City of Richmond

Agenda

Finance Committee
Electronic Meeting

Council Chambers, City Hall
6911 No. 3 Road

Monday, May 6, 2024
Immediately following the General Purposes Committee meeting

Pg. #	ITEM	
		MINUTES
FIN-4		***Motion to adopt the minutes of the meeting of the Finance Committee held on April 2, 2024.***
		DELEGATIONS
FIN-9	1.	CJ James, Engagement Partner, and Aanu Adeleye, Engagement Senior Manager, KPMG, to present the Audit Findings Report on the City's 2023 Consolidated Financial Statements.
		FINANCE AND CORPORATE SERVICES DIVISION
	2.	**2023 CONSOLIDATED FINANCIAL STATEMENTS** (File Ref. No. 03-0905-01) (REDMS No. 7649224)
FIN-6		See Page **FIN-6** for full report
		Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

That the 2023 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

RICHMOND PUBLIC LIBRARY

3. **2023 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**
(File Ref. No. 03-0905-01) (REDMS No. 7649837)

FIN-104 See Page **FIN-104** for full report

Designated Speaker: Susan Walters

STAFF RECOMMENDATION

That the 2023 Richmond Public Library audited financial statements for the year ended December 31, 2023, as presented in the attached report from the Chief Librarian, be received for information.

LULU ISLAND ENERGY COMPANY

4. **2023 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**
(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 7641119)

FIN-129 See Page **FIN-129** for full report

Designated Speaker: Alen Postolka

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled "2023 Financial Statements for the Lulu Island Energy Company", dated April 9, 2024, from the Chief Executive Officer and Chief Financial Officer, be received for information.

RICHMOND OLYMPIC OVAL CORPORATION

5. **RICHMOND OLYMPIC OVAL CORPORATION 2023 AUDITED FINANCIAL STATEMENTS**
(File Ref. No. 03-1200-09) (REDMS No. 7664200)

FIN-169 See Page **FIN-169** for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the report on the 2023 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

ADJOURNMENT

City of Richmond

Minutes

Finance Committee

Date:	Tuesday, April 2, 2024
Place:	Council Chambers Richmond City Hall
Present:	Mayor Malcolm D. Brodie, Chair Councillor Chak Au Councillor Carol Day Councillor Laura Gillanders (by teleconference) Councillor Kash Heed Councillor Andy Hobbs Councillor Alexa Loo Councillor Bill McNulty Councillor Michael Wolfe
Call to Order:	The Chair called the meeting to order at 4:42 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on March 4, 2024, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **2023 ANNUAL DEVELOPMENT COST CHARGES REPORT**
(File Ref. No. 03-0905-01) (REDMS No. 7569030)

A brief discussion ensued in regards to the allocation of DCC funding for projects. Staff noted that in order to receive DCC funding, the project must be growth related.

It was moved and seconded
That the staff report titled, "2023 Annual Development Cost Charges Report," dated March 8, 2024 from the Director, Finance be received for information.

CARRIED

2. **MANAGER'S REPORT**

None.

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (4:50 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 2, 2024.

Mayor Malcolm D. Brodie	Mizuguchi,Andrea
Chair	Legislative Services Associate

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 10, 2024
From:	Mike Ching Director, Finance	**File:**	03-0905-01/2024-Vol 01
Re:	**2023 Consolidated Financial Statements**		

Staff Recommendation

That the 2023 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 2023 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, 2023, 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, 2023 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 2023 audited consolidated financial statements.

Adoption of new accounting standards

New Public Sector accounting standards (PS) were adopted effective for the 2023 consolidated financial statements. The new standards include:

1. PS 3280 Asset Retirement Obligations. This standard addresses the recognition, measurement, presentation and disclosure of obligations relating to the retirement of assets. Further details are provided in Attachment 2, Note 9.
2. PS 3450 Financial Instruments and related standards. This standard addresses the recognition, measurement, presentation and disclosure of obligations relating to financial instruments and foreign currency transactions. The adoption of these standards did not have any impact on the amounts presented in the consolidated financial statements.

Financial Impact

None.

Conclusion

The City's audited consolidated financial statements for 2023 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, 2023, 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)

CG:cg

Att. 1: Audit Findings Report for the year ended December 31, 2023
2: 2023 City of Richmond Consolidated Financial Statements
3: 2023 Financial Statement Discussion and Analysis

Attachment 1

City of Richmond

Audit Findings Report for the year ended December 31, 2023

KPMG LLP

Dated April 19, 2024 for presentation on May 6, 2024

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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Engagement Senior Manager
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aadeleye@kpmg.ca

Nomdora Hassan, ACCA (UK)
Engagement Manager
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dorahassan@kpmg.ca

KPMG

Table of contents

The purpose of this report is to assist you, as a member of the Richmond City Council ("Council"), in your review of the results of our audit of the 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 the Richmond City Council ("Council"), in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City of Richmond (the "City") as at and for the year ended December 31, 2023. This Audit Findings Report builds on the Audit Plan we presented to Council on January 8, 2024. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

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

Significant changes

Significant changes since our audit plan (No matters to report)

There are no significant changes to our audit plan which was originally communicated to you in the audit planning report, except an area of focus relating to the cybersecurity incident that occurred in June 2023. See page 14 for further details.

Currrent 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 (Matters to report)
- Other risks of material misstatement (Matters to report)
- Going concern matters (No matters to report)

KPMG

Audit highlights (continued)

No matters to report

Matters to report – see link for details

Uncorrected misstatements

Uncorrected misstatements

We did not identify any uncorrected audit misstatements

Corrected misstatements

Corrected misstatements

We did not identify any corrected audit misstatements

Control deficiencies

Significant deficiencies

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

Other control deficiencies

We did not identify any other control deficiencies in the current year.

Policies and practices

Significant unusual transactions

Accounting policies and practices

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, 2023 up to the date of this report.

Significant risks and results

Presumed risk of material misstatement due to fraud in revenue recognition (per CAS 240 this is a presumed significant risk)

RISK OF FRAUD

Significant risk	Estimate?
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.	No

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.

Significant findings

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

Other risks of material misstatement and results

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

Asset Retirement Obligations (“ARO”) – new accounting standard

Background	Estimate?
PS 3280 Asset Retirement Obligations (“PS 3280”) is a new accounting standard effective for the City’s 2023 fiscal year. The new standard addresses the recognition, measurement, presentation, and disclosure of legal obligations associated with the retirement of certain controlled Tangible Capital Assets (“TCA”). As at December 31 2023, due to the adoption of the new accounting standard, the City has recognized a liability for asset retirement obligations (“ARO”) of $11,893,000. The initial cost was capitalized as part of the carrying amount of the related tangible capital asset for assets that are recognized and in productive use. For related tangible capital assets that are unrecognized or no longer in productive use, the asset retirement cost has been expensed. The City adopted this new accounting standard on a prospective basis.	Yes – Expenditures required to retire a tangible capital asset

Our response

- We obtained an understanding of management’s process for implementing PS 3280, including how in-scope TCA were identified, sources of information used, and significant measurement data, assumptions and decisions.
- We assessed whether the asset retirement obligations accounting policy set by management was in accordance with PS 3280.
- We obtained a list of TCA that reconciles to the general ledger and reviewed the listing to ensure management’s identification of TCA with potential in-scope retirement obligations is accurate and complete.
- We inquired with Management and confirmed that there were no additional legal agreements entered into by the City that contractually obligates the City to an asset retirement obligation other than those already identified.
- We obtained Management’s calculation of the ARO liability, including accretion expense, and the incremental amortization expense. We verified the mathematical accuracy of the calculations and agreed a sample of inputs to supporting documentation and agreed the reasonableness of significant assumptions and judgments made to measure the liability.
- Management engaged several environmental consultants to determine the inputs in the calculation of the liability. We reviewed the consultant reports and related supporting documentation for the asset retirement obligations. We assessed the reasonableness of significant assumptions used by the environmental consultants and also whether reliance can be placed on consultant reports as audit evidence.

Other risks of material misstatement and results (continued)

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

Asset Retirement Obligations (“ARO”) – new accounting standard (Continued)

Our response

- We reviewed the application of the prospective provisions applied by management for the initial implementation of the accounting standard.
- We reviewed the financial statement presentation and note disclosures to ensure it is consistent with the guidance in PS 3280.
- We discussed with management that the ARO liability will need to be monitored on an annual basis to keep track of any retirement of AROs or changes in rates used in the determination of the liability and make adjustments as necessary.

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**.

Financial instruments – new accounting standard

Background	Estimate?
The new standard PS 3450 *Financial Instruments*, PS 2601 *Foreign currency translation*, PS 1201 *Financial statement presentation* and PS 3041 *Portfolio Investments* are effective for the City's 2023 fiscal year. Equity instruments quoted in an active market and derivatives are required to be measured at fair value. All other financial instruments can be carried at cost/amortized cost or fair value depending on the City's accounting policy choice. The City has elected to carry all other investments at cost or amortized cost.	No

Our response

- We reviewed management's documentation of the process applied to analyze the appropriate recognition, measurement, presentation and disclosure of financial instruments.
- We obtained an understanding of the significant account policies applied to financial instruments to ensure they comply with the new accounting standard.
- We ensured financial instruments have been appropriately recognized and measured in accordance with the new accounting standard.
- We reviewed the financial statement presentation and note disclosures to ensure that it is consistent with the new accounting standard.

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 ("TCA")

Background	Estimate?
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, library collection and their useful lives require estimation.	Yes - the established useful lives of TCA

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

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**.

