentation and financial statement note disclosures to ensure they comply with the requirements in the new standards.
  - Refer to page 8 for further details about PS 3400.
  - PS 3150 and PSG-8 did not have an impact on the amounts presented in the financial statements.
- 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.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Description of new or revised significant accounting policies and practices

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

Accounting policies and practices (continued)

Significant qualitative aspects

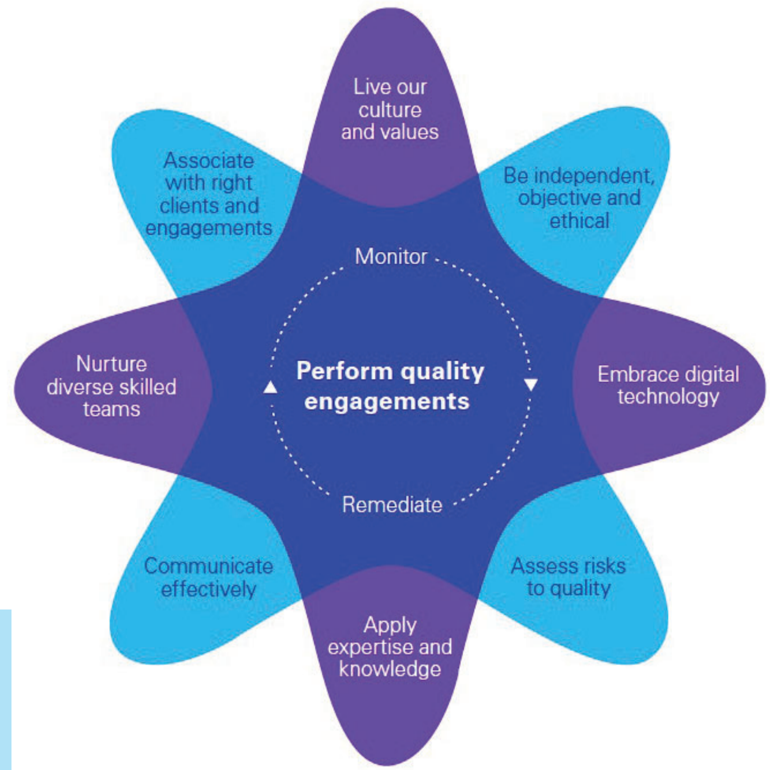
- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects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

Audit quality - How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

KPMG Canada Transparency Report



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

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

Doing the right thing. Always.

Appendices

1 Required communications

2 Management Representation Letter

Appendix 1: Other required communications

Auditor's report

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

Engagement letter

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

Audit findings report

Represented by this report.

Management representation letter

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

Independence

We have confirmed our independence to Council on page 4 of this report.

Internal control deficiencies

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

We did not identify any other observations during the audit.

Appendix 2: Management representation letter

(Letterhead of City of Richmond)

MANAGEMENT REPRESENTATION LETTER

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

Date of Council's acceptance of the financial statements

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond (the "City") as at and for the period ended December 31, 2024.

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, short-sellers, or others.

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

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

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

Subsequent events:

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

Related parties:

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

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

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

Estimates:

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

Going concern:

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

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

Other information:

11) We confirm that the final version of the 2024 annual report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

Misstatements:

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

Non-SEC registrants or non-reporting issuers:

13) 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).

14) 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:

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

16) 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,

____

Serena Lusk, Chief Administrative Officer

____

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 2024

	Uncorrected Misstatements	Annual Surplus (Increase) / Decrease	Asset Increase / (Decrease)	Liability (Increase) / Decrease	Opening Accumulated Surplus (Increase) / Decrease
1	Dr. Opening surplus (factual)	-	-	-	6,497,346
	Cr. Provincial and federal contributions	(6,497,346)	-	-	-
	The effects of an out-of-period adjustment to Major Road Network revenue of fiscal year 2024 made by management in order to record revenue in the period where the transfer stipulations have been satisfied.				
	Total	**(6,497,346)**	**-**	**-**	**6,497,346**

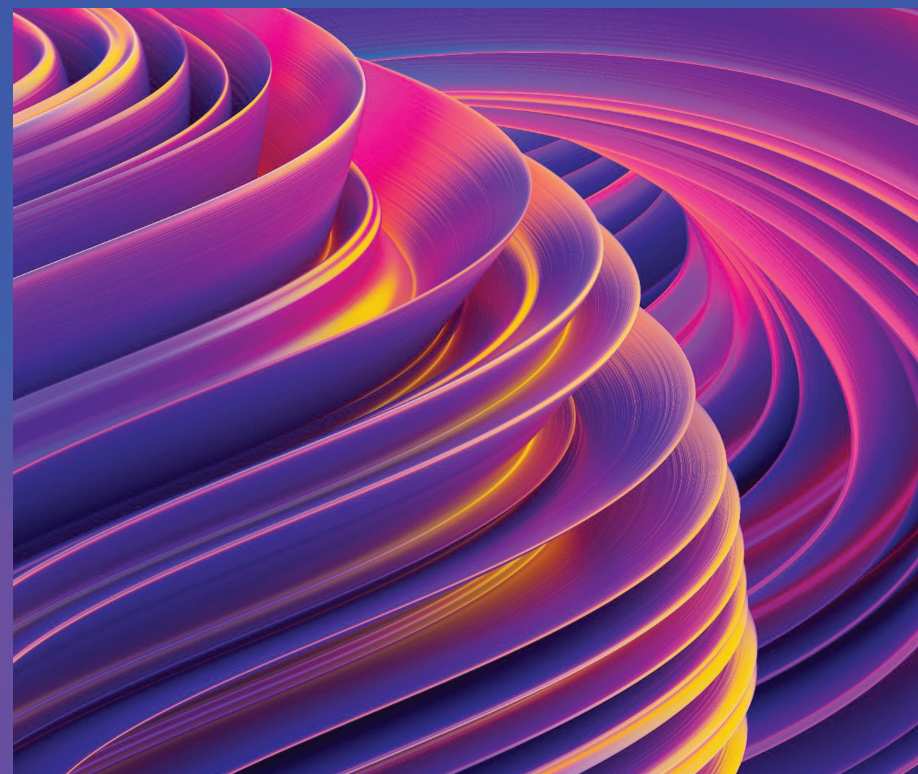
Summary of Corrected Audit Misstatements 2024

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

Summary of Uncorrected Audit Misstatements 2023 (updated)

	Uncorrected Misstatements	Annual Surplus (Increase) / Decrease	Asset Increase / (Decrease)	Liability (Increase) / Decrease	Opening Accumulated Surplus (Increase) / Decrease
1	Dr. Opening surplus (factual)	-	-	-	7,631,435
	Cr. Provincial and federal contributions	(1,134,089)	-	-	-
	Cr. Deferred revenue	-	-	(6,497,346)	-
	To appropriately reflect revenue recognition of Major Road Network revenue of fiscal year 2023, and record revenue in the period where the transfer stipulations have been satisfied.				
	Total	**(1,134,089)**	**-**	**(6,497,346)**	**7,631,435**

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



Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditor's Report thereon

Year ended December 31, 2024

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 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, 2024
- 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, 2024, 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.

DRAFT – APRIL 23, 2025

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

Chartered Professional Accountants

Vancouver, Canada
Date

CITY OF RICHMOND

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

December 31, 2024, with comparative information for 2023

	2024	2023
Financial Assets		
Cash and cash equivalents	$ 199,381	$ 321,479
Investments (note 4)	1,590,310	1,380,383
Investment in Lulu Island Energy Company ("LIEC") (note 5)	39,855	37,098
Accrued interest receivable	22,681	26,614
Accounts receivable (note 6)	45,887	35,067
Taxes receivable	27,123	20,533
Development fees receivable	18,084	20,299
Debt reserve fund - deposits (note 7)	960	1,468
	1,944,281	1,842,941
Liabilities		
Accounts payable and accrued liabilities	125,784	103,234
Asset retirement obligations (note 8)	11,120	11,893
Post-employment benefits (note 9)	37,397	37,881
Development cost charges (note 10)	226,012	241,634
Deposits and holdbacks (note 11)	161,822	148,738
Deferred revenue (note 12)	80,586	75,357
Debt, net of sinking fund deposits (note 13)	89,092	98,629
	731,813	717,366
Net financial assets	1,212,468	1,125,575
Non-Financial Assets		
Tangible capital assets (note 14)	2,840,927	2,694,902
Inventory of materials and supplies	5,759	6,146
Prepaid expenses	5,393	4,909
	2,852,079	2,705,957
Accumulated surplus (note 15)	$ 4,064,547	$ 3,831,532

Contingent demand notes (note 7)
Contingent assets and contractual rights (note 18)
Commitments and contingencies (note 19)

See accompanying notes to consolidated financial statements.

Approved on behalf of Council:

General Manager, Finance and Corporate Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (notes 2(p) and 25)	2024	2023
Revenue:			
Taxation and levies (note 21)	$ 306,676	$ 318,093	$ 297,793
Utility fees	148,459	150,823	132,951
Sales of services	54,556	57,450	50,737
Payments-in-lieu of taxes (note 21)	14,650	20,054	18,114
Provincial and federal contributions	26,637	13,545	38,660
Development cost charges (note 10)	16,607	70,450	10,292
Other capital funding sources	68,118	39,740	83,562
Other revenue:			
Investment income	25,635	69,853	61,503
Gaming revenue	12,500	11,971	13,013
Licences and permits	12,832	19,856	15,934
Other (note 22)	15,175	39,892	23,309
Equity income in LIEC (note 5)	362	2,757	2,070
	702,207	814,484	747,938
Expenses:			
Law and community safety	158,119	152,746	142,001
Utilities: flood, sanitation, sewer and water	147,380	144,647	133,166
General government	84,020	74,564	76,288
Engineering, transportation, public works and project development	83,659	71,322	69,915
Parks, recreation and culture	79,733	78,173	71,328
Planning and development	34,953	27,427	22,144
Richmond Olympic Oval	20,274	20,351	19,200
Richmond Public Library	12,496	12,239	11,533
	620,634	581,469	545,575
Annual surplus	81,573	233,015	202,363
Accumulated surplus, beginning of year	3,831,532	3,831,532	3,629,169
Accumulated surplus, end of year	$ 3,913,105	$ 4,064,547	$ 3,831,532

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, 2024, with comparative information for 2023

	2024 Budget (notes 2(p) and 25)	2024	2023
Annual surplus for the year	$ 81,573	$ 233,015	$ 202,363
Acquisition of tangible capital assets – current year	(211,510)	(187,379)	(90,046)
Contributed tangible capital assets	(45,640)	(31,065)	(75,945)
Amortization of tangible capital assets	72,090	71,703	71,938
Asset retirement obligation	-	(103)	(7,081)
Net gain on disposal of tangible capital assets	-	(2,514)	(2,133)
Proceeds on sale of tangible capital assets	-	3,333	2,577
	(103,487)	86,990	101,673
Acquisition of inventory of materials and supplies	-	(5,759)	(6,146)
Acquisition of prepaid expenses	-	(5,393)	(4,909)
Consumption of inventory of materials and supplies	-	6,146	5,405
Use of prepaid expenses	-	4,909	3,827
Change in net financial assets	(103,487)	86,893	99,850
Net financial assets, beginning of year	1,125,575	1,125,575	1,025,725
Net financial assets, end of year	$ 1,022,088	$ 1,212,468	$ 1,125,575

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 233,015	$ 202,363
Items not involving cash:		
Amortization of tangible capital assets	71,703	71,938
Asset retirement obligation	(876)	4,812
Net gain on disposal of tangible capital assets	(2,514)	(2,133)
Contributions of tangible capital assets	(31,065)	(75,945)
Equity income in LIEC	(2,757)	(2,070)
Changes in non-cash operating working capital:		
Accrued interest receivable	3,933	(11,938)
Accounts receivable	(10,820)	947
Taxes receivable	(6,590)	(5,310)
Development fees receivable	2,215	22,920
Inventory of materials and supplies	387	(741)
Prepaid expenses	(484)	(1,082)
Accounts payable and accrued liabilities	22,550	(348)
Post-employment benefits	(484)	(647)
Development cost charges	(15,622)	4,583
Deposits and holdbacks	13,084	(1,269)
Deferred revenue	5,229	16,294
Net change in cash from operating activities	280,904	222,374
Capital activities:		
Cash used to acquire tangible capital assets	(187,379)	(90,046)
Proceeds on disposal of tangible capital assets	3,333	2,577
Net change in cash from capital activities	(184,046)	(87,469)
Financing activities:		
Repayments of debt	(9,537)	(9,187)
Debt reserve fund	508	-
Net change in cash from financing activities	(9,029)	(9,187)
Investing activities:		
Purchase of investments	(209,927)	(458,890)
Net change in cash from investing activities	(209,927)	(458,890)
Decrease in cash and cash equivalents	(122,098)	(333,172)
Cash and cash equivalents, beginning of year	321,479	654,651
Cash and cash equivalents, end of year	$ 199,381	$ 321,479
Non-cash transactions, related to asset retirement obligations:		
Tangible capital asset additions	$ 103	$ 7,081

See accompanying notes to consolidated financial statements.

1. Operations:

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

2. Significant accounting policies:

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

(a) Basis of consolidation:

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

(*i*) General Revenue Fund:

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

(*ii*) General Capital and Loan Fund:

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

(*iii*) Waterworks and Sewerworks Funds:

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

(*iv*) Reserve Funds:

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

2. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Government transfers:

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

(d) Financial Instruments:

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

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

Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses. They are recorded in the Consolidated Statement of Operations when they are realized. There are no unrealized changes in fair value as at December 31, 2024 and December 31, 2023. As a result, the City does not have a Consolidated Statement of Remeasurement Gains and Losses.

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

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

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

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

(e) Cash and cash equivalents:

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

2. Significant accounting policies (continued):

(f) Investment in government business enterprises:

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

(g) Accounts receivable and development fees receivable:

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

(h) Development cost charges:

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

(i) Post-employment benefits:

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

Post-employment benefits also accrue to the City's employees. The liabilities related to these benefits are actuarially determined based on service and best estimates of retirement ages 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:

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(*i*) Tangible capital assets (continued):

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

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

(*ii*) Contributions of tangible capital assets:

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

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

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

(*iv*) Interest capitalization:

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

(*v*) Labour capitalization:

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

(*vi*) Leased tangible capital assets:

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

(*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.

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(*viii*) Inventory of materials and supplies:

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

(k) Revenue recognition:

(*i*) Property taxes, penalties and interest:

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

(*ii*) Licence and development fees:

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

(a) Single performance obligation:

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

2. Significant accounting policies (continued):

(k) Revenue recognition (continued):

(*ii*) Licence and development fees (continued):

(b) Multiple performance obligations:

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

(*iii*) Cost recoveries:

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

(*iv*) Donations:

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

(*v*) Restricted non-government grants:

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

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

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

(*vii*) Prepaid leases:

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

(*viii*) Capital contributions, government transfers:

Contributions are recognized as revenue as the related expenditures are incurred. Restricted transfers from governments are initially deferred and subsequently recognized as revenue as the related expenditures are incurred or the stipulations in the related agreement are met. Unrestricted transfers are recognized as revenue when

2. Significant accounting policies (continued):

(k) Revenue recognition (continued):

(*viii*) Capital contributions, government transfers (continued):

received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

(*ix*) All other revenues:

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

(l) Taxes:

The City establishes property tax rates based on assessed market values provided by the British Columbia Assessment Authority. 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.

(m) Deferred revenue:

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

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

(n) Deposits:

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

2. Significant accounting policies (continued):

(o) Debt:

Debt is recorded net of related sinking fund balances.

(p) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City's Consolidated 5 Year Financial Plan (2024-2028) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10515 on January 29, 2024.

(q) Contaminated sites:

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

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

(*i*) An environmental standard exists;

(*ii*) Contamination exceeds the environmental standard;

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

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

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

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

(r) Use of accounting estimates:

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

2. Significant accounting policies (continued):

(s) Segment disclosures:

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

(t) Asset retirement obligations:

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

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

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

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

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

3. Adoption of new accounting standards:

(a) Adoption of PS 3160 Public Private Partnerships Standard:

On January 1, 2024, the City adopted Canadian Public Sector Accounting Standard PS 3160, Public Private Partnerships ("PS 3160"). The new standard addresses the recognition, measurement, presentation, and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. This standard was adopted on a prospective basis. The adoption of this standard did not have any impact on the amounts presented in these consolidated financial statements.

(b) Adoption of PSG-8, Purchased Intangibles:

On January 1, 2024, the City adopted Public Sector Guideline PSG-8, Purchased Intangibles ("PSG-8"), applied on a prospective basis. PSG-8 defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. The adoption of this standard did not have any impact on the amounts presented in these consolidated financial statements.