Revenue, deferred revenues, and development cost charges

Background	Estimate?
Revenue is recorded on an accrual basis and is recognized when it is earned and measurable. 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.	No

Our response

- We updated our understanding of the process activities and controls over revenue, deferred revenue, and development cost charges.
- 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 a sample of 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 selected a sample of development cost charges, recalculated the total amount, agreed each factor in the calculation to supporting documentation (e.g. Council-approved rates) and agreed the amount recorded to cash receipts or letters of credit.
- 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 whether the appropriate stipulations have been met by inspecting and recalculating expenses incurred for certain projects.

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results (continued)

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

Expenses, including salaries and benefits expense

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

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**.

Valuation of post-employment benefit liability

Background	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 employee future benefits

Our response

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

Our findings

There were no issues noted in our testing.

Area of audit focus

There is a new audit area of focus identified subsequent to the issuance of our Audit Planning Report.

Cybersecurity incident

Background

In June 2023, the City experienced a cybersecurity incident related to data exfiltration from a phishing campaign resulting in fraudulent emails received by internal personnel of City of Richmond and external contacts. The City's Information Technology ("IT") team in collaboration with a cybersecurity advisor gathered information and forensically investigated the incident to identify the actor and stop any further data exfiltration. In addition to remediation activities, actions such as the implementation of cyber monitoring processes, improved access management, phishing simulation campaigns, and awareness training programs have been undertaken to eliminate the short-term threat and minimize risk.

Our response

- KPMG Technology Risk specialists assessed whether the cybersecurity incident had any impact on the financial reporting system through discussions with the City's IT team and review of related incident reports. This incident affected unstructured email data, including potential personal identifiable information contained in the emails. No other application or data was affected or compromised because of this incident, including financial information.
- We obtained an understanding of management 's process for validating data and ensuring systems were functioning appropriately.
- We obtained an understanding of management's reconciliation process over 2023 year-end balances which were designed to ensure the balances are complete and accurate.
- We performed walkthrough of significant processes to ensure controls were implemented as designed, and traced transactions to the general ledger to ensure they were accurately recorded.
- We performed substantive procedures in key areas with risk of material misstatement such as expenses including payroll, revenue, tangible capital assets and assets retirement obligations.

Our findings

There have been no indications through the performance of our audit procedures of any particular loss of data, misappropriation of assets, or unexpected transactional details.There were no issues noted in our testing.

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Accounting policies and practices

Significant accounting policies

- There have been no initial selections of, or changes to, significant accounting policies and practices, except for the adoption of Canadian public standard *PS 3280 Asset Retirement Obligations* (refer pages 7 to 8) and new financial instruments standards *PS 3450 Financial instruments*, *PS 2601 Foreign currency translation*, *PS 1201 Financial statement presentation* and *PS 3041 Portfolio investments* (refer page 9).
- 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.

Significant accounting estimates

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

Significant disclosures and financial statement presentation

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

Control observations

Consideration of internal control over financial reporting (“ICFR”)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

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

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

Appendix: Audit quality - How do we deliver audit quality?

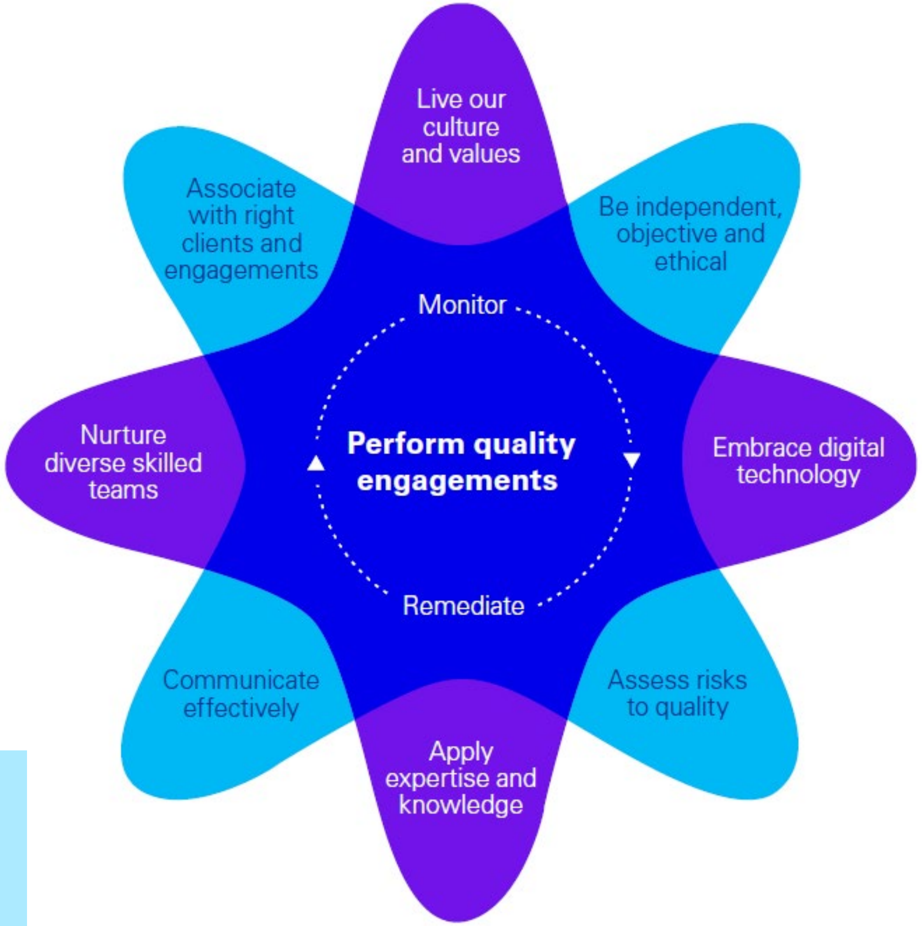
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

KPMG 2023 Audit Quality and 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: Required communications

Draft auditor's report

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

Audit findings report

Represented by this report.

Management representation letter

In accordance with professional standards, a copy of the management representation letters for the City are included in Appendix 2.

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 new other observations in during the audit.

Independence

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

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, 2023.

General:

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

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

Responsibilities:

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

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

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

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

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

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

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

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

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

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

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

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

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

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

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

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

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

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

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

Subsequent events:

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

Related parties:

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

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

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

Estimates:

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

Going concern:

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

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

Other information:

11) We confirm that the final version of the 2023 annual report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

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

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

Employee future benefits:

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

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

Yours very truly,

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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

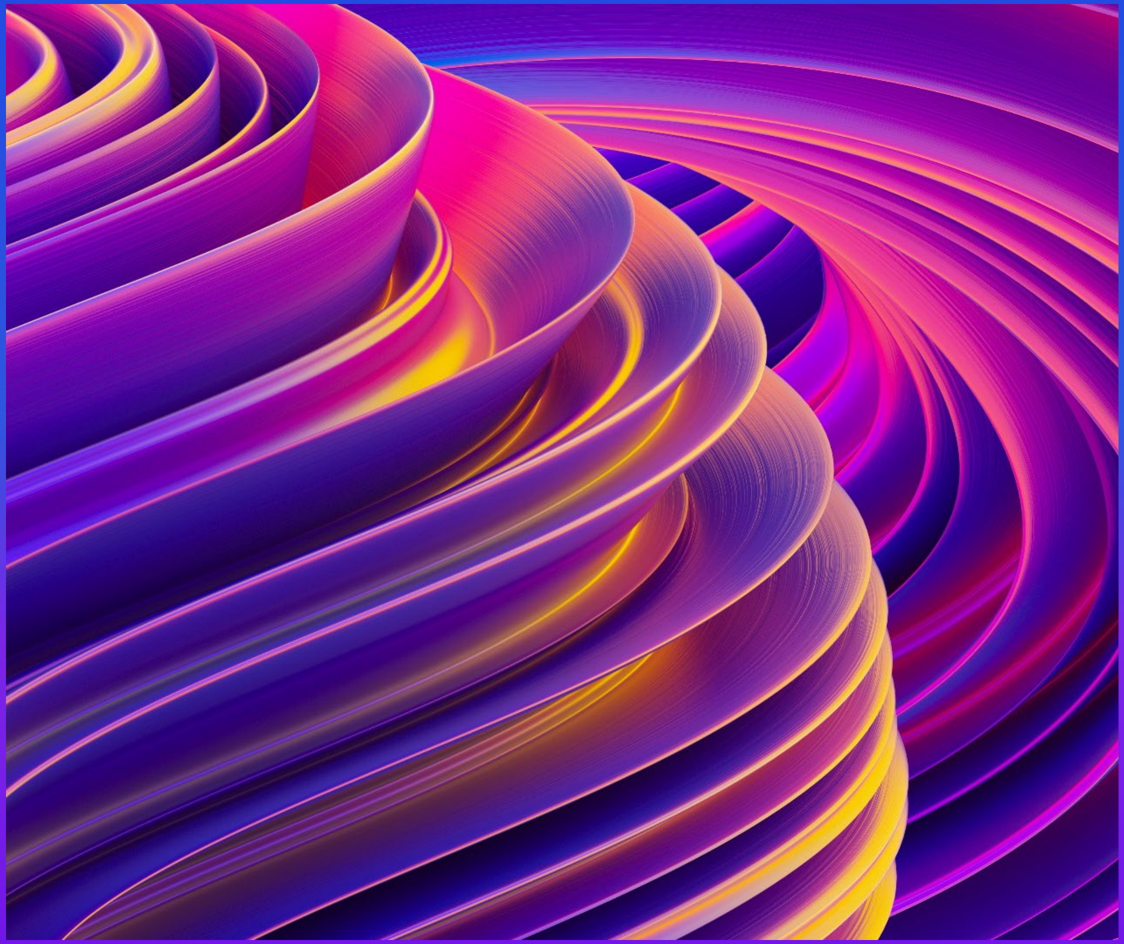
Summary of Uncorrected Audit Misstatements

There were no uncorrected audit misstatements noted.

Summary of Corrected Audit Misstatements

There were no corrected audit misstatements noted.