(c) Adoption of PS 3400 Revenue Standard:

On January 1, 2024, the City adopted Canadian Public Sector Accounting Standard PS 3400 Revenue and applied this standard on a prospective basis. The new standard applies to all revenues, except for taxation revenues, government transfers, income from investments in GBE and other revenues which are covered in other Public Sector Accounting Standards.

The standard was adopted prospectively from the date of adoption. As a result, the City's licences and permits revenue increased by $1,812,934, with a corresponding decrease in deferred revenue. In addition, the City's other revenues increased by $492,557, with a corresponding decrease in deferred revenue.

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

4. Investments:

	2024		2023	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	$ 489,091	$ 489,091	$ 443,418	$ 443,418
Government and government guaranteed bonds	755,104	759,769	599,013	595,015
Bank bonds	333,646	342,568	325,486	328,578
Municipal Finance Authority bonds	12,469	12,758	12,466	12,722
	$ 1,590,310	$ 1,604,186	$ 1,380,383	$ 1,379,733

5. Investment in Lulu Island Energy Company Ltd.:

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

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

	2024	2023
Cash, cash equivalents, and investments	$ 21,305	$ 14,527
Accounts receivable	4,385	4,793
Tangible capital assets	58,128	53,741
Total assets	83,818	73,061
Deferred contributions	22,789	19,236
Project agreement	19,283	14,475
Accounts payable and accrued liabilities	1,291	1,776
Government grants	514	403
Post-employment benefits	86	73
Total liabilities	43,963	35,963
Shareholder's equity	$ 39,855	$ 37,098
Total revenue	$ 9,760	$ 8,570
Total expenses	7,003	6,500
Net income	$ 2,757	$ 2,070

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

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

Included in accounts payable and accrued liabilities in the City's Consolidated Statement of Financial Position are payables to LIEC in the amount of $166,301 (2023 - $165,059).

On September 22, 2022, LIEC entered into a new concession project agreement (the "Project Agreement") with City Centre Energy Limited Partnership ("Project Contractor") to design, build, finance, operate and maintain City Centre District Energy Utility infrastructure providing heating and cooling services to new residential and mixed use commercial developments within the City Centre area (the "CCDEU project"). The Project Contractor was a wholly owned subsidiary of Corix Utilites Inc. ("Corix"). During 2024, following a re-organization within Corix, the Project Contractor become a wholly owned subsidiary of Corix District Energy Holdings GP Inc.

6. Accounts receivable:

	2024	2023
Water and sewer utilities	$ 17,903	$ 15,429
Casino revenue	2,918	2,940
Grants	12,728	8,416
Other trade receivables	12,338	8,282
	$ 45,887	$ 35,067

7. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debt proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debt whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2024 are as follows:

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

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

8. Asset retirement obligations:

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

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

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

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

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

	2024	2023
Asset retirement obligation, opening balance	$ 11,893	$ -
Asset retirement obligation recorded during the year	103	7,081
Accretion expense during the year	195	290
Asset retirement obligation expenditure incurred during the year	(1,059)	4,522
Asset retirement obligation settled during the year	(12)	-
Asset retirement obligation, closing balance	$ 11,120	$ 11,893

When significant obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows, otherwise they are recorded at current costs. The discount rate used reflects the risks specific to the asset retirement liability. The discount rate used for 2024 is 4.30% (2023 – 4.10%). There are no liabilities recorded using the present value of future cash flows at December 31, 2024 (2023 – nil).

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

9. Post-employment benefits:

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

	2024	2023
Accrued benefit obligation, beginning of year	$ 34,813	$ 33,637
Opening adjustment due to Oval actuarial valuation January 1, 2023	-	207
Current service cost	2,514	2,434
Interest cost	1,463	1,528
Past service cost / (credit)	411	(440)
Benefits paid	(4,056)	(3,840)
Actuarial loss	2	1,287
Accrued benefit obligation, end of year	$ 35,147	$ 34,813

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2024. This actuarial gain is being amortized over a period equal to the employees' expected average remaining service lifetime of 11-years (2023 – 11-years).

	2024	2023
Accrued benefit obligation, end of year	$ 35,147	$ 34,813
Unamortized net actuarial gain	2,250	3,068
Accrued benefit liability, end of year	$ 37,397	$ 37,881

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

	2024	2023
Discount rate	4.30%	4.10%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

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

10. Development cost charges:

	2024	2023
Balance, beginning of year	$ 241,634	$ 237,051
Contributions	44,832	4,342
Interest	9,996	10,533
Revenue recognized	(70,450)	(10,292)
Balance, end of year	$ 226,012	$ 241,634

11. Deposits and holdbacks:

	Balance December 31, 2023	Deposit contributions / interest earned	Refund/ expenditures	Balance December 31, 2024
Security deposits	$ 125,713	$ 24,411	$ (11,289)	$ 138,835
Developer contributions	7,919	172	-	8,091
Damage deposits	6,658	827	(958)	6,527
Contract holdbacks	4,767	3,823	(3,882)	4,708
Other	3,681	432	(452)	3,661
	$ 148,738	$ 29,665	$ (16,581)	$ 161,822

12. Deferred revenue:

	Balance December 31, 2023	Externally restricted inflows	Revenue earned	Balance December 31, 2024
Taxes and utilities	$ 30,008	$ 33,197	$ (30,008)	$ 33,197
Building permits/development	15,082	10,608	(8,368)	17,322
Oval	2,813	8,862	(8,782)	2,893
Grants	16,609	20,890	(17,578)	19,921
Licences	2,613	2,294	(4,064)	843
Parking easement/leased land	2,480	109	(54)	2,535
Other	5,752	5,353	(7,230)	3,875
	$ 75,357	$ 81,313	$ (76,084)	$ 80,586

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

13. 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 2024	Net debt 2023
127	9075	$ 50,815	$ 50,815	$ -	$ 6,024
158	10334	96,000	6,908	89,092	92,605
		$ 146,815	$ 57,723	$ 89,092	$ 98,629

Current borrowing includes:

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

Interest expense incurred for the year on the long-term debt was $4,764,848 (2023 - $5,594,469). Repayments on net outstanding debt over the next five years and thereafter are as follows:

2025	$ 3,636
2026	3,764
2027	3,895
2028	4,032
2029	4,173
Thereafter	69,592
	$ 89,092

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

14. Tangible capital assets:

Cost	Balance December 31, 2023	Additions and transfers	Disposals	Balance December 31, 2024
Land	$ 1,191,847	$ 93,570	$ (107)	$ 1,285,310
Building and building improvements	621,743	31,274	(1,048)	651,969
Infrastructure	2,002,755	38,547	(6,728)	2,034,574
Vehicles, machinery and equipment	184,620	12,082	(577)	196,125
Library's collections, furniture and equipment	11,969	1,137	(322)	12,784
Assets under construction	65,736	41,937	-	107,673
	$ 4,078,670	$ 218,547	$ (8,782)	$ 4,288,435

Accumulated amortization	Balance December 31, 2023	Disposals	Amortization expense	Balance December 31, 2024
Building and building improvements	$ 265,314	$ (1,023)	$ 22,621	$ 286,912
Infrastructure	984,920	(6,131)	37,392	1,016,181
Vehicles, machinery and equipment	125,139	(487)	10,689	135,341
Library's collections, furniture and equipment	8,395	(322)	1,001	9,074
	$ 1,383,768	$ (7,963)	$ 71,703	$ 1,447,508

Net book value	December 31, 2024	December 31, 2023
Land	$ 1,285,310	$ 1,191,847
Buildings and building improvements	365,057	356,429
Infrastructure	1,018,393	1,017,835
Vehicles, machinery and equipment	60,784	59,481
Library's collection, furniture and equipment	3,710	3,574
Assets under construction	107,673	65,736
Balance, end of year	$ 2,840,927	$ 2,694,902

(a) Assets under construction:

Assets under construction having a value of $107,673,230 (2023 - $65,735,570) have not been amortized. Amortization of these assets will commence when the asset is put into service.

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

14. Tangible capital assets (continued):

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is $31,065,021 (2023 - $75,944,770) comprised of land in the amount of $23,144,146 (2023 - $58,306,673), and infrastructure in the amount of $7,920,875 (2023 - $17,638,097).

(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 2024 (2023 - nil).

15. Accumulated surplus:

	General and Reserve Funds	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2024 Total	2023 Total
Investment in tangible capital assets	$ 2,814,071	$ -	$ -	$ 8,297	$ 3,711	$ 2,826,079	$ 2,687,860
Reserves (note 16)	792,544	51,864	35,195	13,133	-	892,736	789,710
Appropriated surplus	237,862	18,847	12,556	590	3,199	273,054	285,974
Investment in LIEC	39,855	-	-	-	-	39,855	37,098
Surplus	18,344	1,068	6,661	606	536	27,215	24,930
Other equity	5,608	-	-	-	-	5,608	5,960
Balance, end of year	$ 3,908,284	$ 71,779	$ 54,412	$ 22,626	$ 7,446	$ 4,064,547	$ 3,831,532

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

16. Reserves:

	Balance, December 31, 2023	Change during year	Balance, December 31, 2024
Affordable housing	$ 16,924	$ (76)	$ 16,848
Arts, culture and heritage	4,126	184	4,310
Capital building and infrastructure	145,902	20,509	166,411
Capital reserve	287,961	49,586	337,547
Capstan station	15,009	6,459	21,468
Child care development	10,866	1,907	12,773
Community legacy and land replacement	1,671	129	1,800
Flood protection BL 7812 and BL 10403	65,719	5,458	71,177
Equipment replacement	29,894	1,496	31,390
Growing communities fund	21,067	461	21,528
Hamilton area plan community amenity	3,767	168	3,935
Leisure facilities	29,059	6,096	35,155
Local improvements	8,109	361	8,470
Neighborhood improvement	9,153	678	9,831
Oval	11,586	1,547	13,133
Public art program	4,987	315	5,302
Sanitary sewer BL 7812 and BL 10401	58,139	4,977	63,116
Solid waste	-	256	256
Steveston off-street parking	354	5	359
Steveston road ends	143	(31)	112
Waterfront improvement	187	8	195
Water supply BL 7812 and BL 10402	65,087	2,533	67,620
	$ 789,710	$ 103,026	$ 892,736

17. 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, 2023, the plan has about 256,000 active members and approximately 129,000 retired members. Active members include approximately 45,000 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

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

17. Pension plan (continued):

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 later 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 $17,270,093 (2023 - $15,534,932) for employer contributions while employees contributed $15,099,053 (2023 - $13,023,437) to the plan in fiscal 2024.

18. 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, 2024. Contingent assets are not recorded in the consolidated financial statements.

(b) Contractual rights:

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

2025	$ 39,375
2026	8,492
2027	5,697
2028	3,607
2029	2,704
Thereafter	5,534

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

18. Contingent assets and contractual rights (continued):

(b) Contractual rights (continued):

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.

19. 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:

2025	$ 4,547
2026	2,870
2027	954
2028	583
2029 and thereafter	4,513

(c) Litigation:

As at December 31, 2024, 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.

19. Commitments and contingencies (continued):

(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, 2024). 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.

20. 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.

	2024	2023
Richmond Community Associations	$ -	$ 724

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

21. Taxation and levies:

	2024	2023
Taxes collected:		
Property taxes	$ 621,165	$ 572,078
Payment-in-lieu of taxes and grants	35,264	31,496
Local improvement levies	74	76
Municipal and Regional District Tax (MRDT)	9,315	9,073
	665,818	612,723
Less transfers to other authorities:		
Province of British Columbia - School taxes	(247,616)	(230,746)
TransLink	(60,588)	(48,562)
Metro Vancouver	(11,701)	(10,197)
BC Assessment Authority	(7,724)	(7,270)
Other	(42)	(41)
	(327,671)	(296,816)
Less payment-in-lieu of taxes retained by the City	(20,054)	(18,114)
	$ 318,093	$ 297,793

22. Other revenue:

	2024	2023
Developer contributions	$ 15,967	$ 3,102
Tangible capital assets gain on sale of land	3,008	2,497
Penalties and fines	5,958	5,080
Parking program	2,930	2,335
Recycle BC	3,326	3,274
Oval - Other revenue	2,712	2,987
Other	5,991	4,034
	$ 39,892	$ 23,309

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

23. Government transfers:

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

	2024	2023
Operating:		
Government of British Columbia	$ 16,650	$ 23,943
Government of Canada	8,468	7,355
Capital:		
Government of British Columbia	7,099	26,123
Government of Canada	1,405	1,566
	$ 33,622	$ 58,987

24. Segmented reporting:

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

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

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

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

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

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

24. Segmented reporting (continued):

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

(f) **Planning and development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City.

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

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

	Law and community safety	Utilities	Engineering, transportation, public works and project development	Parks, recreation and culture	General government	Planning and development	Total city subtotal
Revenue:							
Taxation and levies	$ -	$ -	$ -	$ 400	$ 317,693	$ -	$ $318,093
User fees	-	150,823	-	-	-	-	150,823
Sales of services	9,322	5,021	2,933	13,611	13,497	1,320	45,704
Payments-in-lieu of taxes	-	-	-	-	20,054	-	20,054
Provincial and federal grants	1,305	15	(849)	281	3,317	5,892	9,961
Development cost charges	-	720	9,691	31,119	28,920	-	70,450
Other capital funding sources	-	4,756	10,951	162	23,323	548	39,740
Other revenue:							
Investment income	-	366	-	-	69,457	-	69,823
Gaming revenue	914	-	-	-	11,057	-	11,971
Licences and permits	7,608	32	542	-	17	11,657	19,856
Other	3,371	4,687	1,457	743	26,822	27	37,107
Equity income in LIEC	-	-	-	-	2,757	-	2,757
	22,520	166,420	24,725	46,316	516,914	19,444	796,339
Expenses:							
Wages and salaries	66,833	24,171	30,703	45,324	32,590	15,097	214,718
Public works maintenance	70	10,211	5,252	2,321	(1,447)	-	16,407
Contract services	78,483	11,123	6,975	3,807	13,184	1,086	114,658
Regional district utility charges	-	66,161	-	-	-	-	66,161
Supplies and materials	4,058	10,839	1,372	12,493	14,273	8,674	51,709
Interest and finance	588	2	4	176	5,910	-	6,680
Transfer from (to) capital for tangible capital assets	(498)	4,469	1,514	2,700	443	505	9,133
Amortization of tangible capital assets	3,212	17,033	25,630	11,338	9,620	2,063	68,896
Loss (gain) on disposal of tangible capital assets	-	638	(128)	14	(9)	2	517
	152,746	144,647	71,322	78,173	74,564	27,427	548,879
Annual surplus (deficit)	$ (130,226)	$ 21,773	$ (46,597)	$ (31,857)	$ 442,350	$ (7,983)	$ 247,460

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

24. Segmented reporting (continued):

	Total city subtotal	Richmond Public Library	Richmond Olympic Oval	2024 Consolidated	2023 Consolidated
Revenue:					
Taxation and levies	$ 318,093	$ -	$ -	$ 318,093	$ 297,793
User fees	150,823	-	-	150,823	132,951
Sales of services	45,704	81	11,665	57,450	50,737
Payments-in-lieu of taxes	20,054	-	-	20,054	18,114
Provincial and federal grants	9,961	435	3,149	13,545	38,660
Development cost charges	70,450	-	-	70,450	10,292
Other capital funding sources	39,740	-	-	39,740	83,562
Other revenue:					
Investment income	69,823	30	-	69,853	61,503
Gaming revenue	11,971	-	-	11,971	13,013
Licences and permits	19,856	-	-	19,856	15,934
Other	37,107	73	2,712	39,892	23,309
Equity income in LIEC	2,757	-	-	2,757	2,070
	796,339	619	17,526	814,484	747,938
Expenses:					
Wages and salaries	214,718	8,800	12,727	236,245	211,637
Public works maintenance	16,407	37	-	16,444	16,087
Contract services	114,658	547	-	115,205	109,548
Regional district utility charges	66,161	-	-	66,161	60,743
Supplies and materials	51,709	2,125	5,818	59,652	53,164
Interest and finance	6,680	1	-	6,681	8,246
Transfer from (to) capital for tangible capital assets	9,133	(256)	-	8,877	13,848
Amortization of tangible capital assets	68,896	1,001	1,806	71,703	71,938
Loss (gain) on disposal of tangible capital assets	517	(16)	-	501	364
	548,879	12,239	20,351	581,469	545,575
Annual surplus (deficit)	$ 247,460	$ (11,620)	$ (2,825)	$ 233,015	$ 202,363

25. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated 5 Year Financial Plan adopted by Council on January 29, 2024. The table below reconciles the adopted Consolidated 5 Year Financial Plan to the budget amounts reported in these consolidated financial statements.

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

25. Budget data (continued):

	Financial plan Bylaw No. 10515	Financial statement budget
Revenue from Consolidated financial plan	$ 702,207	$ 702,207
Expenses from Consolidated financial plan	620,634	620,634
Annual surplus	81,573	81,573
Less:		
Acquisition of tangible capital assets – current year	(211,510)	-
Acquisition of tangible capital assets – prior years	(231,528)	-
Contributed tangible capital assets	(45,640)	-
Transfer to reserves	(97,079)	-
Debt principal	(9,612)	-
Add:		
Capital funding	492,725	-
Operating reserve funding	7,934	-
Transfer from surplus	13,137	-
Annual surplus	$ -	$ 81,573

26. Financial risk management:

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

(a) Credit risk:

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

Credit risk associated with cash and cash equivalent is minimized by ensuring that these assets are held at financial institutions with a high credit ratings. The City has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

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

26. Financial risk management (continued):

(a) Credit risk (continued):

Accounts receivables mainly consist of property taxes, utilities, trade and other receivables. The Community Charter grants legislative authority for the City to enforce the collection of unpaid property taxes. As at December 31, 2024 and 2023, there were no significant collection issues related to outstanding receivable accounts. The City assesses, on a continuous basis, accounts receivables and provides for any amounts that are not collectible.

(b) Market risk:

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

(*i*) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the City. There is no interest rate risk regarding the City's short terms notes and deposits, government guaranteed bonds, bank guaranteed bonds and Municipal Finance Authority bonds.

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

(*ii*) Currency risk:

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

(iii) General risk:

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

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

(c) Liquidity risk:

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

With the exception of note 26(b)(iii), there has been no significant change to the risk exposure from 2023.

27. Comparative information:

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

CITY OF RICHMOND

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

Year ended December 31, 2024

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

	2024	2023
Growing Communities Fund opening balance	$ 21,067	$ -
Growing Communities Fund received		20,354
Total eligible costs incurred	(7)	-
Interest earned	468	713
Balance, end of year	$ 21,528	$ 21,067

CITY OF RICHMOND

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

Year ended December 31, 2024

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

In 2024, the City received the Local Government Housing Initiatives Capacity Fund of $1.1 million. A requirement of the Local Government Housing Initiatives Capacity Fund is to include a schedule to the financial statements. A schedule will continue to be reported annually until funds are fully drawn down.

		2024
Local Government Housing Initiatives Capacity Fund received	$	1,146
Total eligible costs incurred		(192)
Balance December 31, 2024	$	954

2024 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2024 Financial Statements

Richmond

Table of Contents

Contents

Introduction 1

Consolidated Statement of Financial Position 2

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

Consolidated Statement of Operations 12

- Revenues 13
- Expenses 17
- Annual Surplus 20

Consolidated Statement of Changes in Net Financial Assets 21

Consolidated Statement of Cash Flows 22

Ratio Analysis 23

Environmental Analysis 26

- Strategic Plans 27
- Environment 29
- Services 31

Conclusion 32

8022190

Introduction

The *Community Charter* requires that annual audited financial statements be prepared and presented to Council. The City of Richmond's audited consolidated financial statements for the year ended December 31, 2024 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 2024 audited consolidated financial statements.

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

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

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

The consolidated financial statements include the following statements:

- **Consolidated Statement of Financial Position** summarizes the assets (financial and non-financial), liabilities, net debt and accumulated surplus as at December 31, 2023 and 2024.

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

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

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

Consolidated Statement of Financial Position

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

The City maintained its strong financial position in 2024 allowing for flexibility and financial sustainability into the future.

- Financial assets increased by $101.3M to $1.9B
- Liabilities increased by $14.4M to $731.8M
- Net financial assets increased by $86.9M to $1.2B
- Non-financial assets increased by $146.1M to $2.9B
- Accumulated surplus increased by $233.0M to $4.1B

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

Financial Assets

Cash and cash equivalents

The cash and cash equivalents balance of $199.4M is mainly comprised of deposits in high interest savings products. Cash decreased by $122.1M due to repositioning to the investment portfolio. This investment strategy allows the City to lock funds into longer-term and higher return investments.

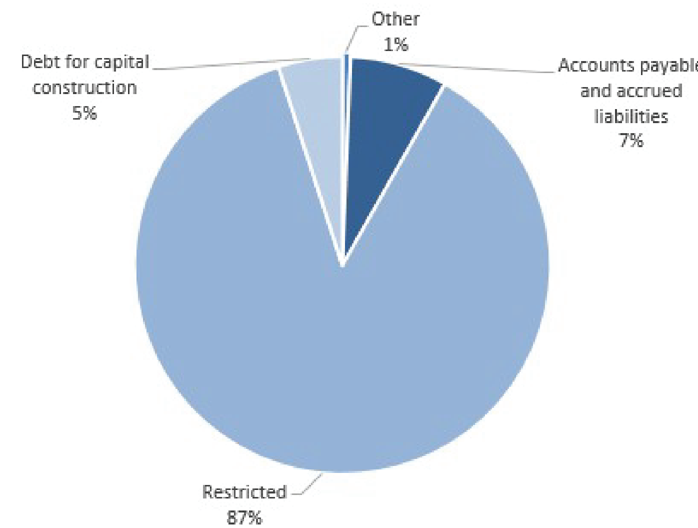
Investments

Investments increased by $209.9M to $1.6B primarily due to the City's strategic repositioning of its cash and investment structure and responding to the elevated interest rates which were available in 2024. The City has allocated a larger portion towards its investments, particularly in fixed income and longer-term GICs.

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

	Short-term notes and deposits	Government and government guaranteed bonds	Municipal Finance Authority bonds	Bank bonds	Total investments
2023	$443,418	$599,013	$12,466	$325,486	$1,380,383
2024	$489,091	$755,104	$12,469	$333,646	$1,590,310

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



Investment in LIEC

Effective January 1, 2017, LIEC was classified as a GBE. The City uses the modified equity method to account for this investment of $39.9M (2023 - $37.1M).

Accrued interest receivable

Accrued interest receivable decreased by $3.9M to $22.7M due to the series of interest rate cuts that took place in the second half of 2024.

Accounts receivable

Accounts receivable increased by $10.8M to $45.9M primarily due to the increase in revenue from the metered utility billings and grants.

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Financial Assets

Accounts Receivable ($000's)	**2024**	**2023**	**Change**
Water and sewer utilities	$17,903	$15,429	$2,474
Casino revenues	2,918	2,940	(22)
Grants	12,728	8,416	4,312
Other trade receivables	12,338	8,282	4,056
Total	$45,887	$35,067	$10,820

Taxes receivable

Taxes receivable increased by $6.6M to $27.1M primarily due to the timing of property tax collections.

Development fees receivable

Development fees receivable decreased by $2.2M to $18.1M due to the timing of collections of Development Cost Charges (DCC) during the year and from the timing of new developments.

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

Development activities increased early in 2024 in advance of the DCC rate adjustment in July.

8022190

Debt reserve fund – deposits

The debt reserve fund balance decreased by $0.5M to $1.0M due to the debt maturity in 2024.

Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by $22.6M to $125.8M mainly due timing of payments and accruals.

Asset retirement obligations

Asset retirement obligation decreased by $0.8M to $11.1M due to changes in estimates recorded during the year.

Post-employment benefits

Post-employment benefits decreased by $0.5M to $37.4M. An actuarial valuation was done in 2024 that lead to the decrease in the unamortized net actuarial gain.

Development cost charges

The DCC balance of $226.0M (2023 - $241.6M) is restricted by Section 566 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of $44.8M and interest earned of $10.0M were received in 2024. The balance is offset by $70.5M for capital project expenses funded by DCCs during the year, which was higher than in 2023 due to the acquisition of future parkland.

Development Cost Charges ($000's)	**2024**	**2023**	**Change**
Balance, beginning of year	$241,634	$237,051	$4,583
Contributions	44,832	4,342	40,490
Interest	9,996	10,533	(537)
Revenue recognized	(70,450)	(10,292)	(60,158)
Balance, end of year	$226,012	$241,634	($15,622)

The $226.0M balance includes amounts which have been allocated to active capital projects but that remain unspent at December 31, 2024, there is $56.4M (2023 - $81.4M) committed to active capital projects. The Consolidated 5 Year Financial Plan (2025-2029), Bylaw No. 10622, includes $16.7M approved toward the 2025 Capital Budget and an additional $89.7M is estimated for the remaining four years (2026-2029).

Deposits and holdbacks

Deposits and holdbacks increased by $13.1M to $161.8M mainly due to an increase of development-related security deposits.

Deposits and Holdbacks ($000's)	**2024**	**2023**	**Change**
Security deposits	$138,835	$125,713	$13,122
Developer contribution	8,091	7,919	172
Damage deposits	6,527	6,658	(131)
Contract holdbacks	4,708	4,767	(59)
Other	3,661	3,681	(20)
Total deposits and holdbacks	$161,822	$148,738	$13,084

Liabilities

Deferred revenue

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

Deferred Revenue ($000's)	**2024**	**2023**	**Change**
Taxes and utilities	$33,197	$30,008	$3,189
Grants	19,921	16,609	3,312
Building permits/development	17,322	15,082	2,240
Oval	2,893	2,813	80
Parking easement/leased land	2,535	2,480	55
Licences	843	2,613	(1,770)
Other	3,875	5,752	(1,877)
Total deferred revenue	$80,586	$75,357	$5,229

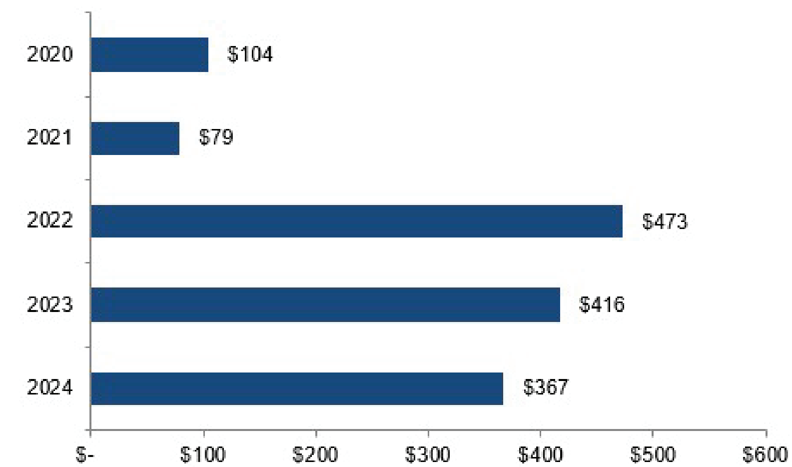
Deferred revenue increased by $5.2M mainly due to increases in prepaid taxes, building permits and grants. This was offset by decreases in business licenses and other deferred revenue, which were impacted by the Canadian Public Sector Accounting change in revenue recognition standard PS 3400, which resulted in a $2.3M decrease.

Debt, net of MFA sinking fund deposits

Debt decreased by $9.5M to $89.1M due to the annual repayment in 2024 towards the borrowings for the construction of the Minoru Center for Active Living facility and the construction of the Steveston Community Centre and Branch Library. The debt relating to the Minoru Centre for Active Living was fully repaid in 2024.

The debt per capita decreased to $367 per person in 2024 from $416 as at December 31, 2023. The decrease in debt per capita is due to principal payments reducing the current debt balance, along with an increase in population.

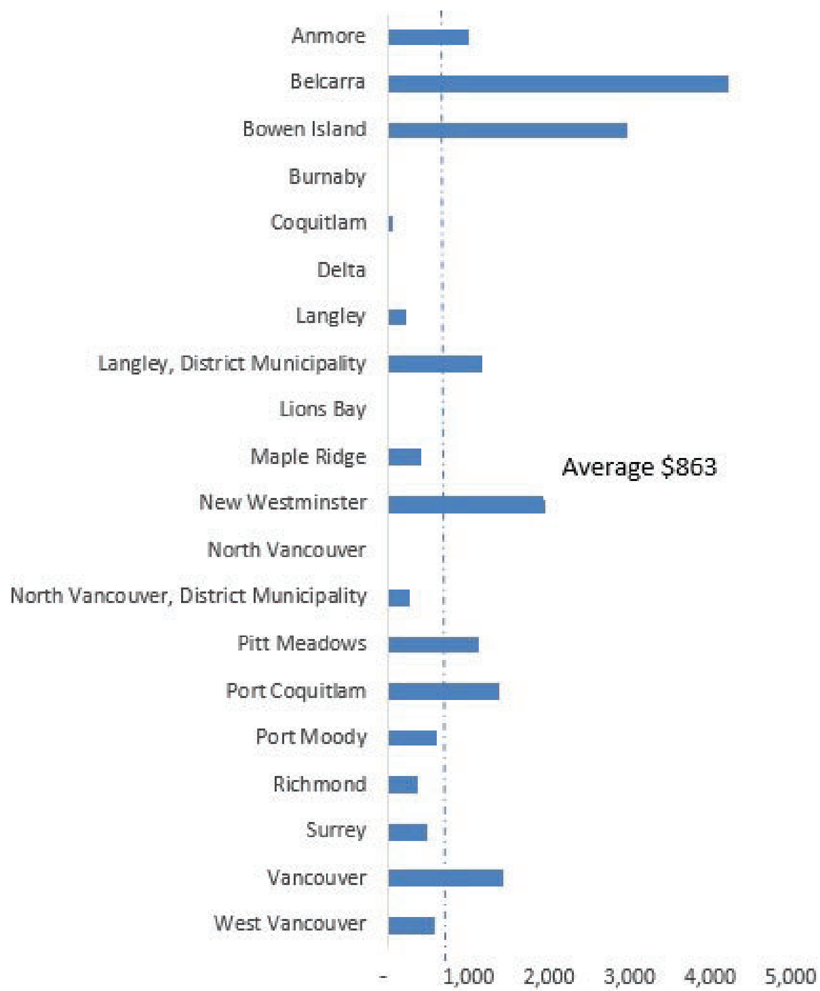
City of Richmond Debt Per Capita 2020-2024



The 2023 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2024 debt per capita of $367 is included below, and continues to be under the 2023 regional average of $863.

Liabilities

Debt Per Capita by City 2023 (compared to Richmond 2024)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2023 Local Government Statistics. Population figures obtained from BC Stats, BC Regional District and Municipal Population Estimates as of March 2025.

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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 14 of the consolidated financial statements.

TCA increased by $146.0M to $2.8B. The change is primarily a result of $218.5M of asset additions and current year amortization expense of $71.7M.

Tangible Capital Assets ($000's)	**2024**	**2023**	**Change**
Land	$1,285,310	$1,191,847	$93,463
Buildings and building improvements	365,057	356,429	8,628
Infrastructure	1,018,393	1,017,835	558
Vehicles, machinery and equipment	60,784	59,481	1,303
Library's collections, furniture and equipment	3,710	3,574	136
Assets under construction	107,673	65,736	41,937
Total	$2,840,927	$2,694,902	$146,025

Land increased by $93.5M mainly due to the acquisition of future parklands and land under roads received through rezoning.

Buildings increased by $8.6M mainly due to $31.3M in additions offset by $22.6M of amortization expenses. The additions in 2024 included 100-12339 Steveston Highway $11.1M, Richmond Ice Centre Renewal $6.6M, Richmond Nature Park buildings $4.6M.

Infrastructure increased by $0.6M mainly due to $38.5M in additions offset by $37.4M of amortization expenses and disposal of $0.6M. The additions in 2024 included $3.4M for Steveston MUP (Shell-Mortfield), $1.9M for No. 2 Road MUP (Steveston-Williams), and $1.8M for contributed asset received through a development on Williams Road.

Vehicles, machinery and equipment increased by $1.3M mainly due to $12.1M in additions offset by $10.7M of amortization expenses and disposal of $0.1M. The additions in 2024 included $6.0M for various vehicle and equipment reserve purchases, $2.2M for various traffic signal assets and $0.6M for Oracle EPM Solution Phase 1.

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

Non-Financial Assets

Assets under construction increase by $41.9M mainly due to Steveston Community Centre and Library of $17.4M, Works Yard Replacement of $4.7M, Watermain Replacement Upgrades Program of $3.9M, Steveston Highway Multi-Use Pathway of $3.9M, Public Works Infrastructure Advanced Design of $3.0M, Steveston Utility Upgrades of $2.7M, Lawn Bowling Club Replacement of $2.5M, Burkeville Utility Improvements of $2.2M and Canal Stabilization and Drainage and Irrigation Upgrades of $1.8M.

Inventory of materials and supplies

Inventory decreased by $0.4M to $5.8M based on timing of materials issued.

Prepaid expenses

Prepaid expenses increased by $0.5M to $5.4M due to timing of expenses.

Accumulated Surplus

The accumulated surplus increased by $233.0M to $4.1B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus ($000's)	2024	2023	Change
Investment in TCA	$2,826,079	$2,687,860	$138,219
Reserves	892,736	789,710	103,026
Appropriated surplus	273,054	285,974	(12,920)
Investment in LIEC	39,855	37,098	2,757
Surplus	27,215	24,930	2,285
Other equity	5,608	5,960	(352)
Total	$4,064,547	$3,831,532	$233,015

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.