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



Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditor's Report thereon

Year ended December 31, 2023

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, 2023
- 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, 2023, 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 19, 2024*

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

Chartered Professional Accountants

Vancouver, Canada
Date

CITY OF RICHMOND

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

December 31, 2023, with comparative information for 2022

	2023	2022
Financial Assets		
Cash and cash equivalents	$ 321,479	$ 654,651
Investments (note 4)	1,380,383	921,493
Investment in Lulu Island Energy Company (“LIEC”) (note 5)	37,098	35,028
Accrued interest receivable	26,614	14,676
Accounts receivable (note 6)	36,126	36,013
Taxes receivable	19,474	15,224
Development fees receivable	20,299	43,219
Debt reserve fund - deposits (note 7)	1,468	1,468
	1,842,941	1,721,772
Liabilities		
Accounts payable and accrued liabilities (note 8)	115,127	103,582
Post-employment benefits (note 10)	37,881	38,528
Development cost charges (note 11)	241,634	237,051
Deposits and holdbacks (note 12)	148,738	150,007
Deferred revenue (note 13)	75,357	59,063
Debt, net of sinking fund deposits (note 14)	98,629	107,816
	717,366	696,047
Net financial assets	1,125,575	1,025,725
Non-Financial Assets		
Tangible capital assets (note 15)	2,694,902	2,594,212
Inventory of materials and supplies	6,146	5,405
Prepaid expenses	4,909	3,827
	2,705,957	2,603,444
Accumulated surplus (note 16)	$ 3,831,532	$ 3,629,169

Contingent demand notes (note 7)
Contingent assets and contractual rights (note 19)
Commitments and contingencies (note 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of Council:

General Manager, Finance and Corporate Services

__DRAFT__ - April 19, 2024

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (notes 2(p) and 26)	2023	2022
Revenue:			
Taxation and levies (note 22)	$ 287,052	$ 288,720	$ 269,582
Utility fees	133,609	132,951	127,965
Sales of services	48,817	50,737	44,494
Payments-in-lieu of taxes	14,650	18,114	21,314
Provincial and federal contributions	11,656	38,660	12,893
Development cost charges (note 11)	20,323	10,292	22,434
Other capital funding sources	65,698	83,562	51,220
Other revenue:			
Investment income	14,323	61,503	30,250
Gaming revenue	14,500	13,013	12,562
Licenses and permits	12,195	15,934	15,047
Other (note 23)	14,370	25,543	35,206
Equity income in LIEC (note 5)	594	2,070	1,381
	637,787	741,099	644,348
Expenses:			
Community safety	141,538	138,669	127,727
Utilities:			
Water, sewer and sanitation	118,880	113,832	110,490
Engineering, public works and project development	85,795	81,910	89,103
Community services	76,203	71,328	64,955
General government	76,335	72,780	59,492
Planning and development	33,080	29,484	23,890
Richmond Olympic Oval	18,788	19,200	16,844
Richmond Public Library	12,062	11,533	10,565
	562,681	538,736	503,066
Annual surplus	75,106	202,363	141,282
Accumulated surplus, beginning of year	3,629,169	3,629,169	3,487,887
Accumulated surplus, end of year	$ 3,704,275	$ 3,831,532	$ 3,629,169

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, 2023, with comparative information for 2022

	2023 Budget (notes 2(p) and 26)	2023	2022
Annual surplus for the year	$ 75,106	$ 202,363	$ 141,282
Acquisition of tangible capital assets	(132,566)	(90,046)	(87,100)
Initial recognition of asset retirement obligation on recognized tangible capital assets	-	(7,081)	-
Contributed tangible capital assets	(48,745)	(75,945)	(41,332)
Amortization of tangible capital assets	70,471	71,938	72,722
Net (gain) loss on disposal of tangible capital assets	-	(2,133)	222
Proceeds on sale of tangible capital assets	-	2,577	543
	(35,734)	101,673	86,337
Acquisition of inventory of materials and supplies	-	(6,146)	(5,405)
Acquisition of prepaid expenses	-	(4,909)	(3,827)
Consumption of inventory of materials and supplies	-	5,405	4,696
Use of prepaid expenses	-	3,827	3,921
Change in net financial assets	(35,734)	99,850	85,722
Net financial assets, beginning of year	1,025,725	1,025,725	940,003
Net financial assets, end of year	$ 989,991	$ 1,125,575	$ 1,025,725

See accompanying notes to consolidated financial statements.

DRAFT - *April 19, 2024*

CITY OF RICHMOND

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

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 202,363	$ 141,282
Items not involving cash:		
Amortization of tangible capital assets	71,938	72,722
Accretion of asset retirement obligation	290	-
Initial recognition of asset retirement obligation on unrecognized tangible capital assets	4,522	-
Net (gain) loss on disposal of tangible capital assets	(2,133)	222
Contributions of tangible capital assets	(75,945)	(41,332)
Equity income in LIEC	(2,070)	(1,381)
Changes in non-cash operating working capital:		
Accrued interest receivable	(11,938)	(5,744)
Accounts receivable	(113)	(6,358)
Taxes receivable	(4,250)	(1,067)
Development fees receivable	22,920	(30,794)
Debt reserve fund	-	(960)
Inventory of materials and supplies	(741)	(709)
Prepaid expenses	(1,082)	94
Accounts payable and accrued liabilities	(348)	17,642
Post-employment benefits	(647)	498
Development cost charges	4,583	12,396
Deposits and holdbacks	(1,269)	43,966
Deferred revenue	16,294	2,877
Net change in cash from operating activities	222,374	203,354
Capital activities:		
Cash used to acquire tangible capital assets	(90,046)	(87,100)
Proceeds on disposal of tangible capital assets	2,577	543
Net change in cash from capital activities	(87,469)	(86,557)
Financing activities:		
Proceeds from issuance of debt	-	96,000
Repayments of debt	(9,187)	(5,570)
Net change in cash from financing activities	(9,187)	90,430
Investing activities:		
Purchase of investments	(458,890)	(224,607)
Decrease in cash and cash equivalents	(333,172)	(17,380)
Cash and cash equivalents, beginning of year	654,651	672,031
Cash and cash equivalents, end of year	$ 321,479	$ 654,651
Non-cash transactions, related to asset retirement obligations:		
Tangible capital asset additions	$ 7,081	$ -

See accompanying notes to consolidated financial statements.

***DRAFT** - April 19, 2024*

1. Operations:

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

2. Significant accounting policies:

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

(a) Basis of consolidation:

These consolidated financial statements reflect a combination of the City's General Revenue, General Capital and Loan, Waterworks and Sewerworks, and Reserve Funds consolidated with the Richmond Public Library (the "Library") and the Richmond Olympic Oval 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. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(c) Government transfers:

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

(d) 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, 2023 and December 31, 2022. 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 recorded at cost and are expensed as incurred.

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

Accounts receivables, 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:

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

(h) Development cost charges:

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

(i) Post-employment benefits:

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-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:

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

(l) Taxes:

The City establishes property tax rates based on assessed market values provided by the British Columbia Assessment Authority. 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, licenses and other fees and recognizes this revenue in the year in which related inspections are performed, other related expenses are incurred or services are provided.

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

(n) Deposits:

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

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 (2023-2027) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10429 on January 30, 2023.

(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, 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 liability is initially recorded at the best estimate of the expenditures required to retire a tangible capital asset, and the resulting costs are capitalized as part of the carrying amount of the related tangible capital asset if the asset is recognized and in productive use. This liability is subsequently reviewed at each financial reporting date and adjusted for any revisions to the timing or amount required to settle the obligation. The changes in the liability for the passage of time are recorded as accretion expense in the Consolidated Statement of Operations and all other changes are adjusted to the tangible capital asset. 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.

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) PS 3280 Asset Retirement Obligations:

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations ("PS 3280"). The standard requires the reporting of legal obligations associated with the retirement of tangible capital assets by public sector entities.

The City has adopted this standard on a prospective basis.

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

3. Adoption of new accounting standards (continued):

(b) PS 3450 Financial Instruments and related standards:

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3450 Financial Instruments, PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation and PS 3041 Portfolio Investments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450 Financial Instruments, all financial instruments are included on the Consolidated Statement of Financial Position and are measured at either fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices (see note 2(d)).

The adoption of these standards did not have any impact on the amounts presented in these consolidated financial statements.

4. Investments:

	2023		2022	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	$ 443,418	$ 443,418	$ 379,378	$ 379,378
Government and government guaranteed bonds	599,013	595,015	361,297	350,352
Bank bonds	325,486	328,578	180,818	175,405
Municipal Finance Authority bonds	12,466	12,722	-	-
	$ 1,380,383	$ 1,379,733	$ 921,493	$ 905,135

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.

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

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

Summarized financial information relating to LIEC is as follows:

	2023	2022
Cash, cash equivalents, and investments	$ 14,527	$ 15,516
Accounts receivable	4,793	2,241
Tangible capital assets	53,741	45,745
Total assets	73,061	63,502
Accounts payable and accrued liabilities	1,849	3,853
Government grants	403	241
Deferred contributions	19,236	13,018
Project agreement/concession liability	14,475	11,362
Total liabilities	35,963	28,474
Shareholder's equity	$ 37,098	$ 35,028
Total revenue	$ 8,570	$ 7,608
Total expenses	6,500	6,227
Net income	$ 2,070	$ 1,381

Included in accounts payable and accrued liabilities in the City's consolidated statement of financial position are payables to LIEC in the amount of $165,059 (2022 - $152,937).