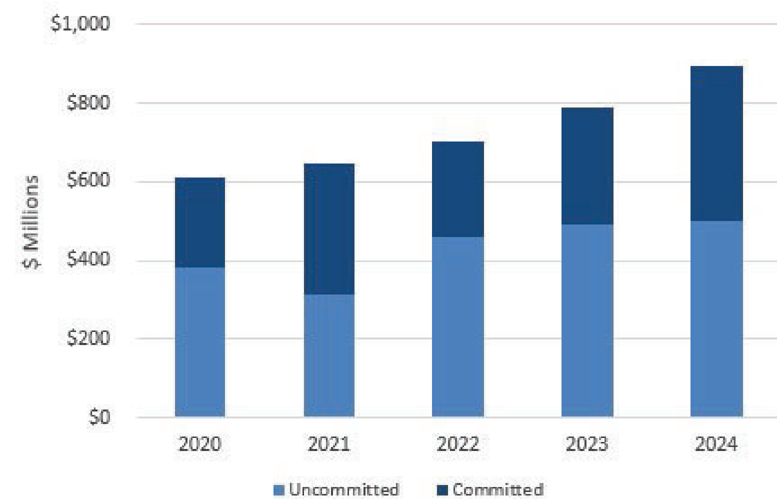
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by $138.2M. 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 $892.7M includes amounts that have been approved for expenditure, but remain unspent as at December 31. The uncommitted reserve balance is $502.5M (2023 - $493.3M).

Reserve Balance 2020-2024



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, West Richmond Pavilion, Works Yard replacement, Britannia Shipyards and the Phoenix Net Loft that have reserve funds allocated, but have not been spent as of the reporting date December 31, 2024.

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Accumulated Surplus

From the available $502.5M at December 31, 2024, $88.2M has been approved for the City's 2025 Capital Budget and is included in the Consolidated 5 Year Financial Plan (2025-2029), Bylaw No. 10622. An additional $427.7M is estimated for the remaining four years (2026-2029) of the 5 Year Capital Plan.

Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance decreased by $12.9M to $273.1M primarily due to the use of funds for the collective agreement settlements offset by transfer of the 2023 operating surplus of $6.1M to the Rate Stabilization provision.

Investment in LIEC

The City's investment in LIEC is recorded under the modified equity method. The balance reflects the City's share equity in LIEC on December 31, 2024 of $39.9M, an increase of $2.8M from the 2023 balance of $37.1M.

Surplus

The consolidated surplus increased by $2.3M to $27.2M in 2024 primarily due to the net impact of transferring the 2023 operating surplus of $6.1M to the Rate Stabilization provision, offset by the 2024 operating surplus of $5.7M (excluding adjustments relating to the implementation of the new accounting standard PS 3400).

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Other Equity

Other equity relates to the City's inventory. The balance decreased by $0.4M to $5.6M in 2024.

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 2024 budget amounts presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified ‘cash requirement’ basis, and amounts recorded in these financial statements on a ‘full accrual’ basis.

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

Revenues

2024 Budget to Actual Comparison

Total consolidated revenues are $814.5M compared to the budgeted revenues of $702.2M. 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)	2024 Budget	2024 Actual	Variance
Taxation and levies	$306,676	$318,093	$11,417
Utility fees	148,459	150,823	2,364
Sales of services	54,556	57,450	2,894
Payments-in-lieu of taxes	14,650	20,054	5,404
Provincial and federal grants	26,637	13,545	(13,092)
Development cost charges	16,607	70,450	53,843
Other capital funding sources	68,118	39,740	(28,378)
Investment income	25,635	69,853	44,218
Gaming revenue	12,500	11,971	(529)
Licences and permits	12,832	19,856	7,024
Other	15,175	39,892	24,717
Equity income	362	2,757	2,395
Total	$702,207	$814,484	$112,277

Taxation and levies had a favourable variance of $11.4M mainly due to inclusion of Municipal & Regional District Tax Program revenue as a result of a change to its revenue recognition and higher than expected new growth.

Utility fees had a favourable variance of $2.4M mainly due to preconstruction revenue.

Sales of services had a favourable variance of $2.9M mainly due to higher Oval recreational program revenue and higher aquatic revenue.

Payments-in-lieu of taxes had a favourable variance of $5.4M mainly due higher revenue received from Federal and Provincial entities.

Provincial and federal grants had an unfavourable variance of $13.1M due to lower than anticipated recognition of grants which is aligned with the timing of spending.

Development cost charges had a favourable variance of $53.8M due to the timing of capital expenditures for parkland acquisitions as development cost charges revenue is recognized when the amounts are spent.

Other capital funding had an unfavourable variance of $28.4M 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.

Investment income had a favourable variance of $44.2M due to higher interest rates and higher investment balances in 2024. The majority of this increase was transferred to the reserves in accordance with *Community Charter* requirements.

Revenues

Gaming revenue had an unfavourable variance of $0.5M due to actual revenue received from net gaming activities at the River Rock Casino being less than estimated in the budget. Consistent with the approved allocation model, the shortfall resulted in a reduction in the transfer to reserves.

Licences and permits had a favourable variance of $7.0M due to higher building permit revenues than budgeted and higher business licencing revenues due to the change in revenue recognition through PS 3400 Revenue standard which increased business licence revenue by an additional $1.8M in 2024.

Other revenue had a favourable variance of $24.7M mainly due to unbudgeted developer reserve contributions and gain on disposal of land.

Equity income relates to the City's investment in LIEC. LIEC's net income for the year was favourable compared to budget by $2.4M.

Revenues

2024 to 2023 Actual Comparison

Total 2024 consolidated revenues were $814.5M compared to $747.9M in 2023.

Revenues ($000's)	**2024 Actual**	**2023 Actual**	**Change**
Taxation and levies	$318,093	$297,793	$20,300
Utility fees	150,823	132,951	17,872
Sales of services	57,450	50,737	6,713
Payments-in-lieu of taxes	20,054	18,114	1,940
Provincial and federal grants	13,545	38,660	(25,115)
Development cost charges	70,450	10,292	60,158
Other capital funding sources	39,740	83,562	(43,822)
Investment income	69,853	61,503	8,350
Gaming revenue	11,971	13,013	(1,042)
Licences and permits	19,856	15,934	3,922
Other	39,892	23,309	16,583
Equity income	2,757	2,070	687
Total	$814,484	$747,938	$66,546

Taxation and levies increased by $20.3M due to 5.62% approved tax increase and new growth compared to the prior year.

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Revenues

Utility fees increased by $17.9M due to higher metered billing revenue for water, sanitary sewer, sanitation and recycling based on approved rate increases to recover higher Metro Vancouver costs.

Sales of services increased by $6.7M mainly due to higher receivable income, favourable Oval program revenue, increased rental and lease revenue due to acquisition of additional properties and higher external recoveries.

Payments-in-lieu of taxes increased by $1.9M due to higher revenue received in 2024 from federal and provincial agencies than in 2023.

Provincial and federal contributions decreased by $25.1M mainly due to $20.4M from the Growing Community Fund grant received in 2023 as well as other grants which did not recur in 2024.

Development cost charges increased by $60.2M due to the timing of capital expenditures for parkland acquisition as development cost charges revenue is recognized when the amounts are spent.

Other capital funding decreased by $43.8M due to assets contributed received in 2024 including a decrease of $42.1M for land and road cuts, $4.4M decrease in park assets, and $3.9M for road infrastructure assets and external contributions of $0.3M. These were offset by an increase in $6.9M for land donations.

Investment income increased by $8.4M due to interest rate environment and timing of capital expenditures allowing additional funds to be invested.

Gaming revenue decreased by $1.0M due to less activity at River Rock Casino Resort in 2024 compared to 2023.

Licences and permits increased by $3.9M mainly due to higher building permits and the adoption of PS 3400 Revenue standard for business licences, which recognized an additional $1.8M in 2024.

Other revenue increased by $16.6M mainly due to higher developer reserve contributions including funds received for Capstan Canada Line Station and City Centre facilities.

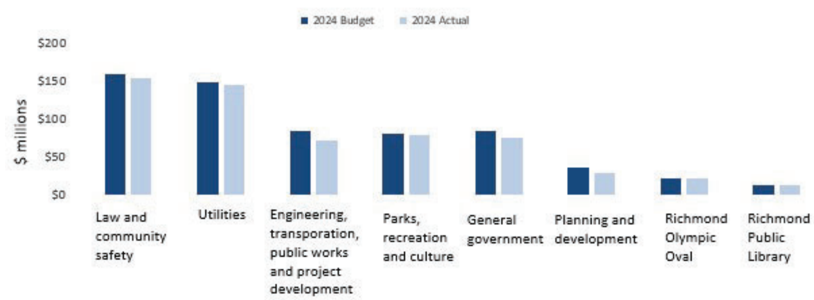
Equity income relates to the City’s investment in LIEC. LIEC’s net income for 2024 increased by $0.7M.

Expenses

2024 Budget to Actual Comparison

Total consolidated expenses are $581.5M compared to the budget of $620.6M.

2024 Expenses by Function



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

Law and community safety had a favourable variance of $5.4M due to lower policing contract costs than budgeted due to the number of officers billed being less than budgeted.

Utilities had a favourable variance of $2.7M due to less transfers from capital to operating for expenses that did not meet the capitalization threshold, vacant positions and contract costs.

Engineering, transportation, public works and project development had a favourable variance of $12.3M mainly due to less capital expenditures that did not meet the capitalization criteria and lower contract costs.

Parks, recreation and culture had a favourable variance of $1.6M mainly due to lower than budgeted contract costs and less capital expenditures that did not meet the capitalization criteria.

General government had a favourable variance of $9.5M mainly due to the timing of contingent grant expenses that were not fully spent in 2024 and will be spent in future periods and unspent contingencies.

Planning and development had a favourable variance of $7.5M mainly due to timing of contributions to housing projects that vary with externally controlled milestones, including the Rapid Housing Initiatives and Pathways, also lower spending on contracts, services and supplies and salaries.

Oval had an unfavourable variance relative to the preliminary budget included in the City’s Consolidated Financial Plan. Actual expenses are within the final budget which was subsequently approved by the Oval Board.

Library services had a favourable variance of $0.3M mainly due to staff vacancies.

Expenses

2024 to 2023 Actual Comparison

Total 2024 consolidated expenses were $581.5M compared to $545.6M in 2023.

Expenses ($000's)	**2024 Actual**	**2023 Actual**	**Change**
Law and community safety	$152,746	$142,001	$10,745
Utilities: flood, sanitation, sewer and water	144,647	133,166	11,481
Engineering, transportation, public works and project development	71,322	69,915	1,407
Parks, recreation and culture	78,173	71,328	6,845
General government	74,564	76,288	(1,724)
Planning and development	27,427	22,144	5,283
Richmond Olympic Oval	20,351	19,200	1,151
Richmond Public Library	12,239	11,533	706
Total	$581,469	$545,575	$35,894

Law and community safety expenses increased by $10.7M mainly due to increase in labour costs due to new collective agreements, higher policing contract and E-Comm expenses.

Utilities expenses increased by $11.5M mainly due to higher labour costs due to the new collective agreement, higher Greater Vancouver Sewerage and Drainage District operating and sewer debt levy, an increase in Metro Vancouver water purchase costs due to an increase in the rate, and more transfers from capital to operating that did not meet the criteria for capitalization.

Engineering, transportation, public works and project development expenses increased by $1.4M mainly due to labour costs as negotiated in the collective agreements offset by lower transfers from capital that were not eligible for capitalization and asset retirement obligation expense that did not recur.

Parks, recreation and culture increased by $6.8M mainly due to increase in labour costs which is attributable to the new collective agreements and hiring of more auxiliary staff.

General government expenses decreased by $1.7M mainly due to decrease in long term debt interest due to the Minoru Centre for Active Living debt maturity.

Planning and development cost increased by $5.3M mainly due to the expenses related to the Rapid Housing Initiatives Project and increases in labour costs as negotiated in the collective agreements and filling of vacancies.

Oval expenses increased by $1.2M mainly due to higher labour and programming expenses.

Library services expenses increased by $0.7M mainly due to increase in labour costs

Expenses

Expenses by Object

Expenses ($000's)	**2024 Actual**	**2023 Actual**	**Change**
Wages and salaries	$236,245	$211,637	$24,608
Public works maintenance	16,444	16,087	357
Contract services	115,205	109,548	5,657
Regional district utility charges	66,161	60,743	5,418
Supplies and materials	59,652	53,164	6,488
Interest and finance	6,681	8,246	(1,565)
Transfer from (to) capital for tangible capital assets	8,877	13,848	(4,971)
Amortization of tangible capital assets	71,703	71,938	(235)
Loss on disposal of tangible capital assets	501	364	137
Total	$581,469	$545,575	$35,894

Wages and salaries increased by $24.6M due to collective agreement increases which include a 4.5% wage increase for 2024, step increases in accordance with the collective agreement, a one time retroactive payment of 1% for 2022 and 3.5% for 2023 for CUPE 394 and 718 collective agreements, and vacancies being filled.

Public works maintenance is consistent with prior year.

Contract services increased by $5.7M mainly due to higher policing contract costs and E-Comm increases.

Regional district utility charges increased by $5.4M due to the Greater Vancouver Sewerage & Drainage District levy increase and due to an increase in the summer bulk rate for water purchases.

Supplies and materials increased by $6.5M mainly due to higher expenses for the Rapid Housing Initiative, Pathway Housing project and higher property expense costs.

Interest and finance decreased by $1.6M mainly due to decrease in long term debt interest as the final payment on debt for Minoru Centre for Active Living was made in 2024.

Transfer from (to) capital for tangible capital assets decreased by $5.0M due to asset retirement obligation expenses in 2023 for the initial application of the new accounting standard which did not recur in 2024.

Amortization of tangible capital assets is consistent with prior year.

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

Annual Surplus

The 2024 consolidated annual surplus of $233.0M 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 $233.0M annual surplus is the change in investment in capital assets of $138.2M. This is primarily the net activity of asset additions $218.5M offset by amortization expense of $71.7M, disposals and debt reduction.

Investment in LIEC increased by $2.8M.

Appropriated surplus decreased by $12.9M due to the use of funds to off-set the CUPE 718 and 394 collective agreement settlements.

Reserves increased by $103.0M due to the timing of capital expenditures. Included in the total reserve balance is $390.2M committed towards active capital projects.

Surplus increased by $2.3M mainly due to the net impact of transferring the 2023 operating surplus of $6.1M to the Rate Stabilization provision, offset by the 2024 operating surplus of $5.7M (excluding adjustments relating to the implementation of the new accounting standard PS 3400).

Other equity decreased by $0.4M.

Consolidated Statement of Changes in Net Financial Assets

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

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

The City's net financial assets as at December 31, 2024 increased by $86.9M to $1.2B (2023 - $1.1B).

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 $122.1M to $199.4M and investments increased by $209.9M to $1.6B.

In 2024, cash provided by operating activities was $280.9M, compared to $222.4M in 2023. This was mainly due to accounts payable and accrued liabilities, development cost charges, deposits and holdbacks and receivables (taxes and accounts).

Cash used in capital activities was $184.0M compared to $87.5M in 2023.

Cash used in financing activities was $9.0M compared to $9.2M received in 2023.

Cash used in investing activities was $209.9M, compared to $458.9M in 2023.

Ratio Analysis

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

The analysis addresses the following three key areas:

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

The following table presents the ratio analysis for the three-year period 2022-2024:

Sustainability ratios:	**2024**	**2023**	**2022**
Assets to liabilities (times)	6.6	6.3	6.2
Financial assets to liabilities (times)	2.7	2.6	2.5
Net debt to total revenues	10.9%	13.2%	16.7%
Net debt to the total assessment	0.06%	0.07%	0.09%
Expenses to the total assessment	0.4%	0.4%	0.4%

Flexibility ratios:	**2024**	**2023**	**2022**
Debt charges to revenues	0.5%	0.7%	0.4%
Net book value of capital assets to cost	66.2%	66.1%	66.2%
Net book value of capital assets (excluding land) to cost	51.8%	52.1%	52.6%
Own source revenue to the assessment	0.4%	0.4%	0.5%

Vulnerability ratios:	**2024**	**2023**	**2022**
Government transfers to total revenues	4.1%	7.9%	5.6%
Government transfers (excluding gaming revenue) to total revenues	2.7%	6.1%	3.7%

An explanation of each of the ratios is provided below.

Assessment of sustainability

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

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

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

  In 2022, the City acquired debt of $96.0M for the construction of the Steveston Community Centre and Branch Library. The annual debt servicing costs relating to the Minoru Centre for Active Living, funded from $6.4M gaming revenue and $1.0M taxation revenue, will be applied to the Steveston Community Centre and Branch Library annual servicing costs now that the final repayment for the Minoru Centre for Active Living is complete in 2024.

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

Assessment of flexibility

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

Assessment of vulnerability

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

Environmental Analysis

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

The following section highlights:

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

FIN – 127

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Strategic Plan

Council Strategic Plan 2022-2026

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

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

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

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

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

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

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

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


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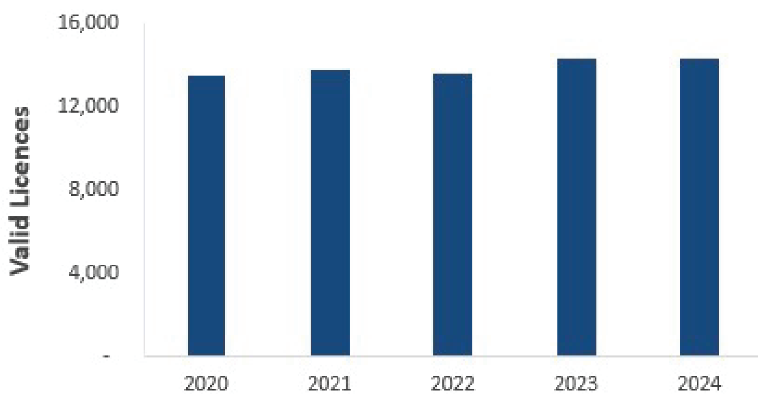
Environment

Business Licences

The total number of business licences issued increased to 14,317 in 2024 compared to 14,245 licences issued in 2023.

Business Licences 2020 – 2024

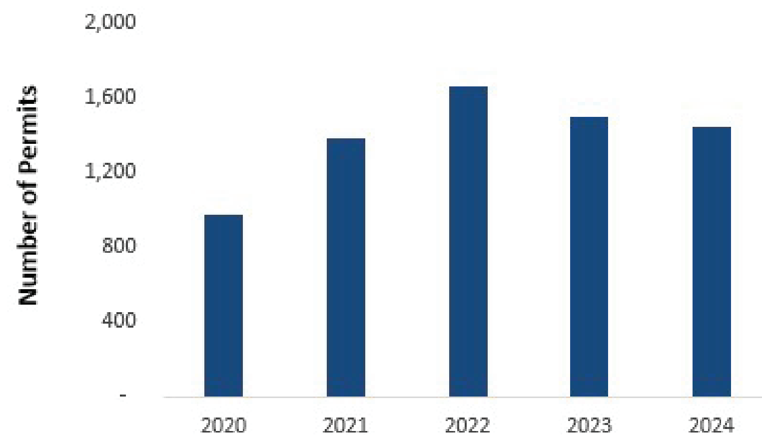


Housing Activity

Richmond house prices increased by 3.5%, with a 2024 detached median house price of $2,060,000. The total number of sales decreased year-over-year by 8.1% to 2,949 from 3,208 in 2023.

In 2024, the total number of building permits issued was 1,451, which was a 3.6% decrease from 2023. The decrease is a result of decreases in all types of permits issued including single family dwellings, multi-family developments, commercial and industrial. The actual permit fees collected for 2024 was $14.6M.

Building Permits 2020-2024



The construction value of building permits issued in 2024 was $1.3B, which increased by approximately 76.6% from 2023 of $751.1M. Activities increased in 2024 in advance of the DCC rate adjustment in July, supported by the significant increase in DCC collections compared to the prior year.

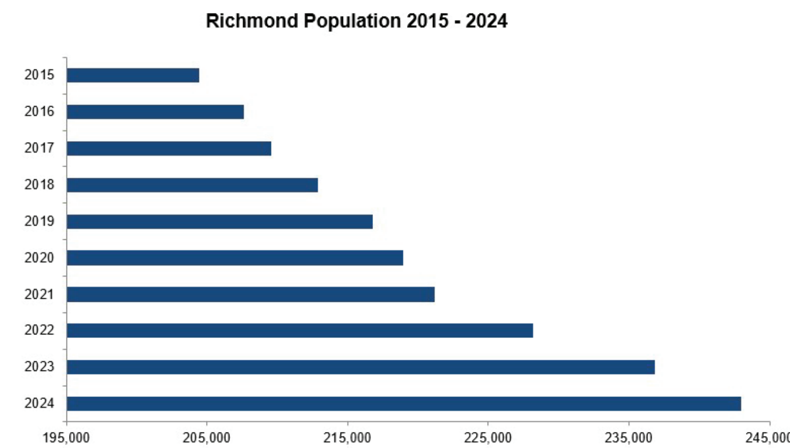
The number of development applications received in 2024 decreased by 17.1% to 131 applications from 158 applications in 2023. Total fees collected in 2024 increased by 16.0%.

FIN – 130

Population

Richmond's current population is estimated at 242,966 which is a 2.6% increase from 2024. According to the latest Statistics Canada Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2015-2024



Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated March 2025.

City 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 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 2024 operating, capital, and utility budgets.

	2022	2023	2024
Population growth (per annum) [1]	3.09%	2.34%	2.60%
Capital construction costs ($mil) [2]	$95.77	$156.40	$276.20
City Grants Program ($mil)	$0.88	$0.91	$0.93
Other grants ($mil) [3]	$1.74	$1.80	$1.85
RCMP calls for services	55,711	66,403	68,033
Fire Rescue Responses	11,317	12,262	13,512

[1] Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, March 2025.
[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 31 of the fiscal year. This information, in conjunction with planning documents, provides a comprehensive depiction of the future financial viability of the City.

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

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

The 2024-2028 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:
https://www.richmond.ca/city-hall/finance/reporting/fiveyear.htm

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 15, 2025
From:	Jerry Chong General Manager, Finance and Corporate Services	**File:**	03-0905-01/2025-Vol 01
Re:	**2024 Financial Statements for the Richmond Public Library**		

Staff Recommendation

That the 2024 Richmond Public Library audited financial statements for the year ended December 31, 2024, 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
APPROVED BY CAO

8027857

Richmond Public Library

REPORT TO CITY OF RICHMOND FINANCE COMMITEE

TO: City of Richmond Finance Committee

FROM: Susan Walters, Chief Librarian

DATE: March 6, 2025

Recommendation

That the 2024 Financial Statements of the Richmond Public Library Board be received for information.

S. Walters.

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

Attachment:
Financial Statements of Richmond Public Library Board Year Ended December 31, 2024

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 2024 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, 2024. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

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

The library's Finance Committee reviewed the statements on March 14, 2025, and the Library Board approved them at their regular meeting on Wednesday, March 26, 2025.

Statement of Financial Position

	2024 Actual	2023 Actual	Change
Financial Assets	$4,619,581	$4,997,525	$(337,944)
Liabilities	1,924,723	1,731,880	192,843
Net Financial Assets	**2,694,858**	**3,265,645**	**(570,787)**
Non-Financial Assets	4,751,408	4,718,507	32,900
Accumulated Surplus	**$7,446,266**	**$7,984,152**	**$(537,886)**

The library's overall financial position decreased by $537,886, with accumulated surplus totaling $7.4 million. The decrease in financial assets is mainly due to a decrease in the amount due from the City of Richmond as a result of higher expenditures in library operations. The increase in liabilities is primarily due to an increase in accrued liabilities. Donations 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 prepaid expenses, which consists of e-book subscriptions with durations longer than one year, and other expenses paid in advance.

The accumulated surplus balance of $7.4 million consists of tangible capital assets of $3.7 million, appropriated surplus of $3.2 million and surplus of $535,862. Note that in 2024, the library received an additional $36,969 of Enhancement Grants from the Province of BC, and this was recognized as revenue in 2024 and transferred to appropriated surplus to support library enhancements that will continue to take place in 2025. Appropriated surplus also includes provisions for future library enhancement, capital expenditures, IT infrastructure, training, budget stabilization, library operations and future salary and benefits obligations. This includes provisions for the future Steveston library's collections.

Statement of Operations

	2024 Budget	2024 Actual	2023 Actual
Revenue	$11,758,900	$11,941,830	$12,196,250
Expenses	12,495,800	12,479,716	11,549,128
Annual Surplus (Deficit)	$(736,900)	$(537,886)	$647,122

Budget Variance

Revenue of $11.9 million was greater than budgeted revenue by $182,930 mainly due to:

- $36,969 of recognized one-time Enhancement Grants that are not budgeted.
- $23,199 of increased InterLINK revenue due to an increase in the library's net lending over borrowing activity.
- $28,519 of increased revenue related to library's print and photocopier services.
- $52,891 of recognized restricted donations relating to expenses incurred in the year that are not budgeted.
- $15,946 of gain on sale of tangible capital assets that are not budgeted.

Expenses of $12.5 million was lower than budgeted expenses by $16,084 mainly due to:

- $418,079 lower than budgeted salaries and employee benefits due to vacancies.
- $18,324 higher than budgeted library subscriptions and databases as the library strengthens its digital resources.
- $296,234 higher than budgeted general and administration expenses mainly due to renovation at Brighouse library front entrance, and library's enhanced cybersecurity framework.
- $27,614 higher than budgeted building, leases and maintenance expenses primarily due to higher City's trade costs.

Year Over Year Change

Revenue of $11.9 million decreased by $254,420 million over 2023 mainly due to:

- $439,850 increase in municipal contribution.
- $591,844 decrease in recognition of one-time Enhancement Grants.
- $109,678 decrease in recognition of one-time COVID-19 Relief and Recovery Grant.

Expenses of $12.5 million increased by $930,588 over 2023 mainly due to:

- $593,484 increase in salaries and employee benefits resulting from the negotiated 2024-2027 Collective Agreement.
- $40,007 increase in supplies and equipment services is mainly due to an increase in professional fees for strategic planning and other professional fees.
- $195,601 increase in general and administration expenses mainly due to renovation at Brighouse library front entrance, and general contractual increases.

Library Board Approval

The Library Board reviewed the statements and approved them at their meeting on Wednesday, March 26, 2025.

Susan Walters

SWalters.

Chief Librarian & Secretary to the Board
Richmond Public Library

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

And Independent Auditor's Report thereon

Year ended December 31, 2024

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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, 2024
- 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, 2024, 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 26, 2025

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial Assets		
Due from City of Richmond (note 4)	$ 4,533,770	$ 4,901,991
Accounts receivable	85,811	95,534
	4,619,581	4,997,525
Liabilities		
Accounts payable and accrued liabilities (note 5)	1,252,791	1,058,595
Post-employment benefits (note 6)	583,700	571,100
Deferred revenue (note 7)	88,232	102,185
	1,924,723	1,731,880
Net financial assets	2,694,858	3,265,645
Non-Financial Assets		
Tangible capital assets (note 8)	3,711,264	3,719,322
Prepaid expenses	1,040,144	999,185
	4,751,408	4,718,507
Accumulated surplus (note 9)	$ 7,446,266	$ 7,984,152

Commitments (note 16)
Economic dependence (note 19)

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

Signed by:
2113F50923094F4... Trustee

Signed by:
2AF3B4A6B7664F6... Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024 (Notes 2(a) and 18)	2024	2023
Revenue:			
Municipal contribution	$ 11,285,400	$ 11,285,400	$ 10,845,550
Grants (note 10)	397,700	434,722	1,137,917
Fines and miscellaneous (note 11)	57,000	123,350	106,836
Donations (note 12)	-	52,891	65,367
Investment income (note 13)	18,800	29,521	23,155
Gain on sale of tangible capital assets	-	15,946	17,425
	11,758,900	11,941,830	12,196,250
Expenses:			
Salaries and employee benefits	9,174,100	8,756,021	8,162,537
Amortization	906,000	1,000,787	901,182
Library subscriptions and databases (note 14)	787,500	805,824	808,823
Supplies and equipment services	511,400	505,119	465,112
General and administration	463,200	759,434	563,833
Building, leases and maintenance	495,600	523,214	502,945
Utilities	158,000	129,317	144,696
	12,495,800	12,479,716	11,549,128
Annual (deficit) surplus	(736,900)	(537,886)	647,122
Accumulated surplus, beginning of year	7,984,152	7,984,152	7,337,030
Accumulated surplus, end of year	$ 7,247,252	$ 7,446,266	$ 7,984,152

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024 (Notes 2(a) and 18)	2024	2023
Annual (deficit) surplus	$ (736,900)	$ (537,886)	$ 647,122
Acquisition of tangible capital assets	(1,209,100)	(992,729)	(1,465,131)
Amortization of tangible capital assets	906,100	1,000,787	901,182
Gain on sale of tangible capital assets	-	(15,946)	(17,425)
Proceeds on sale of tangible capital assets	-	15,946	17,425
Increase in prepaid expenses	-	(40,959)	(158,666)
Change in net financial assets	(1,039,900)	(570,787)	(75,493)
Net financial assets, beginning of year	3,265,645	3,265,645	3,341,138
Net financial assets, end of year	$ 2,225,745	$ 2,694,858	$ 3,265,645

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Annual (deficit) surplus	$ (537,886)	$ 647,122
Items not involving cash:		
Amortization	1,000,787	901,182
Gain on sale of tangible capital assets	(15,946)	(17,425)
Changes in non-cash operating working capital:		
Due from City of Richmond	368,221	(243,642)
Accounts receivable	9,723	(30,226)
Prepaid expenses	(40,959)	(158,666)
Accounts payable and accrued liabilities	194,196	431,005
Post-employment benefits	12,600	37,900
Deferred revenue	(13,953)	(119,544)
Net change in cash from operating activities	976,783	1,447,706
Capital activities:		
Proceeds on sale of tangible capital assets	15,946	17,425
Acquisition of tangible capital assets	(992,729)	(1,465,131)
Net change in cash from capital activities	(976,783)	(1,447,706)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2024

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1. Operations:

The Richmond Public Library Board (the "Library"), which was established in 1976 pursuant to the *Library Act* of British Columbia (Part 2) as a Municipal Public Library, is responsible for the administration of public libraries in the City of Richmond. Funding for the provisions of these services is primarily through an annual contribution from the City of Richmond (the "City"). In addition, revenue is received from provincial government grants, library fees, donations, and other miscellaneous sources. The Library is a registered charity under provisions of the *Income Tax Act* (Canada) and is not a taxable entity. The Library receives accounting services from, and operates primarily in facilities provided free of charge by, the City. The Library is controlled by the City.

2. Significant accounting policies:

The accounting policies of the Library conform to Canadian Public Sector Accounting Standards and include the following specific policies:

(a) Budget data:

The budget data presented in these financial statements is based on the 2024 budget approved by the Board of Trustees (the "Board") on November 29, 2023. Note 18 reconciles the approved budget to the budget figures reported in these financial statements.

(b) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. 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:

Revenues from transactions with performance obligations are recognized when (at a point in time) or as (over a period of time), the Library satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor.

Revenues from transactions without performance obligations are recognized at realizable value when the Library has the right to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources.

2. Significant accounting policies (continued):

(d) Deferred revenue:

The Library records the receipt of restricted contributions as deferred revenue and recognizes the revenue in the year in which related expenses are incurred.

(e) Non-financial assets:

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

(f) Tangible capital assets:

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

Asset	Rate
Library collections	4 - 20 years
Furniture and fixtures	10 - 20 years
Equipment	5 - 10 years

Amortization is charged over the asset's useful life commencing when the asset is available for use.

Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the City to provide services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

Work-in-progress is not amortized until the asset is available for productive use.

(g) Donations of tangible capital assets:

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

(h) Works of art, and cultural and historical assets:

Works of art and cultural and historical assets are not recorded as assets in the financial statements.

(i) Functional and object reporting:

The operations of the Library are comprised of a single function, library operations. As a result, the expenses of the Library are presented by object in the statement of operations.

2. Significant accounting policies (continued):

(j) Employee future benefits:

The Library and its employees make contributions to the Municipal Pension Plan (the "Plan"). These contributions are expensed as incurred.

Sick leave and post-employment benefits are available to the Library's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits (note 6).

(k) Government transfers:

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

(l) Library subscriptions and databases:

Library subscriptions and databases not owned by the Library or that have useful lives that are less than one operating cycle are recorded as an expense when incurred.

(m) Financial instruments:

Financial instruments include cash, investments, accounts receivable, accrued salaries and benefits, and accounts payable and accrued liabilities.

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

Unrealized changes in fair value are recognized on the statement of remeasurement gains and losses. They are recorded in the statement of operations when they are realized. There are no unrealized changes in fair value as at December 31, 2024, and December 31, 2023. As a result, the Library does not have a statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred.

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

3. Adoption of new accounting standards:

(a) PS 3160 *Public Private Partnerships Standard*:

On January 1, 2024, the Library adopted Canadian Public Sector Accounting Standard PS 3160, *Public Private Partnerships* ("PS 3160"). The new standard addresses the recognition, measurement, presentation, and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. Management has assessed that there is no impact of adopting PS 3160 on the financial statements of the Library.

(b) PS 3400 *Revenue Standard* :

On January 1, 2024, the Library adopted Canadian public sector accounting standard PS 3400, *Revenue* ("PS 3400"). The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. Management has assessed that there is no impact of adopting PS 3400 on the financial statements of the Library.