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

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

6. Accounts receivable:

	2023	2022
Water and sewer utilities	$ 15,429	$ 14,760
Casino revenue	2,940	3,363
Capital grants	8,416	9,536
Other trade receivables	9,341	8,354
	$ 36,126	$ 36,013

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 debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City’s accounts. The details of the cash deposits and contingent demand notes at December 31, 2023 are as follows:

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

8. Accounts payable and accrued liabilities:

	2023	2022
Trade and other accrued liabilities	$ 103,234	$ 103,582
Asset retirement obligations (note 9)	11,893	-
	$ 115,127	$ 103,582

9. Asset retirement obligations:

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 measurement of the liability for asset retirement obligations is impacted by new information about activities required to settle the liability, the activities that settled all or part of the obligation, and any changes in the legal obligation, To estimate the liability for the removal and disposal of designated materials in City buildings and fuel tanks, assessment reports are used with experience and expert advice to determine the costs of retiring the material. For assets without an assessment, an estimate is based on the cost for similar assets until more asset specific data is available.

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

9. Asset retirement obligations (continued):

The estimated liability consists of costs relating to tangible capital assets that are both recognized and unrecognized. Where the tangible capital asset is recognized and in productive use, the associated asset retirement obligation is amortized over the estimated remaining useful life of the asset. Where the tangible capital asset is unrecognized, as in the case of building lease arrangements which contain clauses that obligate the City with asset retirement obligations, or where the asset is a component of a greater tangible capital asset, such as fuel tanks, the obligation is expensed. The City estimates that the majority of the obligations will be paid during fiscal years 2048 to 2073.

	Initial recognition January 1, 2023	Accretion expense	Balance December 31, 2023
Recognized tangible capital assets	$ 7,081	$ 290	$ 7,371
Unrecognized tangible capital assets	4,522	-	4,522
	$ 11,603	$ 290	$ 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 2023 is 4.10 per cent. There are no liabilities recorded using the present value of future cash flows at December 31, 2023.

10. Post-employment benefits:

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

	2023	2022
Accrued benefit obligation, beginning of year	$ 33,637	$ 36,150
Opening adjustment due to Oval actuarial valuation Jan 1st, 2023	207	-
Current service cost	2,434	2,780
Interest cost	1,528	917
Past service (credit) / cost	(494)	21
Benefits paid	(3,786)	(2,976)
Actuarial loss / (gain)	1,287	(3,255)
Accrued benefit obligation, end of year	$ 34,813	$ 33,637

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

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

10. Post-employment benefits (continued):

	2023	2022
Accrued benefit obligation, end of year	$ 34,813	$ 33,637
Unamortized net actuarial gain	3,068	4,891
Accrued benefit liability, end of year	$ 37,881	$ 38,528

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

	2023	2022
Discount rate	4.10%	4.40%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

11. Development cost charges:

	2023	2022
Balance, beginning of year	$ 237,051	$ 224,655
Contributions	4,342	30,053
Interest	10,533	4,777
Revenue recognized	(10,292)	(22,434)
Balance, end of year	$ 241,634	$ 237,051

12. Deposits and holdbacks:

	Balance December 31, 2022	Deposit contributions / interest earned	Refund/ expenditures	Balance December 31, 2023
Security deposits	$ 126,281	$ 10,527	$ (11,095)	$ 125,713
Developer contributions	7,919	-	-	7,919
Damage deposits	7,143	830	(1,315)	6,658
Contract holdbacks	4,789	2,415	(2,437)	4,767
Other	3,875	620	(814)	3,681
	$ 150,007	$ 14,392	$ (15,661)	$ 148,738

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

13. Deferred revenue:

	Balance December 31, 2022	Externally restricted inflows	Revenue earned	Balance December 31, 2023
Taxes and utilities	$ 26,231	$ 30,008	$ (26,231)	$ 30,008
Building permits/development	17,119	5,474	(7,511)	15,082
Oval	3,121	1,650	(1,958)	2,813
Capital grants	3,011	25,062	(11,464)	16,609
Business licenses	2,681	2,239	(2,307)	2,613
Parking easement/leased land	2,428	108	(56)	2,480
Other	4,472	6,863	(5,583)	5,752
	$ 59,063	$ 71,404	$ (55,110)	$ 75,357

14. Debt, net of MFA sinking fund deposits:

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

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

MFA issue	Loan authorization bylaw	Gross amount borrowed	Repayments and actuarial adjustments	Net debt 2023	Net debt 2022
127	9075	$ 50,815	$ 44,791	$ 6,024	$ 11,816
158	10334	96,000	3,395	92,605	96,000
		$ 146,815	$ 48,186	$ 98,629	$ 107,816

Current borrowing includes:

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

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

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

Interest expense incurred for the year on the long-term debt was $5,594,469 (2022 - $2,750,689). Repayments on net outstanding debt over the next five years and thereafter are as follows:

2024	$ 9,538
2025	3,636
2026	3,764
2027	3,895
2028	4,032
Thereafter	73,764
	$ 98,629

15. Tangible capital assets:

Cost	Balance December 31, 2022	Additions and transfers	Disposals	Balance December 31, 2023
Land	$ 1,121,481	$ 70,368	$ (2)	$ 1,191,847
Building and building improvements	595,611	29,499	(3,367)	621,743
Infrastructure	1,951,176	55,961	(4,382)	2,002,755
Vehicles, machinery and equipment	176,948	13,559	(5,887)	184,620
Library's collections, furniture and equipment	11,126	1,321	(478)	11,969
Assets under construction	63,372	2,364	-	65,736
	$ 3,919,714	$ 173,072	$ (14,116)	$ 4,078,670

Accumulated amortization	Balance December 31, 2022	Disposals	Amortization expense	Balance December 31, 2023
Building and building improvements	$ 246,225	$ (3,088)	$ 22,177	$ 265,314
Infrastructure	951,155	(4,315)	38,080	984,920
Vehicles, machinery and equipment	120,150	(5,791)	10,780	125,139
Library's collections, furniture and equipment	7,972	(478)	901	8,395
	$ 1,325,502	$ (13,672)	$ 71,938	$ 1,383,768

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

15. Tangible capital assets (continued):

Net book value	December 31, 2023	December 31, 2022
Land	$ 1,191,847	$ 1,121,481
Buildings and building improvements	356,429	349,386
Infrastructure	1,017,835	1,000,021
Vehicles, machinery and equipment	59,481	56,798
Library's collection, furniture and equipment	3,574	3,154
Assets under construction	65,736	63,372
Balance, end of year	$ 2,694,902	$ 2,594,212

(a) Assets under construction:

Assets under construction having a value of $65,735,570 (2022 - $63,371,507) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution and recorded in other capital funding revenue on the statement of operations. The value of contributed assets received during the year is $75,944,770 (2022 - $41,331,921) comprised of land in the amount of $58,306,673 (2022 - $30,863,846), infrastructure in the amount of $17,638,097 (2022 - $5,123,075), buildings in the amount of $nil (2022 - $5,345,000).

(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 2023 (2022 - nil).

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

16. Accumulated surplus:

	General and Reserve Fund	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2023 Total	2022 Total
Investment in tangible capital assets	$ 2,675,638	$ -	$ -	$ 8,503	$ 3,719	$ 2,687,860	$ 2,581,249
Reserves (note 17)	707,871	42,064	28,189	11,586	-	789,710	703,184
Appropriated surplus	252,076	18,184	11,245	775	3,694	285,974	280,562
Investment in LIEC	37,098	-	-	-	-	37,098	35,028
Surplus	16,225	906	6,621	607	571	24,930	23,900
Other equity	5,960	-	-	-	-	5,960	5,246
Balance, end of year	$ 3,694,868	$ 61,154	$ 46,055	$ 21,471	$ 7,984	$ 3,831,532	$ 3,629,169

17. Reserves:

	Balance, December 31, 2022	Change during year	Balance, December 31, 2023
Affordable housing	$ 15,427	$ 1,497	$ 16,924
Arts, culture and heritage	3,573	553	4,126
Capital building and infrastructure	129,625	16,277	145,902
Capital reserve	263,825	24,136	287,961
Capstan station	14,582	427	15,009
Child care development	10,169	697	10,866
Community legacy and land replacement	1,545	126	1,671
Drainage improvement BL 7812	59,740	(7,332)	52,408
Flood protection BL 10403	-	13,311	13,311
Equipment replacement	26,888	3,006	29,894
Growing communities fund	-	21,067	21,067
Hamilton area plan community amenity	3,605	162	3,767
Leisure facilities	27,768	1,291	29,059
Local improvements	7,760	349	8,109
Neighborhood improvement	8,588	565	9,153
Oval	9,846	1,740	11,586
Public art program	4,828	159	4,987
Sanitary sewer BL 7812	53,518	(1,560)	51,958
Sanitary sewer BL10401	-	6,181	6,181
Steveston off-street parking	339	15	354
Steveston road ends	147	(4)	143
Waterfront improvement	181	6	187
Watermain replacement BL 7812	61,230	(5,606)	55,624
Water supply BL10402	-	9,463	9,463
	$ 703,184	$ 86,526	$ 789,710

18. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

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

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

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

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

The City paid $14,904,749 (2022 - $13,914,367) for employer contributions while employees contributed $12,439,772 (2022 - $12,078,813) to the plan in fiscal 2023.

19. Contingent assets and contractual rights:

(a) Contingent assets:

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

The City has legal claims, service agreements, and land dedications that may qualify as contingent assets. Amounts cannot be estimated as of December 31, 2023. Contingent assets are not recorded in the consolidated financial statements.

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

19. Contingent assets and contractual rights (continued):

(b) Contractual rights:

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

2024	$ 32,980
2025	2,701
2026	1,493
2027	1,432
2028	1,381
Thereafter	4,871

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

20. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

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

2024	$ 4,334
2025	3,040
2026	2,737
2027	953
2028 and thereafter	5,061

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

20. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2023, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

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

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

(e) Contractual obligation:

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

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

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 37 Class A and 18 Class B shares issued and outstanding as at December 31, 2023). 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.