(c) PSG-8 *Purchased Intangibles*:

On January 1, 2024, the Library adopted Public Sector Guideline PSG-8, *Purchased Intangibles, applied on a prospective basis* ("PSG-8"). PSG-8 defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. Management has assessed the impact of adopting PSG-8 and found that at present no such items meet the criteria to be recognized as a purchased intangible.

4. 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.

5. Accounts payable and accrued liabilities:

	2024	2023
Accounts payable	$ 280,945	$ 508,171
Accrued liabilities	35,793	25,186
Accrued payroll liabilities	936,053	525,238
	$ 1,252,791	$ 1,058,595

6. 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.

	2024	2023
Balance, beginning of year	$ 580,600	$ 566,900
Current service cost	39,500	38,300
Interest cost	23,800	25,500
Past service credit	(1,600)	-
Benefits paid	(43,700)	(32,400)
Amortization of net actuarial gains and losses	(39,300)	(17,700)
Balance, end of year	$ 559,300	$ 580,600

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2024. These actuarial gains and losses are being amortized over a period equal to the employees' average remaining service lifetime of 11 years (2023 - 11 years).

	2024	2023
Accrued benefit obligation, end of year	$ 559,300	$ 580,600
Unamortized net actuarial gain (loss)	24,400	(9,500)
Accrued benefit liability, end of year	$ 583,700	$ 571,100

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

	2024	2023
Discount rate	4.30%	4.10%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary increases	2.50% to 3.00%	2.50% to 3.00%

7. Deferred revenue:

	2024	2023
Balance, beginning of year	$ 102,185	$ 221,729
Contributions	38,938	57,176
Revenue recognized as donations revenue	(52,891)	(65,367)
Revenue recognized as grants revenue (note 10(e))	-	(111,353)
Balance, end of year	$ 88,232	$ 102,185

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2024

8. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions, net	Disposals	Balance at December 31, 2024
Library collections	$ 7,060,568	$ 769,186	$ (308,908)	$ 7,520,846
Furniture and fixtures	1,924,864	250,037	-	2,174,901
Equipment	2,983,829	117,354	(13,431)	3,087,752
Work-in-progress	143,848	(143,848)	-	-
	$ 12,113,109	$ 992,729	$ (322,339)	$ 12,783,499

Accumulated amortization	Balance at December 31, 2023	Additions	Disposals	Balance at December 31, 2024
Library collections	$ 5,219,670	$ 743,171	$ (308,908)	$ 5,653,933
Furniture and fixtures	983,858	71,385	-	1,055,243
Equipment	2,190,259	186,231	(13,431)	2,363,059
	$ 8,393,787	$ 1,000,787	$ (322,339)	$ 9,072,235

Net book value	Balance at December 31, 2023	Balance at December 31, 2024
Library collections	$ 1,840,898	$ 1,866,913
Furniture and fixtures	941,006	1,119,658
Equipment	793,570	724,693
Work-in-progress	143,848	-
	$ 3,719,322	$ 3,711,264

9. Accumulated surplus:

		2024		2023
Operating:				
Appropriated surplus:				
Capital expenditures	$	898,451	$	368,171
Library enhancement		451,884		914,548
IT infrastructure		175,000		575,000
Training		100,000		100,000
Budget stabilization		216,000		282,000
Future capital acquisitions		726,237		710,809
Library operations		33,401		33,401
Future salary and benefit obligations		83,002		83,002
Library grants provision		515,165		627,329
Total appropriated surplus		3,199,140		3,694,260
Surplus		535,862		570,570
Invested in tangible capital assets		3,711,264		3,719,322
	$	7,446,266	$	7,984,152

During the year ended December 31, 2024, the Board approved the transfer from surplus of $142,000 to Capital expenditures (2023 - $368,171).

10. Grants:

			2024		2023
Provincial Revenue Sharing Grant	(a)	$	373,688	$	373,688
One Card Grant	(b)		16,664		16,664
British Columbia Equity Grant	(c)		4,500		4,500
Resource Sharing Grants	(d)		2,901		2,899
COVID-19 Relief and Recovery Grant	(e)		-		111,353
Enhancement Grant	(f)		36,969		628,813
		$	434,722	$	1,137,917

(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.

10. Grants (continued):

(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 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.

(f) Enhancement Grant is awarded by the Ministry of Municipal Affairs Public Libraries Branch to support local library service enhancement, including helping address shifting demands on services, collections, programs, and spaces. This targeted Enhancement Grant is intended to supplement local government funding and is not intended to replace it. Enhancement Grant funding may be used over three years to enrich people's library experiences through augmented local services, programs, and collections and support libraries in working together to extend services.

11. Fines and miscellaneous:

	2024	2023
Book fines	$ 12,936	$ 12,534
InterLINK revenue	33,199	16,995
Photocopy and printer revenue	69,519	59,456
Miscellaneous	7,696	17,851
	$ 123,350	$ 106,836

12. 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.

	2024	2023
Friends of the Library	$ 23,613	$ 5,000
Other	29,278	60,367
	$ 52,891	$ 65,367

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2024

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13. 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 $317,553 at December 31, 2024 (2023 - $296,758). The balance is comprised of donations from Friends of the Library ($156,000), Vancouver Foundation's matching program ($75,000), other donors ($51,900) and recontribution of cumulative income generated as at December 31, 2024 ($34,653).

As at December 31, 2024, the fair value of the capital in the fund amounted to $463,483 (2023 - $411,209).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income of $20,795 for the year ended December 31, 2024, was reinvested into the Endowment Fund's capital (2023 - $13,858). This income is presented as investment income and the reinvestment is recorded in general and administration expense on the statement of operations.

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

The fund was established in 2010 and the contributed capital in the fund amounts to $156,548 at December 31, 2024 (2023 - $155,518). The balance is comprised of donations from Friends of the Library of $64,000 (2023 - $64,000) and other donors of $92,548 (2023 - $91,518).

As at December 31, 2024, the fair value of the capital in the fund amounted to $243,327 (2023 - $205,314).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income of $8,726 for the year ended December 31, 2024, was reinvested into the Endowment Fund's capital (2023 - $4,677). This income is presented as investment income and the reinvestment is recorded in general and administration expense on the statement of operations.

14. Library subscriptions and databases:

	2024	2023
Digital books and multimedia	$ 670,289	$ 684,983
Databases, newspapers and magazines	135,535	123,840
	$ 805,824	$ 808,823

15. 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, 2023, the plan has about 256,000 active members and approximately 129,000 retired members. Active members include approximately 45,000 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 Library paid $539,601 (2023 - $541,069) for employer contributions while employees contributed $499,029 (2023 - $495,613) to the plan in fiscal 2024.

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

16. Commitments:

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

2025	$ 333,689
2026	215,500
2027	215,500
2028	197,542

17. 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.

18. Budget data:

The budget data presented in these financial statements is based on the 2024 budget approved by the Board of Trustees on November 29, 2023. 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	$ 11,758,900	$ 11,758,900
Expenses:		
Operating budget	(11,589,800)	(11,589,800)
Less: Transfer from Surplus	375,000	-
Less: Transfer from Budget Stabilization	66,000	-
Less: Acquisition of tangible capital assets	(610,100)	-
Less: Amortization of tangible capital assets	-	(906,000)
Annual deficit	$ -	$ (736,900)

19. Economic dependence:

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

20. Financial risk management:

The Board ensures that the Library has identified its major risks and ensures that management monitors and mitigates them.

(a) Credit risk:

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Library is exposed to credit risk with respect to its due from the City of Richmond and accounts receivable. The Library's credit risk related to due from the City of Richmond and accounts receivable is minimal as receivables are with parties that have a low risk of collectability.

(b) Liquidity risk:

Liquidity risk is the risk that the Library will not be able to meet its obligations as they fall due. The Library is exposed to liquidity risk with respect to its accrued salaries and benefits, accounts payable and accrued liabilities. The Library maintains adequate levels of working capital to ensure all obligations can be met when they fall due.

There has been no change to the financial risks from 2023.

RICHMOND PUBLIC LIBRARY BOARD

Unaudited Statement of Operations by Fund

Year ended December 31, 2024

	2024			2023		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	$ 10,675,400	$ 610,000	$ 11,285,400	$ 10,235,550	$ 610,000	$ 10,845,550
Grants	434,722	-	434,722	1,137,917	-	1,137,917
Fines and miscellaneous	123,350	-	123,350	106,836	-	106,836
Donations	52,891	-	52,891	65,367	-	65,367
Investment income	29,521	-	29,521	23,155	-	23,155
Gain on sale of tangible capital assets	-	15,946	15,946	-	17,425	17,425
	11,315,884	625,946	11,941,830	11,568,825	627,425	12,196,250
Expenses:						
Salaries and employee benefits	8,756,021	-	8,756,021	8,162,537	-	8,162,537
Amortization	-	1,000,787	1,000,787	-	901,182	901,182
Library subscriptions and databases	805,824	-	805,824	808,823	-	808,823
Supplies and equipment services	505,119	-	505,119	465,112	-	465,112
General and administration	759,434	-	759,434	563,833	-	563,833
Building, leases and maintenance	523,214	-	523,214	502,945	-	502,945
Utilities	129,317	-	129,317	144,696	-	144,696
	11,478,929	1,000,787	12,479,716	10,647,946	901,182	11,549,128
Annual surplus (deficit)	(163,045)	(374,841)	(537,886)	920,879	(273,757)	647,122
Accumulated surplus, beginning of year	5,009,074	2,975,078	7,984,152	4,088,195	3,248,835	7,337,030
Accumulated surplus, end of year	$ 4,846,029	$ 2,600,237	$ 7,446,266	$ 5,009,074	$ 2,975,078	$ 7,984,152

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 10, 2025
From:	John Irving, P.Eng., MPA Deputy CAO 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:**	03-0950-01/2025-Vol 01
Re:	**2024 Financial Statements for the Lulu Island Energy Company**		

Staff Recommendation

That the Lulu Island Energy Company report titled "2024 Financial Statements for the Lulu Island Energy Company", dated April 10, 2025, from the Chief Executive Officer and Chief Financial Officer, be received for information.

John Irving, P.Eng., MPA
Deputy CAO
Chief Executive Officer,
Lulu Island Energy Company
(604-276-4140)

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

REPORT CONCURRENCE	
REVIEWED BY SMT	**INITIALS:**
APPROVED BY CAO	

8022654

6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

DATE: March 11, 2025

TO: Board of Directors

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

Re: **2024 Financial Statements for the Lulu Island Energy Company**

Staff Recommendation

That the audited financial statements of the Lulu Island Energy Company (LIEC) for the year ended December 31, 2024, 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 2024 audited financial statements for the LIEC Board's approval. See Attachment 1 for a brief overview of the District Energy Utility service areas.

Analysis

The preparation of financial statements is the responsibility of management. As a Government Business Enterprise (GBE), LIEC's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

LIEC's audited financial statements consist of:

- Statement of financial position – summary of assets, liabilities, and shareholder's equity;
- Statement of profit or loss and total comprehensive income – summary of revenues, expenses, other activities, and net income for the year;
- Statement of changes in equity – summary of changes in share capital, contributed surplus, and accumulated surplus for the year;
- Statement of cash flows – summary of the sources and uses of cash in the year; and
- Notes to the financial statements – summary of additional information pertaining to operations and financial position.

The financial statements have been audited by the independent firm KPMG LLP, as the designated auditor at the 2024 Annual General Meeting. Their report precedes the financial statements in Attachment 3.

Financial Position

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

	2024	2023	$ Changes	% Change
Cash and cash equivalents	$ 7,576,940	$ 2,511,976	$ 5,064,964	202%
Accounts receivable	4,385,448	4,792,892	(407,444)	(9%)
Investments	13,727,812	12,014,953	1,712,859	14%
Plant and equipment	58,128,103	53,740,785	4,387,318	8%
Total Assets	$ 83,818,303	$ 73,060,606	$ 10,757,697	15%
Accounts payable	$ 1,377,195	$ 1,848,902	$ (471,707)	(26%)
Government grants	514,462	403,026	111,436	28%
Deferred developer contributions	22,788,278	19,235,460	3,552,818	18%
Project Agreement liability	19,283,096	14,475,318	4,807,778	33%
Shareholder's Equity	39,855,272	37,097,900	2,757,372	7%
Total Liabilities and Shareholder's Equity	$ 83,818,303	$ 73,060,606	$ 10,757,697	15%

The statement of financial position provides a summary of assets, liabilities, and shareholder's equity.

Cash and cash equivalents and Investments

The year-end cash balance of $7,575,940 (2023 - $2,511,976) supports operational activities and committed capital projects. The increase in cash was due to net income and advanced payments from developers for future building connections. LIEC maintained a higher cash balance at year-end to facilitate upcoming financial transactions for Metro Vancouver and CleanBC grants related to Sewer Heat Recovery project. LIEC's investments of $13,727,812 (2023 - $12,014,953) remain in secured term deposits with a continued strategy to capitalize on higher interest rates.

Accounts Receivable

Accounts receivable totaled $4,385,448 (2023 - $4,792,892), primarily reflecting accruals for the last quarter's meter billings. The decrease from the prior year is due to the collection of outstanding developers' contributions, which were recorded as receivables at the end of 2023 and received in 2024.

Plant and Equipment

Plant and equipment are reported at the net book value, representing capital cost net of accumulated depreciation. In 2024, the net book value increased to $58,128,103 (2023 - $53,740,785) due to additional capital expenditures.

Accounts Payable and Government Grants

Accounts payable totaled $1,377,195 (2023 – 1,848,902), representing outstanding vendor invoices. The decrease compared to prior year was due to the timing of year-end invoices. The government grant liability increased to $514,462 (2023 - $403,026), reflecting the accumulated CleanBC grant received for the Sewer Heat Recovery project. In accordance with IFRS reporting, the grant is recognized as revenue annually over the useful life of the plant once the asset is in service.

Deferred Developer Contributions and Project Agreement Liabilities

Utility company balance sheets are predominantly dominated by capital assets and debt due to the requirements to build out the infrastructure network. The developers' contributions and Project Agreement liabilities are the primary sources of funding for the construction of new assets, which make up the majority of the liabilities. Developer contributions, which recover the construction costs for in-building equipment installation, are recognized as deferred liabilities. In accordance with IFRS reporting, revenue from these contributions is recognized annually over the useful life of the equipment once the asset is in service. At the 2024 year-end, deferred developer contribution totaled $22,788,278 (2023 – $19,235,460).

The Project Agreement liability is associated with the 30-year agreements between LIEC, Corix, and the Canada Infrastructure Bank (CIB). Under the Project Agreement, Corix designs, constructs, finances, and maintains the CCDEU infrastructure, while CIB provides low-cost financing for a portion of the infrastructure. The Project Agreement liability represents anticipated future cash outflow for capital and operating costs under the agreement. At the 2024 year-end, the Project Agreement liability was $19,283,096 (2023 - $14,475,318)

Shareholder's Equity

Shareholder's equity reflects the net worth of the company, calculated as total assets minus the total liabilities. In 2024, LIEC's shareholder equity was $39,855,272 (2023 - $37,097,900), representing a 7% increase from the previous year.

Profit or Loss and Total Comprehensive Income

	2024	2023	$ Changes	% Change
Revenues				
Metered billings	$ 8,778,966	$ 7,588,977	$ 1,189,989	16%
Service fee	981,486	981,486	-	-
	9,760,452	8,570,463	1,189,989	14%
Cost of Sales				
Contracts[1]	2,093,165	1,805,391	287,774	16%
Utilities	1,926,163	1,815,943	110,220	6%
Depreciation	1,798,972	1,455,216	343,756	24%
	5,818,300	5,076,550	741,750	15%
Gross Profit	**3,942,152**	**3,493,913**	**448,239**	**13%**
General and Administration Expenses				
Salaries and benefits	1,074,838	1,056,910	17,928	2%
Administration expenses[1]	365,929	339,068	26,861	8%
Insurance	345,218	308,640	36,578	12%
Professional fees	323,760	270,883	52,877	20%
	2,109,745	1,975,501	134,244	7%
Net Income Before Other Items	1,832,407	1,518,412	313,995	21%
Contributions and Financing Expense				
Developer contributions	668,131	475,410	192,721	41%
Other income	32,868	20,511	12,357	60%
Finance income	958,986	785,190	173,796	22%
Finance cost	(735,020)	(729,783)	(5,237)	1%
	924,965	551,328	373,637	68%
Net Income	**$ 2,757,372**	**$ 2,069,740**	**$ 687,632**	**33%**

Earnings before interest, taxes, depreciation and amortization (EBITDA)

Net income per above	$2,757,372	$2,069,740	$ 687,632	33%
Net finance cost (income)	(223,966)	(55,407)	(168,559)	304%
Depreciation expense	1,798,972	1,455,216	343,756	24%
EBITDA	$4,332,378	$3,469,549	$ 862,829	25%

[1] 2023 amount is adjusted from audited financial statement for comparison purpose, due to cost reclassification between administration expense and contracts expense. Net income is not impacted.