21. 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.

	2023	2022
Richmond Community Associations	$ 724	$ 696

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

22. Taxation and levies:

	2023	2022
Taxes collected:		
Property taxes	$ 572,078	$ 524,934
Payment-in-lieu of taxes and grants	31,496	37,860
Local improvement levies	76	84
	603,650	562,878
Less transfers to other authorities:		
Province of British Columbia - School taxes	(230,746)	(210,071)
TransLink	(48,562)	(45,904)
Metro Vancouver	(10,197)	(9,116)
BC Assessment Authority	(7,270)	(6,741)
Sewer debt collect via payment in lieu of taxes	-	(114)
Other	(41)	(36)
	(296,816)	(271,982)
Less payment-in-lieu of taxes retained by the City	(18,114)	(21,314)
	$ 288,720	$ 269,582

23. Other revenue:

	2023	2022
Developer contributions	$ 3,102	$ 14,957
Tangible capital assets gain on sale of land	2,497	260
Penalties and fines	5,080	6,382
Parking program	2,335	1,781
Recycle BC	3,274	3,083
Oval - Other revenue	2,987	1,557
Other	6,268	7,186
	$ 25,543	$ 35,206

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

24. 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:

	2023	2022
Operating:		
Province of British Columbia	$ 19,935	$ 19,273
TransLink	4,008	3,891
Government of Canada	7,355	2,291
Capital:		
Province of British Columbia	24,023	8,619
TransLink	2,101	885
Government of Canada	1,566	1,410
	$ 58,988	$ 36,369

25. Segmented reporting:

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

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

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

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

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

25. Segmented reporting (continued):

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

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

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

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

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

	Community safety	Utilities	Engineering public works and project development	Community services	General government	Planning and development	Total city subtotal
Revenue:							
Taxation and levies	$ -	$ -	$ -	$ -	$ 288,720	$ -	$ 288,720
User fees	-	114,975	17,976	-	-	-	132,951
Sales of services	8,528	3,228	2,099	12,669	11,653	2,333	40,510
Payments-in-lieu of taxes	-	-	-	-	18,114	-	18,114
Provincial and federal grants	770	15	4,114	513	24,103	3,871	33,386
Development cost charges	-	122	782	4,836	693	3,859	10,292
Other capital funding sources	(131)	1,456	13,736	5,216	58,307	4,978	83,562
Other revenue:							
Investment income	-	305	-	-	61,175	-	61,480
Gaming revenue	855	-	-	-	12,158	-	13,013
Licenses and permits	5,053	49	101	-	16	10,715	15,934
Other	2,613	4,542	1,057	752	(1,451)	199	7,712
Equity income	-	-	-	-	2,070	-	2,070
	17,688	124,692	39,865	23,986	475,558	25,955	707,744
Expenses:							
Wages and salaries	57,564	16,187	29,039	38,662	34,562	15,397	191,411
Public works maintenance	27	7,634	7,081	2,281	(1,462)	485	16,046
Contract services	73,540	10,670	6,559	3,693	5,523	2,226	102,211
Supplies and materials	3,052	38,909	1,773	12,708	13,632	4,763	74,837
Interest and finance	121	31,180	6	155	7,956	1	39,419
Transfer from (to) capital for tangible capital assets	983	275	5,639	2,442	2,422	2,629	14,390
Amortization of tangible capital assets	3,288	8,956	31,796	11,272	10,048	3,948	69,308
Loss (gain) on disposal of tangible capital assets	94	21	17	115	99	35	381
	138,669	113,832	81,910	71,328	72,780	29,484	508,003
Annual surplus (deficit)	$ (120,981)	$ 10,860	$ (42,045)	$ (47,342)	$ 402,778	$ (3,529)	$ 199,741

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

25. Segmented reporting (continued):

	Total City subtotal	Richmond Public Library	Richmond Olympic Oval	2023 Consolidated	2022 Consolidated
Revenue:					
Taxation and levies	$ 288,720	$ -	$ -	$ 288,720	$ 269,582
User fees	132,951	-	-	132,951	127,965
Sales of services	40,510	76	10,151	50,737	44,494
Payments-in-lieu of taxes	18,114	-	-	18,114	21,314
Provincial and federal grants	33,386	1,138	4,136	38,660	12,893
Development cost charges	10,292	-	-	10,292	22,434
Other capital funding sources	83,562	-	-	83,562	51,220
Other revenue:					
Investment income	61,480	23	-	61,503	30,250
Gaming revenue	13,013	-	-	13,013	12,562
Licenses and permits	15,934	-	-	15,934	15,047
Other	7,712	10,941	6,890	25,543	35,206
Equity income	2,070	-	-	2,070	1,381
	707,744	12,178	21,177	741,099	644,348
Expenses:					
Wages and salaries	191,411	8,181	12,045	211,637	195,616
Public works maintenance	16,046	41	-	16,087	14,390
Contract services	102,211	498	-	102,709	93,463
Supplies and materials	74,837	2,467	5,426	82,730	73,847
Interest and finance	39,419	4	-	39,423	31,340
Transfer from (to) capital for tangible capital assets	14,390	(542)	-	13,848	21,206
Amortization of tangible capital assets	69,308	901	1,729	71,938	72,722
Loss (gain) on disposal of tangible capital assets	381	(17)	-	364	482
	508,003	11,533	19,200	538,736	503,066
Annual surplus (deficit)	$ 199,741	$ 645	$ 1,977	$ 202,363	$ 141,282

26. 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 30, 2023. The table below reconciles the adopted Consolidated 5 Year Financial Plan to the budget amounts reported in these consolidated financial statements. Richmond Public Library Board approved additional expenditures funded by the Library's surplus, which were not included in the original consolidated financial plan, but were subsequently added to the Consolidated 5 Year Financial Plan Amendment Bylaw adopted by Council on October 23, 2023.

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

26. Budget data (continued):

	Financial plan Bylaw No. 10429	Financial statement budget
Revenue from Consolidated financial plan	$ 639,287	-
Less :		
Amount reclassified to expenses	(1,500)	-
Revenue budget after adjustments	637,787	637,787
Expenses from Consolidated financial plan	563,487	-
Add:		
Amount reclassified from revenue	(1,500)	-
Richmond Public Library Board approved expenses funded by Library Surplus	694	-
Expense budget after adjustments	562,681	562,681
Annual surplus	75,106	75,106
Less:		
Acquisition of tangible capital assets	(352,842)	-
Contributed tangible capital assets	(48,745)	-
Transfer to reserves	(81,863)	-
Debt principal	(9,187)	-
Add:		
Capital funding	401,221	-
Operating reserve funding	8,391	-
Transfer from surplus	7,225	-
Transfer from Library surplus	694	-
Annual surplus	$ -	$ 75,106

27. Financial risk management:

The City has exposure to certain risks from its financial instruments:

(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 through its cash and cash equivalent and accounts receivables. The maximum exposure to credit risk on these instruments is their carrying value.

27. Financial risk management (continued):

(a) Credit risk (continued):

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

The City assess, 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 long-term 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 are exposed to currency risk due to fluctuations in foreign exchange rates. The City does not hold investments in foreign currencies.

(c) Liquidity risk:

Liquidity risk is the risk that the City will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The City manages its liquidity risk by monitoring its operating and capital requirements. The City prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no significant change to the risk exposure from 2022.

28. 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

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

Year ended December 31, 2023

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.

		2023
Growing Communities Fund received	$	20,354
Total eligible costs incurred		-
Interest earned		713
Balance December 31, 2023	$	21,067

***DRAFT** - April 19, 2024*

Attachment 3

2023 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2023 Financial Statements

Richmond


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Introduction

The *Community Charter* requires that annual audited financial statements be prepared and presented to Council. The City of Richmond's audited consolidated financial statements for the year ended December 31st, 2023 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 2023 audited consolidated financial statements.

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

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

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

The consolidated financial statements include the following statements:

- **Consolidated Statement of Financial Position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st, 2022 and 2023.
- **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 2023 allowing for flexibility and financial sustainability into the future.

- Financial assets increased by $121.2M to $1.8B
- Liabilities increased by $21.3M to $717.4M
- Net financial assets increased by $99.9M to $1.1B
- Non-financial assets increased by $102.5M to $2.7B
- Accumulated surplus increased by $202.4M to $3.8B

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

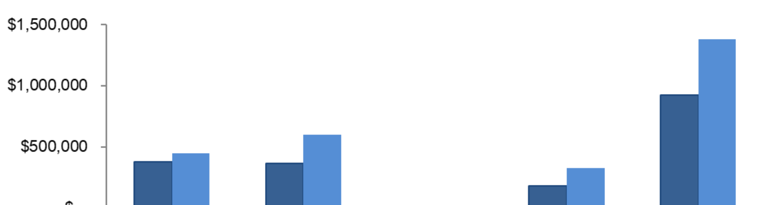
Cash and cash equivalents

The cash and cash equivalents balance of $321.5M is mainly comprised of deposits in high interest savings products. Cash decreased by $333.2M due to repositioning to the investment portfolio. This investment strategy allows the City to lock funds into longer-term investments.

Investments

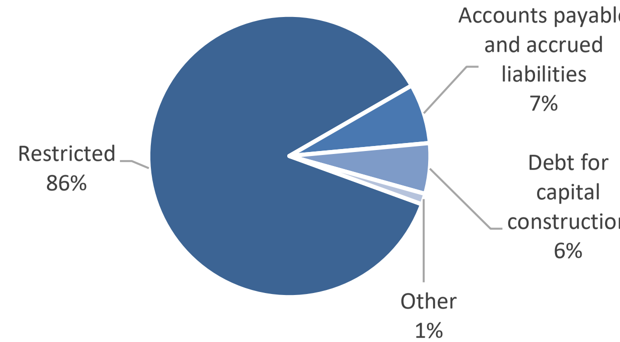
Investments increased by $458.9M to $1.4B primarily due to the City's strategic repositioning of its cash and investment structure, responding to the elevated interest rates which were available in 2023. The City has allocated a larger portion towards its investments, particularly in fixed income and 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
2022	$379,378	$361,297	$-	$180,818	$921,493
2023	$443,418	$599,013	$12,466	$325,486	$1,380,383

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 $37.1M (2022 - $35.0M).

Accrued interest receivable

Accrued interest receivable increased by $11.9M to $26.6M due to the increased rate of return on cash and investments.

Accounts receivable

Accounts receivable increased by $0.1M to $36.1M primarily due to the increase in revenue from the metered utility billings, offset by a decrease in casino revenue and capital grants.

Accounts Receivable **($000's)**	**2023**	**2022**	**Change**
Water and sewer utilities	$ 15,429	$ 14,760	$669
Casino revenues	2,940	3,363	(423)
Capital grants	8,416	9,536	(1,120)
Other trade receivables	9,341	8,354	987
Total	$ 36,126	$ 36,013	$ 113

Financial Assets

Taxes receivable

Taxes receivable increased by $4.3M to $19.5M due to the timing of collections.

Development fees receivable

Development fees receivable decreased by $22.9M to $20.3M 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.

The development activities slowed down in 2023 due to interest rate and market conditions, supported by the significant decrease in DCC collections compared to the prior year.

Debt reserve fund – deposits

The debt reserve fund balance of $1.5M remained the same as 2022.

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Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by $11.5M to $115.1M mainly due to the new Public Sector accounting standard, 3280 Asset Retirement Obligations, effective for fiscal 2023. The City has recognized the obligation on a prospective basis and included $11.9M in the 2023 liability.

Post-employment benefits

Post-employment benefits decreased by $0.6M to $37.9M. The decrease is mainly attributable to the unamortized net actuarial loss for 2023 of $1.8M, offset by an adjustment to increase the accrued obligation by $1.1M.

Development cost charges

The DCC balance of $241.6M (2022 - $237.1M) is restricted by Section 566 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of $4.3M and interest earned of $10.5M were received in 2023. The balance is offset by $10.3M for capital project expenses funded by DCCs during the year.

Development Cost Charges ($000's)	**2023**	**2022**	**Change**
Balance, beginning of year	$ 237,051	$ 224,655	$ 12,396
Contributions	4,342	30,053	(25,711)
Interest	10,533	4,777	5,756
Revenue recognized	(10,292)	(22,434)	12,142
Balance, end of year	$ 241,634	$237,051	$ 4,583

The $241.6M balance includes amounts which have been allocated to active capital projects but that remain unspent. At December 31st, 2023, there is $81.4M (2022 - $79.1M) committed to active capital projects. The Consolidated 5 Year Financial Plan (2024-2028), Bylaw No. 10515, includes $16.6M approved toward the 2024 Capital Budget and an additional $62.7M is estimated for the remaining four years (2025-2028).

Deposits and holdbacks

Deposits and holdbacks decreased by $1.3M to $148.7M mainly due to a decrease of development-related security deposits.

Deposits and Holdbacks ($000's)	**2023**	**2022**	**Change**
Security deposits	$ 125,713	$ 126,281	($568)
Developer contribution	7,919	7,919	-
Damage deposits	6,658	7,143	(485)
Contract holdbacks	4,767	4,789	(22)
Other	3,681	3,875	(194)
Total deposits and holdbacks	$ 148,738	$ 150,007	($1,269)

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)	**2023**	**2022**	**Change**
Taxes and utilities	$ 30,008	$ 26,231	$ 3,777
Building permits / development	15,082	17,119	(2,037)
Capital grants	16,609	3,011	13,598
Oval	2,813	3,121	(308)
Business licences	2,613	2,681	(68)
Parking easement/leased land	2,480	2,428	52
Other	10,845	9,581	1,280
Total deferred revenue	$ 75,357	$ 59,063	$16,294

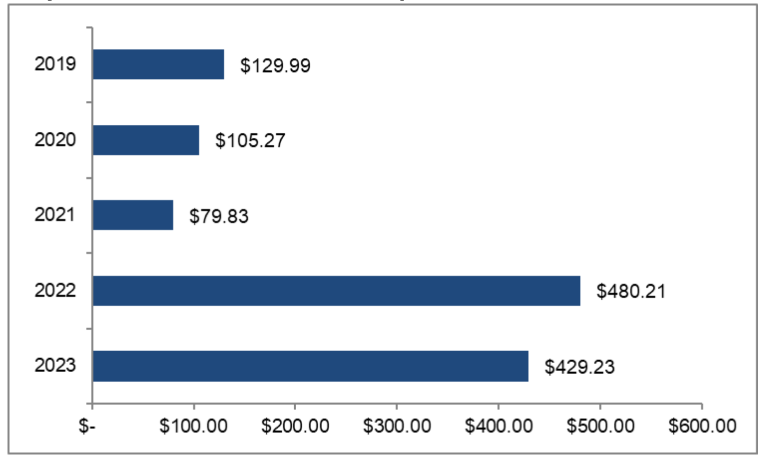
Deferred revenue increased mainly due to prepaid taxes and capital grants increases, offset by decreases in Oval's deferred revenue and building permits/developments, resulting in an overall $16.3M increase compared to 2022.

Debt, net of MFA sinking fund deposits

Debt decreased by $9.2M to $98.6M due to the annual repayment in 2023 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 will be fully repaid in 2024.

The debt per capita decreased to $429.23 per person in 2023 from $480.21 as at December 31st, 2022. 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 2019-2023

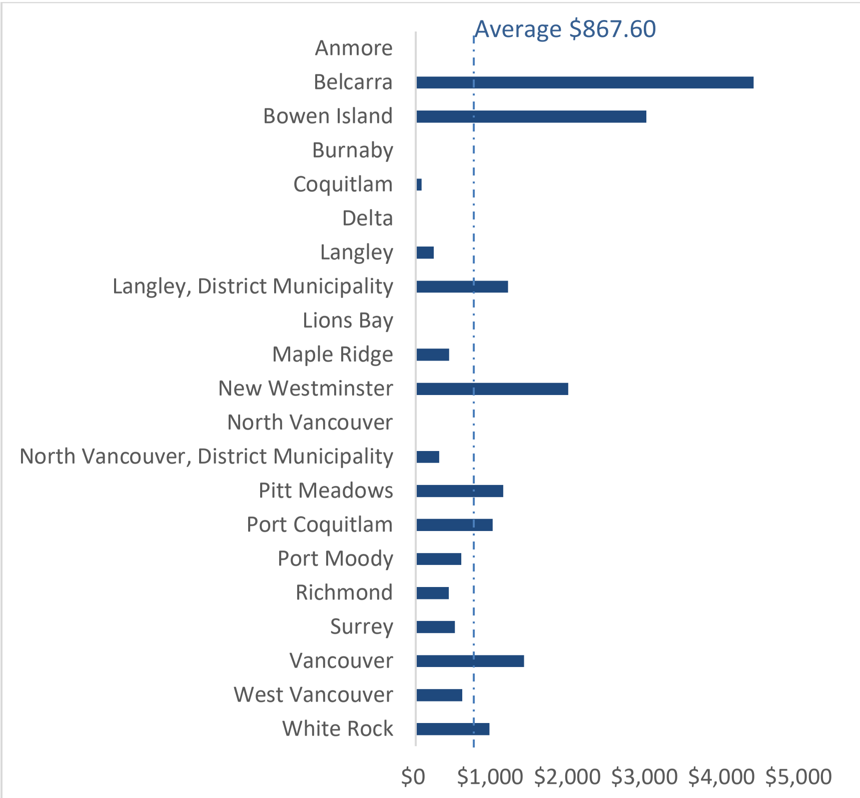


Graph has been updated with population estimates from BC Stats, Demographic Analysis Section, March 2024.

The 2022 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2023 debt per capita of $429.23 is included below, and continues to be under the 2022 regional average of $867.60.

Liabilities

Debt Per Capita by City 2022 (compared to Richmond 2023)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2022 Local Government Statistics. Population figures obtained from BC Stats, BC Regional District and Municipal Population Estimates as of March 2024.

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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 15 of the consolidated financial statements.

TCA increased by $100.7M to $2.7B. The change is a result of $173.1M of asset additions and current year amortization expense of $71.9M.

Tangible Capital Assets ($000's)	**2023**	**2023**	**Change**
Land	$1,191,847	$1,121,481	$ 70,366
Buildings and building improvements	356,429	349,386	7,043
Infrastructure	1,017,835	1,000,021	17,814
Vehicles, machinery and Equipment	59,481	56,798	2,683
Library's collections, furniture and equipment	3,574	3,154	420
Assets under construction	65,736	63,372	2,364
Total	$2,694,902	$2,594,212	$ 100,690

Land increased by $70.4M mainly due to land under roads received through rezoning and land acquisitions.

Buildings increased by $7.0M mainly due to $29.5M increase in additions, offset by $22.2M of amortization expense. Net disposals in 2023 was $0.3M. The additions in 2023 included increases due to the new asset retirement obligations accounting standard of $7.1M, as well as additions for the Richmond Ice Centre Renewal of $6.0M, Richmond Cultural Centre Annex Renewal of $3.3M, and the Minoru Arena Infrastructure Renewal of $3.0M.

Infrastructure increased by $17.8M mainly due to $56.0M of additions, offset by $38.1M of amortization expense. Net disposals in 2023 was $0.1M. The additions in 2023 included $10.1M for Minoru Lakes District, $4.9M for Oval's outdoor fields, and $2.8M for contributed assets for the Waterfront Park Phase 2 received through development.