The statement of profit or loss and total comprehensive income provides a summary of the company's revenues, expenses, and profits over the fiscal year of 2024. It reports the financial performance of the company.

Table 2: Percentage of revenue

	December 31, 2024	December 31, 2023
Percentage of Revenue		
Gross margin	40%	41%
General and administration percentage	22%	23%
EBITDA percentage	44%	40%
Net income percentage	28%	24%

Year-over-Year Change

Revenues

Metered billings reflect energy sales based on the actual customers' energy usage and consumption. It comprises of energy sales from ADEU and CCDEU service areas[2]. Metered billings revenue was $5,926,105 (2023 - 4,712,496) from the CCDEU and $2,852,861 (2023 - 2,876,481) from the ADEU. Overall, metered billings increased by $1,189,989 to $9,760,452 (2023 - $7,588,977). The increase was due to additional energy use by buildings that were not fully occupied in prior years, as well as the approved 2024 rate increase.

There was no change to the service fee of $981,486 (2023 - $981,486) for LIEC's facilitation of advancing district energy opportunities in the City, which results in numerous benefits to the City and community of Richmond. The service fee covers staff and specialized consultants working on low carbon district energy initiatives. With or without LIEC, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges. The City identified district energy utilities as a leading strategy to achieve the City's GHG reduction goals. To date, it is estimated that LIEC's district energy systems has resulted in the reduction of over 22,870 tons of GHG emissions.

Cost of Sales

The cost of sales consists of total expenses attributable to energy sales, which includes contract services, utilities (electricity and natural gas), and depreciation. Contract expenses increased by $287,774 to $2,093,165 (2023 - $1,805,391) due to additional operations and maintenance work. Contract expenses increased by 16%, consistent with the increase in metered revenue.

Utility expenses increased by $110,220 to $1,926,163 (2023 - $1,815,943) driven by increased energy usage from new buildings connected in 2023 that operated for the first time for a full year in 2024.

[2] Note that OVDEU is now combined under the CCDEU service area.

Depreciation expense increased due to additional assets being put into service. The gross margin in 2024 was 40%, which was slightly lower than the 41% in 2023. This was mainly due to the additional maintenance and higher utility costs of the newly connected on-site Low Carbon Energy Plants (LCEPs).

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 expenses, insurance and professional fees. The general and administration expenses increased by $134,244 to $2,109,745 (2023 - $1,975,501) driven by the following key factors:

- **Administration expenses** - The increase of $26,861 to $365,929 (2023 – $339,068) was mainly due to the increase in the CCDEU Project Agreement related administration expenses, which include: project administration, overhead costs for managing Corix's special purpose entity, and CIB financial administration requirements. This increase was expected as the implementation of the CCDEU project ramped up. Administration expenses also include the overhead allocation of $69,680 (2023 - $70,723) paid to the City of Richmond for the day-to-day support that LIEC received from City staff during the year.

- **Insurance** - The premium increased by $36,578 or 12% due to a general insurance rate increase, and the inclusion of additional capital assets under coverage.

- **Professional fees** - The increase of $52,877 to $323,760 (2023 - $270,883) was due to costs associated with professional studies. Additionally, higher audit fees contributed to this increase, as additional work was required to support the company's operational growth.

Overall, general and administration expenses as a percentage of revenues was 22% in 2024, slightly lower than in 2023 (23%).

Contributions and financing expenses

The contributions and financing expense section represents other sources of revenue and expenses for the Company. Developer contributions increased compared to 2023 due to two new connections that occurred in 2023 and operated for a full year for the first time in 2024. Other income was higher than 2023 due to LIEC receiving a recovery payment for its internal administrative and personnel costs related to Corix reorganization consent request. Interest income was higher than 2023 due to higher cash and investment balances. Finance expense was higher than 2023 due to increase in new infrastructure being financed and constructed.

LIEC's earnings before interest, tax, depreciation and amortization (EBITDA), used as a proxy to measure the company's operational efficiency, increased to 44% as a percentage of revenue compared to 40% in 2023. This was due to the increase in revenue outpacing the increase in operating costs.

Overall, LIEC's revenues exceeded expenses, resulting in a net income of $2,757,372 (2023 - $2,069,740).

LIEC's financial sustainability and future growth must be taken into consideration when reviewing its EBITDA and net income. LIEC's success is dependent upon developing in-house expertise and securing funds for future capital replacements as existing infrastructure components reach their end of life, as well as to cover expenses of unexpected and rare events. Other important factors include the planning of future projects, which consists of research and development, and exploratory reviews of future technology and opportunities.

Budget Variance
(See Attachment 2 for 2024 budget to actual comparison)

Revenues

The metered billings are the total energy sales of both ADEU and CCDEU service areas. The metered billings revenue was $2,852,861 from the ADEU and $5,926,104 from the CCDEU. 2024 actual revenue of $9,760,452 was in line with the budget.

Cost of Sales

Contract expenses were under budget by 12% mainly due to less unscheduled maintenance and repairs. Utility expenses are based on actual customers' energy usage and consumption of electricity and natural gas. The overall utility cost was lower than budget by 29% due to milder weather and significantly lower natural gas commodity cost than originally projected for 2024.

Depreciation expenses were lower than budget mainly due to the timing of new capital asset additions. Overall, the cost of sales was 17% below the budget. The gross margin of 40% still exceeded budget by 11% due to the lower than forecasted utility and contract costs.

General and Administration Expenses

Administration expenses were lower than the budget due to underutilized internal administration expense budget. Insurance expenses were below budget due to the timing of capital expenditures. Professional fees were lower than budget due to the delay of some technical studies and updated developer guidelines which will take place in 2025. Overall, total general and administration expenses were 10% under the budget.

Contributions and Financing Expense

Developer contributions exceeded the budget due to the additional value recognized from developer-contributed assets. Other income surpassed the budget as LIEC received a recovery payment for its internal administrative and personnel costs related to Corix reorganization consent. The finance cost was below budget primarily due to the timing of assets coming into service and the capitalization of interest on work-in-progress. This was also attributed to delays in some capital investments due to development timeline setbacks. The interest income exceeded budget, as LIEC actively pursued higher interest rate opportunities through various term deposits yielding much higher returns than originally anticipated.

LIEC's overall financial performance exceeded budget. Consistent with the company's financial plan objectives, any net income will be maintained in LIEC's equity in order to fund future capital projects and infrastructure replacement.

Financial Impact

None.

Conclusion

The Auditor's Report states that these financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as of December 31, 2024, and its financial performance and cash flow for the year end in accordance with International Financial Reporting Standards.

Cody Lan

Helen Zhao
Controller
(604-276-4019)

Cody Lan
Assistant Controller
(604-247-4698)

Attachment 1: District Energy in Richmond
Attachment 2: 2024 Budget and Actual Comparison
Attachment 3: 2024 Audited Financial Statements

District Energy in Richmond

Richmond's 2041 Official Community Plan (OCP) establishes a target to reduce greenhouse gas (GHG) emissions 50 percent below 2007 levels by 2030 and 100 percent by 2050. The City identified district energy utilities (DEUs) as a leading strategy to achieve the City's GHG reduction goals and incorporated Lulu Island Energy Company Ltd. (LIEC) in 2013 for the purpose of carrying out the City's district energy initiatives based on the following guiding principles:

1. The DEU will provide end users with energy costs that are competitive with conventional energy costs, based on the same level of service; and
2. Council will retain the authority to set 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 under 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	**Build-out**
Alexandra DEU	13	2,200	2.4M ft^2	4.4M ft^2
Oval Village DEU	14	3,174	3.7M ft^2	6.4M ft^2
City Centre DEU	4	1,549	1.7M ft^2	48.0M ft^2
Total	**31**	**6,923**	**7.8M ft^2**	**58.8M ft^2**

The ADEU provides heating and cooling services to ten residential buildings, the large commercial development at "Central at Garden City", the Richmond Jamatkhana Temple, and Fire Hall No. 3, comprising 2,200 residential units and over 2.4 million square feet of floor area. While some electricity 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 14 buildings, containing 3,174 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. This project is in the preliminary design stage and is expected to be completed in 2028. Once completed, the system will be able to produce up to 80% of low-carbon energy from the Gilbert Trunk sanitary force main sewer.

The CCDEU currently services four buildings, comprised of 1,549 residential units and approximately 1.7 million square feet of floor area. While offsite energy centres progress through development, CCDEU utilizes on-site low carbon energy plants as a source of energy production. At full build-out, 176 developments, 28,000 residential units and approximately 48 million square feet of floor space will be serviced by 5 permanent energy centres with over 130 MW of heating and 115 MW of cooling capacity. The built-out system is estimated to reduce over one million tonnes of GHG emissions compared to conventional service.

2024 Budget and Actual Comparison

	Budget	Actual	$ Changes	% Change
Revenues				
Metered Billings	$ 8,843,699	$ 8,778,966	$ (64,733)	(1%)
Service fee	981,486	981,486	-	0%
	9,825,185	9,760,452	(64,733)	(1%)
Cost of Sales				
Contracts	2,384,879	2,093,165	(291,714)	(12%)
Utilities	2,714,879	1,926,163	(788,716)	(29%)
Depreciation	1,923,980	1,798,972	(125,008)	(6%)
	7,023,738	5,818,300	(1,205,438)	(17%)
Gross profit	**2,801,447**	**3,942,152**	**1,140,705**	**41%**
General and Administration Expenses				
Salaries and benefits	1,038,072	1,074,838	36,766	4%
Administration expenses	417,739	365,929	(51,810)	(12%)
Insurance	418,160	345,218	(72,942)	(17%)
Professional Fees	465,282	323,760	(141,522)	(30%)
	2,339,253	2,109,745	(229,308)	(10%)
Net income before other items	462,194	1,832,407	1,370,213	-
Contributions and Financing expense				
Developer contributions	557,442	668,131	110,689	20%
Other income	27,000	32,868	5,868	22%
Financing income	400,000	958,986	558,986	140%
Financing cost	(1,084,616)	(735,020)	349,596	(32%)
	(100,174)	924,965	1,025,139	-
Net Income	**$ 362,020**	**$ 2,757,372**	**$ 2,395,352**	**-**

Earnings before interest, taxes, depreciation and amortization (EBITDA)				
Net income per above	$ 362,020	$2,757,372	$ 2,395,352	-
Net Financing cost	684,616	(223,966)	(908,582)	(133%)
Depreciation expense	1,923,980	1,798,972	(125,008)	(6%)
EBITDA	$ 2,970,616	$4,332,378	$ 1,361,762	46%

Attachment 3

2024 Audited Financial Statements

Financial Statements
(Expressed in Canadian dollars)

LULU ISLAND ENERGY COMPANY LTD.

And Independent Auditor's Report thereon

Year ended December 31, 2024

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, 2024
- the statement of profit or loss and total comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 11, 2025

LULU ISLAND ENERGY COMPANY LTD.

Statement of Financial Position

December 31, 2024, with comparative information for 2023

		2024		2023
Assets				
Current assets:				
Cash and cash equivalents	$	7,576,940	$	2,511,976
Accounts receivable (note 4)		4,385,448		4,792,892
Investments (note 5)		9,120,685		12,014,953
		21,083,073		19,319,821
Non-current assets:				
Investments (note 5)		4,607,127		-
Plant and equipment (note 6)		58,128,103		53,740,785
Total assets	$	83,818,303	$	73,060,606
Liabilities and Shareholder's Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 7)	$	1,377,195	$	1,848,902
Current portion of deferred developer contributions (note 8(a))		668,133		668,131
Current portion of Project Agreement liability (note 9)		7,158,752		6,125,191
		9,204,080		8,642,224
Non-current liabilities:				
Government grants (note 8(b))		514,462		403,026
Deferred developer contributions (note 8(a))		22,120,145		18,567,329
Project Agreement liability (note 9)		12,124,344		8,350,127
		34,758,951		27,320,482
Total liabilities		43,963,031		35,962,706
Shareholder's equity:				
Share capital and contributed surplus (note 10)		27,397,115		27,397,115
Retained earnings		12,458,157		9,700,785
		39,855,272		37,097,900
Commitments and contingencies (note 13)				
Total equity and liabilities	$	83,818,303	$	73,060,606

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

Approved on behalf of the Board:

Director

Director

LULU ISLAND ENERGY COMPANY LTD.

Statement of Profit or Loss and Total Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Revenue (note 14, 15(a))	$ 9,760,452	$ 8,570,463
Cost of sales:		
Operating expenses	4,019,328	3,419,169
Depreciation (note 6)	1,798,972	1,455,216
	5,818,300	4,874,385
Gross profit	3,942,152	3,696,078
General and administrative expenses (note 11, 15(b))	2,109,745	2,177,666
Profit before undernoted items	1,832,407	1,518,412
Developer contributions, other income and net finance cost:		
Developer contributions (note 8(a))	668,131	475,410
Other income (note 15(a))	32,868	20,511
Net finance income (note 12)	223,966	55,407
	924,965	551,328
Profit and total comprehensive income for the year	$ 2,757,372	$ 2,069,740

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, 2024, with comparative information for 2023

	Share capital (note 10)	Contributed surplus (note 10)	Retained earnings	Shareholder's equity
Balance, January 1, 2023	$ 5	$ 27,397,110	$ 7,631,045	$ 35,028,160
Profit and total comprehensive income	-	-	2,069,740	2,069,740
Balance, December 31, 2023	5	27,397,110	9,700,785	37,097,900
Profit and total comprehensive income	-	-	2,757,372	2,757,372
Balance, December 31, 2024	$ 5	$ 27,397,110	$ 12,458,157	$ 39,855,272

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

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Profit and total comprehensive income	$ 2,757,372	$ 2,069,740
Adjustments for:		
Depreciation	1,798,972	1,455,216
Recognition of deferred developer contributions	(668,131)	(475,410)
Finance expense	735,020	729,783
Changes in non-cash operating working capital:		
Accounts receivable	407,444	(406,393)
Accounts payable and accrued liabilities	(471,708)	(2,003,987)
Net cash provided by operating activities	4,558,969	1,368,949
Cash flows provided by (used in) investing activities:		
Additions to plant and equipment	(1,118,889)	(2,050,178)
Deferred developer contributions	4,220,949	438,780
Cash receipts from sale of investments	12,014,953	12,324,233
Cash payments to acquire investments	(13,727,812)	(12,014,953)
Net cash provided by (used in) investing activities	1,389,201	(1,302,118)
Cash flows provided by (used in) financing activities:		
Cash received from government grants	111,438	161,975
Project Agreement liability, net	(994,644)	(908,210)
Net cash used in financing activities	(883,206)	(746,235)
Increase (decrease) in cash and cash equivalents	5,064,964	(679,404)
Cash and cash equivalents, beginning of year	2,511,976	3,191,380
Cash and cash equivalents, end of year	$ 7,576,940	$ 2,511,976
Non-cash transactions:		
Additions to plant and equipment	$ (5,067,401)	$ (7,400,770)
Project Agreement liability	4,855,397	3,247,234
Developer contributions	-	6,254,275
Finance cost capitalized to plant and equipment	212,005	44,953
Accounts receivable	-	(2,145,692)

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

1. Incorporation and nature of business:

The Lulu Island Energy Company Ltd. (the "Company") was incorporated on August 19, 2013 under the Business Corporations Act of British Columbia as a municipal corporation wholly owned by the City of Richmond (the "City"). The address of the Company's registered office is 6911 No. 3 Road, Richmond, British Columbia, V6Y 2C1.

The business of the Company is to develop, manage and operate district energy utilities in the City, including, but not limited to, energy production, generation or exchange, transmission, distribution, maintenance, marketing and sale to customers, customer service, profit generation and financial management. The Company also provides advisory services for energy and infrastructure.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issue by the Board of Directors on April 10, 2025.

(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 8(a) - Deferred developer contributions and Government grants.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment within the next financial year are included in the following note:

- Note 3(a)(iii) and Note 6 - useful lives of plant and equipment.

3. Material accounting policies:

The material accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

(a) Plant and equipment:

(*i*) Recognition and measurement:

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset, after deducting trade discounts and rebates. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognized net within other income in profit and loss.

3. Material accounting policies (continued):

(a) Plant and equipment (continued):

(*ii*) Subsequent costs:

The cost of replacing a part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

(*iii*) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation of plant and equipment commences when the asset is deemed available for use and is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment as follows:

Asset	Useful life - years
Energy plant center	75
Distribution piping	50
General equipment	20-40

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(b) Revenue recognition:

The Company recognizes revenue for the provision of energy and supply of other services. Revenue for the provision of energy is based on meter readings and is billed on a cyclical basis. Revenue is accrued for energy delivered but not yet billed. Revenue for other services is recognized upon completion of service. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable.

3. Material accounting policies (continued):

(c) Concession projects:

Concession projects are delivered by partners selected to design, build, finance, and maintain the 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 (note 9).