Vehicles, machinery and equipment increased by $2.7M mainly due to $13.6M in additions, offset by $10.8M of amortization expense. Net disposals in 2023 was $0.1M. Additions in 2023 include $2.6M for various vehicle and equipment purchases, and $0.7M for EV charging stations.

Library's collections, furniture and equipment increased by $0.4M mainly due to $1.3M of additions, offset by $0.9M of amortization expense.

Assets under construction increased by $2.4M mainly due to an increase for the Steveston Community Centre and Branch Library of $3.3M, Britannia Shipyards Envelope and Mechanical Renewals of $2.1M, Burkeville Utility Improvements of $1.8M, Canal Stabilization and Drainage Upgrade of $1.7M, and Steveston Highway Multi-Use Pathway of $1.6M, offset by the net capitalization of Minoru Lakes District of $7.5M.

Inventory of materials and supplies

Inventory increased by $0.7M to $6.1M based on timing of materials issued.

Prepaid expenses

Prepaid expenses increased by $1.1M to $4.9M due to timing of expenses.

Accumulated Surplus

The accumulated surplus increased by $202.4M to $3.8B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus **($000's)**	**2023**	**2022**	**Change**
Investment in TCA	$ 2,687,860	$ 2,581,249	$ 106,611
Reserves	789,710	703,184	86,526
Appropriated surplus	285,974	280,562	5,412
Investment in LIEC	37,098	35,028	2,070
Surplus	24,930	23,900	1,030
Other equity	5,960	5,246	714
Total	$ 3,831,532	$ 3,629,169	$ 202,363

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.

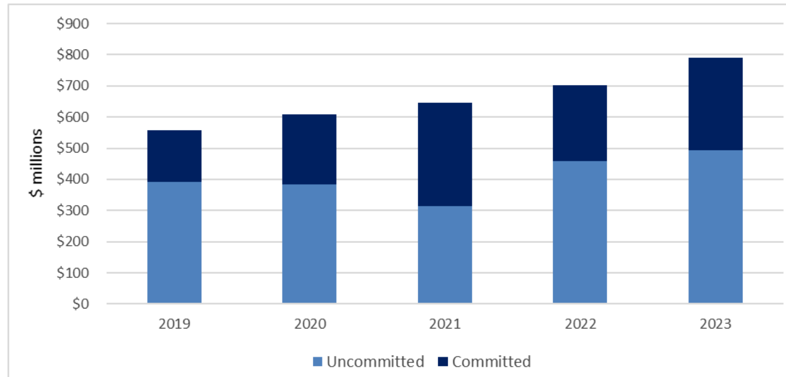
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by $106.6M. This is the net activity of asset additions, amortization, disposals, and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of $789.7M includes amounts that have been approved for expenditure, but remain unspent as at December 31st. The uncommitted reserve balance is $493.3M (2022 - $448.3M).

Reserve Balance 2019-2023



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, Works Yard replacement, and the Phoenix Net Loft that have reserve funds allocated, but have not been spent as of the reporting date December 31st, 2023. The reserves also include the $20.4M contribution received from the Province of BC for the Growing Communities Fund grant.

Accumulated Surplus

From the available $493.3M at December 31st, 2023, $150.3M has been approved for the City's 2024 Capital Budget and is included in the Consolidated 5 Year Financial Plan (2024-2028), Bylaw No. 10515. An additional $410.4M is estimated for the remaining four years (2025-2028) of the 5 Year Capital Plan.

Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by $5.4M to $286.0M primarily due to the transfer of the 2022 operating surplus of $5.5M to the Rate Stabilization provision.

Investment in LIEC

The City's investment in LIEC is recorded under the modified equity method. The balance reflects the City's share equity in LIEC on December 31st, 2023 at $37.1M, an increase of $2.1M from the 2022 balance of $35.0M.

Surplus

The consolidated surplus increased by $1.0M to $25.0M in 2023 primarily due to the net impact of transferring the 2022 operating surplus of $5.5M to the Rate Stabilization provision, offset by the 2023 operating surplus of $6.1M.

Other Equity

Other equity relates to the City's inventory. The balance increased by $0.7M to $6.0M in 2023.

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Consolidated Statement of Operations

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

The 2023 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 26 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

2023 Budget to Actual Comparison

Total consolidated revenues are $741.1M compared to the budgeted revenues of $637.8M. 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)	2023 Budget	2023 Actual	Variance
Taxation and levies	$287,052	$288,720	$1,668
Utility fees	133,609	132,951	(658)
Sales of services	48,817	50,737	1,920
Payments-in-lieu of taxes	14,650	18,114	3,464
Provincial and federal grants	11,656	38,660	27,004
Development cost charges	20,323	10,292	(10,031)
Other capital funding sources	65,698	83,562	17,864
Investment income	14,323	61,503	47,180
Gaming revenue	14,500	13,013	(1,487)
Licences and permits	12,195	15,934	3,739
Other	14,370	25,543	11,173
Equity income	594	2,070	1,476
Total	$ 637,787	$ 741,099	$103,312

Taxation and levies had a favourable variance of $1.7M mainly due to higher than expected new growth.

Utility fees had an unfavourable variance of $0.7M mainly due to lower metered billings as a result of lower than budgeted water consumption.

Sales of services had a favourable variance of $1.9M mainly due to higher Oval recreational program revenue.

Payments-in-lieu of taxes had a favourable variance of $3.5M mainly due higher revenue received from Federal and Provincial entities.

Provincial and federal grants had a favourable variance of $27.0M due to a number of grants received being higher than budgeted including the Growing Communities Fund grant, Rapid Housing grant, Richmond Media Lab grant, Oval revenue from the 2010 Games Operating Trust Fund, and various other grants.

Development cost charges had an unfavourable variance of $10.0M due to the timing of capital project activity funded by DCCs.

Other capital funding had a favourable variance of $17.9M due to higher than budgeted 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 $47.2M due to higher interest rates in 2023. The majority of this increase was transferred to the reserves in accordance with *Community Charter* requirements.

Revenues

Gaming revenue had an unfavourable variance of $1.5M 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 $3.7M due to higher building permit revenues than budgeted and higher business licencing revenues.

Other revenue had a favourable variance of $11.2M mainly due to unbudgeted developer reserve contributions, the gain on disposal of land, discounts not taken on utilities and interest on delinquent taxes.

Equity income relates to the City’s investment in LIEC. LIEC’s net income for the year was favourable compared to budget by $1.5M.

Revenues

2023 to 2022 Actual Comparison

Total 2023 consolidated revenues were $741.1M compared to $644.3M in 2022.

Revenues ($000's)	**2023 Actual**	**2022 Actual**	**Change**
Taxation and levies	$288,720	$269,582	$19,138
Utility fees	132,951	127,965	4,986
Sales of services	50,737	44,494	6,243
Payments-in-lieu of taxes	18,114	21,314	(3,200)
Provincial and federal grants	38,660	12,893	25,767
Development cost charges	10,292	22,434	(12,142)
Other capital funding sources	83,562	51,220	32,342
Investment income	61,503	30,250	31,253
Gaming revenue	13,013	12,562	451
Licences and permits	15,934	15,047	887
Other	25,543	35,206	(9,663)
Equity income	2,070	1,381	689
Total	$741,099	$644,348	$96,751

Taxation and levies increased by $19.1M due to tax increases and new growth compared to the prior year.

Utility fees increased by $5.0M due to higher drainage and dike utility revenue, regional sewer debt levy, and recycling and garbage utility revenue.

Sales of services increased by $6.2M mainly due to higher recreational program revenue, rental and lease revenue resulting from renewal increases, and higher facility revenue and receivable income.

Payments-in-lieu of taxes decreased by $3.2M due to a one-time recovery payment received in 2022 relating to the years 2007 to 2020 that did not recur in 2023.

Provincial and federal contributions increased by $25.8M mainly due to a number of grants received being higher than budgeted including the Growing Communities Fund grant, Rapid Housing grant, Building Safer Communities Fund grant, Richmond Media Lab grant and various other grants.

Development cost charges decreased by $12.1M due to the timing of capital expenditures, as development cost charges revenue is recognized when the amounts are spent.

Other capital funding increased by $32.3M mainly due to an increase in assets contributed by developers, primarily road dedications, offset by a decrease in capital funding from external sources.

Investment income increased by $31.3M due to higher interest rates all throughout 2023. The Bank of Canada has raised its policy rates from 0.25% to 4.25% in 2022, and interest rates ranged from 4.50% to 5.00% in 2023 resulting in higher returns on the City's investments. A higher investment balance in 2023 also resulted in higher investment income.

Revenues

Gaming revenue increased by $0.5M due to activity at River Rock Casino Resort in 2023 compared to 2022.

Licences and permits increased by $0.9M mainly due to higher building permits and business licence revenue recognized resulting from increased activity in 2023 compared to 2022.

Other revenue decreased by $9.7M due to lower developer reserve contributions, partially offset by higher hotel tax revenue, parking revenue, insurance recoveries, and tax penalties and interest received on delinquent taxes.

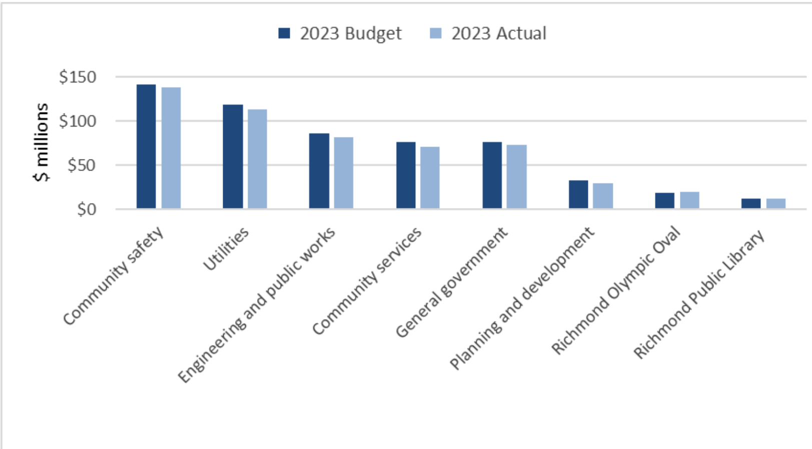
Equity income relates to the City's investment in LIEC. LIEC's net income for 2023 increased by $0.7M.