(d) Government grants:

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants related to the acquisition of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(e) Developer contributions:

Developer contributions are amounts received from developers toward the cost of equipment and/or assets received/receivable 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 these financial statements.

(g) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(h) Finance income and finance cost:

Finance income comprises interest on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on the Project Agreement liability. Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3. Material accounting policies (continued):

(i) Financial instruments:

Classification and measurement of financial assets and financial liabilities:

Under IFRS 9, *Financial Instruments* ("IFRS 9"), on initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") - debt instrument, FVOCI - equity instrument, or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3. Material accounting policies (continued):

(i) Financial instruments (continued):

Classification and measurement of financial assets and financial liabilities (continued):

The following accounting policies apply to subsequent measurement of financial assets:

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

  Financial assets at amortized cost: these assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses (see note 3(j)(i)). Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- Equity investments at FVOCI: these assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities are initially recognized at 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
Project Agreement liability	Amortized cost

3. Material accounting policies (continued):

(j) Impairment:

(*i*) Financial assets:

The 'expected credit loss' ("ECL") impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortized cost consist of cash and cash equivalents, accounts receivable and investments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12-months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables, including amounts due from the City, at an amount equal to lifetime ECLs.

Measurement of ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

(*ii*) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

3. Material accounting policies (continued):

(j) Impairment (continued):

(*ii*) Non-financial assets (continued):

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Pension benefits:

The Company and its employees participate in the Municipal Pension Plan, a multi-employer defined benefit plan. Defined contribution plan accounting is applied to this plan because separate information for the Company is unable to be provided to apply defined benefit accounting. The expenses associated with this plan are equal to the actual contributions required by the Company during the reporting period.

(l) Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after January 1, 2024 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements:

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact of how information is grouped in the financial statements, including for items currently labelled as 'other'.

3. Material accounting policies (continued):

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

The following amended standards and interpretations are effective for annual periods beginning after January 1, 2024 and are not expected to have a material impact on the financial statements.

- Lack of exchangeability (Amendments to IAS 21);
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

4. Accounts receivable:

	2024	2023
Trade receivables	$ 1,251,399	$ 2,371,845
Due from City of Richmond (note 15(a))	166,301	165,059
Unbilled trade receivables	2,833,834	2,157,192
GST receivable	133,914	98,796
	$ 4,385,448	$ 4,792,892

5. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	Interest rate	2024	2023
June 20, 2024	June 20, 2025	5.20%	$ 2,980,151	$ -
June 20, 2024	June 22, 2026	5.01%	1,026,628	-
June 20, 2024	June 22, 2027	5.00%	1,026,575	-
July 23, 2024	July 23, 2025	5.22%	3,069,076	-
July 23, 2024	July 23, 2025	5.40%	3,071,458	-
July 23, 2024	July 23, 2026	4.89%	2,553,924	-
June 15, 2024	June 17, 2024	6.21%	-	3,707,485
June 15, 2024	June 17, 2024	5.65%	-	1,056,153
July 19, 2024	July 19, 2024	6.40%	-	4,357,453
November 8, 2024	November 8, 2024	6.21%	-	2,893,862
			13,727,812	12,014,953
Less: current portion of investments			9,120,685	12,014,953
Non-current investments			$ 4,607,127	$ -

6. Plant and equipment:

	Energy plant center	General equipment	Distribution piping	Total
Cost:				
Balance as at December 31, 2022	$ 5,031,915	$ 33,595,729	$ 14,561,392	$ 53,189,036
Transfer	-	667,176	(667,176)	-
Additions	-	6,337,288	3,113,661	9,450,949
Balance as at December 31, 2023	5,031,915	40,600,193	17,007,877	62,639,985
Additions	-	2,802,641	3,383,649	6,186,290
Balance as at December 31, 2024	$ 5,031,915	$ 43,402,834	$ 20,391,526	$ 68,826,275
Accumulated depreciation:				
Balance as at December 31, 2022	$ 402,552	$ 5,890,695	$ 1,150,737	$ 7,443,984
Transfer	-	(6,723)	6,723	-
Depreciation	67,092	1,178,511	209,613	1,455,216
Balance as at December 31, 2023	469,644	$ 7,062,483	$ 1,367,073	$ 8,899,200
Depreciation	67,092	1,431,183	300,697	1,798,972
Balance as at December 31, 2024	$ 536,736	$ 8,493,666	$ 1,667,770	$ 10,698,172
Net book value:				
At December 31, 2022	$ 4,629,363	$ 27,705,034	$ 13,410,655	$ 45,745,052
At December 31, 2023	4,562,271	33,537,710	15,640,804	53,740,785
At December 31, 2024	4,495,179	34,909,168	18,723,756	58,128,103

Included in plant and equipment is $10,706,471 (2023 - $5,173,479) of assets under construction being $5,212,386 (2023 - $2,982,685) general equipment and $5,494,085 (2023 - $2,190,794) distribution piping. For the year ended December 31, 2024, capitalized borrowing costs related to the construction of the general equipment and distribution system in the year amounted to $212,005 (2023 - $44,953), calculated using a capitalization rate of 4.76% (2023 - 4.40%).

7. Accounts payable and accrued liabilities:

In 2020, the Company identified a distribution pipe leakage of heat transfer fluid at one of the Company's service areas. Following repair and remediation of the service area in earlier years, during the year ended December 31, 2024, the Company continued to monitor the service area and incur legal costs associated with the leak, and recognized expenses of nil (2023 - nil) in other expenses. As of December 31, 2024, $259,293 (2023 - $440,560) is included in accounts payable and accrued liabilities pertaining to the accrued costs associated with the leak. Management believes the Company has adequately provided for the costs associated with leak and intends to seek compensation for costs incurred and accrued from the third parties involved.

Accounts payable and accrued liabilities also include post-employment benefits of $86,000 (2023 - $72,800).

8. Deferred developer contributions and Government grants:

(a) Deferred developer contributions:

The following table summarizes deferred developer contribution amounts recognized:

	2024	2023
Deferred developer contributions, beginning of year	$ 19,235,460	$ 13,017,815
Developer contributions receivable	-	2,145,692
Developer contributions received (net of refunds)	4,220,949	366,780
Developer contributions received (non-cash)	-	4,180,583
Recognized revenue from developer contributions	(668,131)	(475,410)
	22,788,278	19,235,460
Less: current portion of deferred developer contributions	668,133	668,131
Non-current deferred developer contributions	$ 22,120,145	$ 18,567,329

(b) Government grants:

In 2022, the Company was awarded a grant (the "Sewer Heat Recovery grant") from CleanBC Communities Fund. In 2024, the Company recognized on the statement of financial position $514,464 (2023 - $403,026) under the Sewer Heat Recovery grant. As the relevant assets were under construction at December 31, 2024, the grants received have been deferred under non-current liabilities.

9. City Centre District Energy Utility Project Agreement:

On September 22, 2022, the Company entered into a new concession project agreement (the "Project Agreement") with City Centre Energy Limited Partnership ("Project Contractor") to design, build, finance, operate and maintain City Centre District Energy Utility infrastructure providing heating and cooling services to new residential and mixed use commercial developments within the City Centre area (the "CCDEU project"). The Project Contractor was a wholly owned subsidiary of Corix Utilities Inc. ("Corix"). During 2024, following a re-organization within Corix, the Project Contractor become a wholly owned subsidiary of Corix District Energy Holdings GP Inc.

The total estimated Project Agreement liability to finance the construction of the CCDEU project at full build out is estimated at $618,657,000 and will be accrued over time as the infrastructure is constructed and services are rendered.

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

The Project Agreement liability is payable monthly in accordance with the Project Agreement terms. Required Project Agreement liability payment obligations are disclosed in note 13.

The following tables summarize the changes in the Project Agreement liability due to financing cash flows and liability related additions and repayments:

(a) Project Agreement liability:

	2024	2023
Project Agreement liability – capital	$ 18,343,191	$ 13,968,958
Project Agreement liability – non-capital	939,905	506,360
	19,283,096	14,475,318
Less: Current portion of Project Agreement liability	(7,158,752)	(6,125,191)
Non-current portion of Project Agreement liability	$ 12,124,344	$ 8,350,127

The average finance cost on the project liability is 5.17% for the year ended December 31, 2024 (2023 - 5.35%).

The Project Agreement liability is repayable as follows:

2025	$ 7,158,752
2026	1,429,696
2027	1,497,607
2028	1,568,743
2029 and thereafter	7,628,298
Total	$ 19,283,096

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.

	2024	2023
Opening balance	$ 14,475,318	$ 11,361,558
Additions	4,855,397	3,247,234
Finance expense (note 12)	947,025	774,736
Net repayment	(994,644)	(908,210)
Ending balance	$ 19,283,096	$ 14,475,318

10. Share capital and contributed surplus:

At December 31, 2024, the authorized share capital comprised 10,000 (2023 - 10,000) common shares without par value.

As at December 31, 2024, the Company has issued 450 common shares (2023 - 450) at $0.01 per share totaling $4.50 (2023 - $4.50) and held a contributed surplus of $27,397,110 (2023 - $27,397,110).

11. Personnel expenses:

The following expenses are included in general and administrative expenses:

	2024	2023
Wages and salaries	$ 1,074,838	$ 1,056,910

12. Net finance income:

	2024	2023
Finance income:		
Investment interest	$ 761,880	$ 706,881
Bank interest	182,576	52,097
Other	14,530	26,212
	958,986	785,190
Finance cost:		
Finance expense on Project Agreement liability (note 9)	(947,025)	(774,736)
Less: Finance cost capitalized to plant and equipment (note 6)	212,005	44,953
	(735,020)	(729,783)
Net finance income	$ 223,966	$ 55,407

13. Commitments and contingencies:

(a) Project Agreement commitments:

Under the Project Agreement, the Company needs to make monthly payments to the Project Contractor based on the aggregate of the capital obligations, the operating costs, the asset management fee on contributed assets, Project Contractor income tax and commodity costs amounts calculated as of the end of each contract year. The capital obligations are comprised of capital expenditures and financing costs. The commodity costs include costs of fuel, electricity, water, chemicals, etc. which are consumed or produced in the performance of the infrastructure and the operating services. All these costs will be repaid over time by revenue generated through the provision of energy services. The information presented below shows the expected committed cash outflow for the next year under the Project Agreement for the capital and operating costs. As construction progresses the asset values are recorded as plant and equipment and the corresponding liabilities are recorded as project agreement liabilities as disclosed in note 9.

	Capital Commitment	Operating Commitment	Total Commitment
2025	$ 996,104	$ 6,162,648	$ 7,158,752

As at December 31, 2024, 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 $20,442,835 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 7). 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 practicable at this time to measure the financial effect of any recovery of expenses from the other parties involved or the Company's insurer.

14. Revenue:

	2024	2023
Metered billings	$ 8,778,966	$ 7,588,977
Other revenue	981,486	981,486
	$ 9,760,452	$ 8,570,463

15. Related party transactions:

Included in these financial statements are transactions with various Crown corporations, ministries, agencies, boards and commissions related to the Company by virtue of common control by the City, the Province of British Columbia or the Government of Canada. The Company has applied the modified disclosure requirements under IAS 24, *Related Party Disclosures*, which is only applicable for government-related entities.

(a) Due from City of Richmond:

During 2024, the Company received and recognized in other revenue $981,486 (2023 - $981,486) for its services of advancing district energy opportunities in the City. Staff and advanced design activities on low carbon district energy initiatives are covered by this fee. With or without the Company, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges our world faces.

In addition, included in metered billings revenue for 2024 is $34,274 (2023 - $44,848) 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 $32,868 (2023 - $20,511) relating to district energy permit fees collected by the City for in-building district energy related equipment reviews performed by the Company.

Additionally, a fee of $69,680 (2023 - $70,723), included in general and administrative expenses, was paid to the City for the day-to-day support that the Company received from City staff during the year. These costs have been charged to the Company on a cost recovery basis.

The total amount due from the City as at December 31, 2024 is $166,301 (2023 - $165,059) and is included within accounts receivable.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amount is non-interest bearing and repayable on demand.

15. Related party transactions (continued):

(a) Key management personnel:

Key management personnel compensation comprised the following:

		2024		2023
Short-term employee benefits	$	215,610	$	101,417
Post-employment benefits		2,781		-
	$	218,391	$	101,417

The Board of Directors do not receive any remuneration. Key management personnel include the Board of Directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. In 2024, the Company undertook an operational review in conjunction with its growth plan, which resulted in the creation of a full-time Chief Operating Officer role that was reclassified from an existing position and the elimination of the Corporate Secretary role. The Chief Operating Officer role is the only officer position held by a full-time employee of the Company, hence the variance in key management personnel compensation between 2024 and 2023. The growth plan and staff positions were approved by the Board. Short-term employee benefits include salaries and taxable benefits.

16. Fair values and financial instruments:

The Company uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 - inputs other than quoted prices that are observable for asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

16. Fair values and financial instruments (continued):

Financial assets and liabilities not measured at fair value:

The carrying amounts for cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities approximate their fair values due to their short-term nature and/or market rates of interest.

Subsequent to initial recognition, the Project Agreement liability is accounted for at amortized cost using the effective interest method. The Project Agreement liability includes a component relating to a financing arrangement the Project Contractor holds with the Canada Infrastructure Bank. To determine the fair value of the Project Agreement liability for disclosures purposes, this component has been discounted using a market-based rate for a similar instrument. The other components of the Project Agreement liability approximate their fair values due to the market rates of interest.

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities according to their fair value hierarchy.

	December 31, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 7,576,940	$ 7,576,940	$ 2,511,976	$ 2,511,976
Accounts receivable	4,385,448	4,385,448	4,792,892	4,792,892
Investments	13,727,812	13,727,812	12,014,953	12,014,953
Accounts payable and accrued liabilities	1,377,195	1,377,195	1,848,902	1,848,902
Project Agreement liability	19,283,096	17,558,506	14,475,318	13,699,825

17. Financial risk management:

(a) Overview:

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk)

(b) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Company consisting of its cash and cash equivalents, trade accounts receivables and other investments. The Company assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable. It is management's opinion that the Company is not exposed to significant credit risk from its financial instruments.

(*i*) Trade and unbilled trade receivables:

The Company 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.

17. Financial risk management (continued):

(c) Credit risk (continued):

(*i*) Trade and unbilled trade receivables (continued):

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.

The following table provides information about the exposure to credit risk for trade receivables by aging:

	December 31, 2024			
Aging	Gross book balance	Bad debt provision	Proportion of provision	Credit-impaired
Current (not past due)	$ 3,000,135	$ -	$ -	No
1 to 30 days past due	-	-	-	-
31 to 60 days past due	216,010	-	-	No
61 to 90 days past due	-	-	-	-
91 days to 1 year past due	1,035,389	-	-	No
	$ 4,251,534	$ -	$ -	-

	December 31, 2023			
Aging	Gross book balance	Bad debt provision	Proportion of provision	Credit-impaired
Current (not past due)	$ 2,322,251	$ -	$ -	No
1 to 30 days past due	2,145,691	-	-	No
31 to 60 days past due	61,847	-	-	No
61 to 90 days past due	-	-	-	-
91 days to 1 year past due	164,306	-	-	No
	$ 4,694,095	$ -	$ -	-

(*ii*) Due from the City:

The credit risk on amounts due from the City is considered to be low as the City is a Crown entity incorporated under the Local Government Act of British Columbia.

(*iii*) Cash and cash equivalents, and investments:

Credit risk arising from other financial assets of the Company comprises cash and cash equivalents, and investments. The Company's exposure to credit risk arises from default of the counterparties. The Company manages credit risk through depositing cash and only investing in cash term deposits with established financial institutions which are considered to be low risk.

17. Financial risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial 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 13.

The information presented below shows the undiscounted contractual maturities of the Project Agreement liability, including estimated interest payments.

	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years
December 31, 2024	$ 19,283,096	$ 22,219,519	$ 7,353,383	$ 1,549,506	$13,316,630
December 31, 2023	14,475,318	16,697,726	6,310,433	1,307,153	9,080,140

(e) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and other rate risks, will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in the market interest rate.

The Company has mitigated the interest rate fluctuation risk associated with the Project Agreement liability (note 9) by securing some of the debt funding at fixed interest rates until 2032.

18. Capital management:

The Company's objective when managing capital is to maintain a strong capital base to sustain future development of the business, so that it can provide return for the shareholder and benefits for other stakeholders.

The Company considers the items included in shareholder's equity and the Project Agreement liability as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not required to meet any debt covenants. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

19. Pension plan:

Lulu Island Energy Company Ltd. and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the plan has about 256,000 active members and approximately 129,000 retired members. Active members include approximately 45,000 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 Company paid $114,138 (2023 - $105,804) for employer contributions while employees contributed $105,556 (2023 - $97,849) to the plan in fiscal 2024.

The next valuation will be as at December 31, 2024.

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.