Expenses

2023 Budget to Actual Comparison

Total consolidated expenses are $538.7M compared to the budget of $562.7M.

2023 Expenses by Function



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

Community safety had a favourable variance of $2.9M due to lower policing contract costs than budgeted due to the number of officers billed being less than budgeted and City staff vacancies.

Utilities had a favourable variance of $5.0M due to less transfers from capital to operating for expenses that did not meet the capitalization threshold, vacant positions and less contract costs.

Engineering and public works had a favourable variance of $3.9M mainly due to less capital expenditures that did not meet the capitalization criteria.

Community services had a favourable variance of $4.9M mainly due to vacancies, supplies and contracts.

General government had a favourable variance of $3.6M mainly due to savings on insurance and vacancies.

Planning and development had a favourable variance of $3.6M mainly due to vacancies, contracts and capital-related expenditures.

Oval had an unfavourable variance of $0.4M mainly due to salaries and other expenses being higher than budgeted and offset by higher membership, admissions and programs revenue.

Library services had a favourable variance of $0.5M mainly due to staff vacancies.

Expenses

2023 to 2022 Actual Comparison

Total 2023 consolidated expenses were $538.7M compared to $503.1M in 2022.

Expenses ($000's)	**2023 Actual**	**2022 Actual**	**Change**
Community safety	$ 138,669	$ 127,727	$ 10,942
Utilities: water, sewer and sanitation	113,832	110,490	3,342
Engineering, public works and project development	81,910	89,103	(7,193)
Community services	71,328	64,955	6,373
General government	72,780	59,492	13,288
Planning and development	29,484	23,890	5,594
Richmond Olympic Oval	19,200	16,844	2,356
Richmond Public Library	11,533	10,565	968
Total	$ 538,736	$ 503,066	$35,670

Community safety expenses increased by $10.9M mainly due to estimated salary rate increases and hiring, higher policing contract and E-Comm costs and Building Safer Communities Fund expenses.

Utilities expenses increased by $3.3M mainly due to an increase in Metro Vancouver water purchase costs driven by rate increases, maintenance costs and higher interest and financing in 2023.

Engineering, public works and project development expenses decreased by $7.2M mainly due to less expenditures that did not meet criteria for capitalization, offset against increased contract maintenance, security and janitorial costs in 2023.

Community services increased by $6.4M mainly due to higher registration in recreation programs which resulted in increased salary and contract costs.

General government expenses increased by $13.3M mainly due to debt interest, salaries, contracts as well as the recognition of the new accounting standard for asset retirement obligations.

Planning and development costs increased by $5.6M mainly due to the Rapid Housing grant related expenses and filling vacancies.

Oval expenses increased by $2.4M mainly due to higher labour and programming expenses.

Library services expenses increased by $1.0M mainly due to higher spending on services and supplies, as well as the filling of staff vacancies.

Expenses

Expenses by Object

Expenses ($000's)	**2023 Actual**	**2022 Actual**	**Change**
Wages and salaries	$211,637	$195,616	$16,021
Public works maintenance	16,087	14,390	1,697
Contract services	102,709	93,463	9,246
Supplies and materials	82,730	73,847	8,883
Interest and finance	39,423	31,340	8,083
Transfer from (to) capital for tangible capital assets	13,848	21,206	(7,358)
Amortization of tangible capital assets	71,938	72,722	(784)
Loss on disposal of tangible capital assets	364	482	(118)
Total	$ 538,736	$ 503,066	$35,670

Wages and salaries increased by $16.0M due to vacancies being filled, fringe benefits and collective agreement increases.

Public works maintenance increased by $1.7M mainly due to higher material costs relating to inflation.

Contract services increased by $9.2M mainly due to policing contract costs, E-Comm costs and Building Safer Community grant related expenses.

Supplies and materials increased by $8.9M mainly due to affordable housing contributions related to the Rapid Housing grant and water purchases from Metro Vancouver.

Interest and finance increased by $8.1M mainly due to higher interest expenses as a result of higher interest rates.

Transfer from (to) capital for tangible capital assets decreased by $7.4M due to less items that did not meet the capitalization criteria compared to the prior year.

Amortization of tangible capital assets decreased by $0.8M due to lower amortization on infrastructure assets due to timing.

Loss on the disposal of tangible capital assets decreased by $0.1M due to the varying timing and age of assets that were retired.

Annual Surplus

The 2023 consolidated annual surplus of $202.4M 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 $202.4M annual surplus is the change in investment in capital assets of $106.6M. This is the net activity of asset additions $173.1M offset by amortization expense of $71.9M, disposals, and debt reduction.

Investment in LIEC increased by $2.1M.

Appropriated surplus increased by $5.4M relating to future commitments and potential liabilities.

Reserves increased by $86.5M due to the timing of capital expenditures. Included in the total reserve balance is $296.4M committed towards active capital projects.

Surplus increased by $1.1M mainly due to the net impact of transferring the 2022 operating surplus of $5.5M to the Rate Stabilization provision, offset by the 2023 operating surplus of $6.1M.

Other equity increased by $0.1M.

Consolidated Statement of Changes in Net Financial Assets

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

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

The City's net financial assets as at December 31st, 2023 increased by $99.9M to $1.1B (2022 - $1.0B).

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 $333.2M to $321.5M and investments increased by $458.9M to $1.4B.

In 2023, cash provided by operating activities was $222.4M, compared to $203.4M in 2022. This was mainly due to development fees receivables, deferred revenue and accrued interest receivable.

Cash used in capital activities was $87.5M compared to $86.6M in 2022.

Cash used in financing activities was $9.2M compared to $90.4M received in 2022.

Cash used in investing activities was $458.9M, compared to $224.6M in 2022.

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 2021-2023:

Sustainability ratios:	**2023**	**2022**	**2021**
Assets to liabilities (times)	6.3	6.2	7.6
Financial assets to liabilities (times)	2.6	2.5	2.8
Net debt to total revenues	13.3%	16.7%	3.0%
Net debt to the total assessment	0.07%	0.09%	0.02%
Expenses to the total assessment	0.4%	0.4%	0.5%

Flexibility ratios:	**2023**	**2022**	**2021**
Debt charges to revenues	0.9%	0.4%	0.3%
Net book value of capital assets to cost	66.1%	66.2%	66.8%
Net book value of capital assets (excluding land) to cost	52.1%	52.6%	53.6%
Own source revenue to the assessment	0.4%	0.5%	0.5%

Vulnerability ratios:	**2023**	**2022**	**2021**
Government transfers to total revenues	4.1%	4.0%	3.2%
Government transfers (excluding gaming revenue) to total revenues	1.8%	2.0%	2.2%

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.

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

- Net debt to 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

Strategic Plan

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

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

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

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

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

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

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

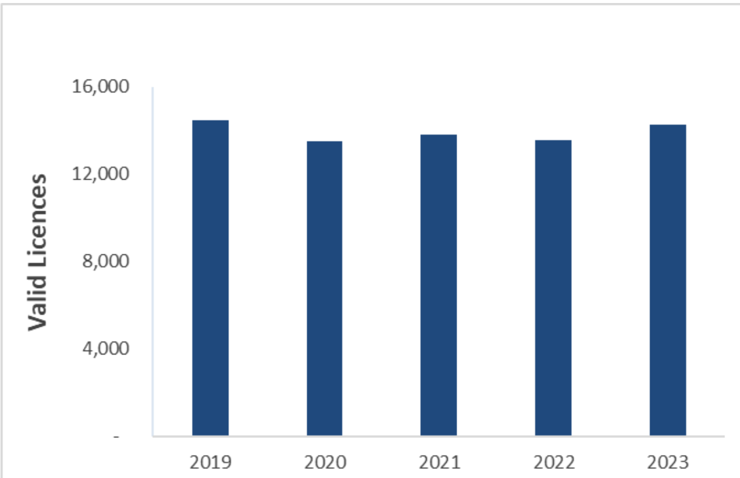
6. **A Vibrant, Resilient and Active Community**
   Vibrant, resilient and active communities supported by a wide variety of opportunities to get involved, build relationships, and access resources.

Environment

Business Licences

The total number of business licences issued increased to 14,245 in 2023 compared to 13,574 licences issued in 2022.

Business Licences 2019-2023

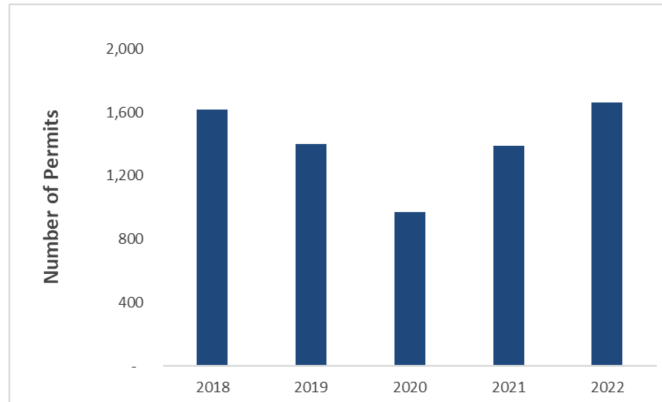


Housing Activity

Richmond house prices decreased by 1.6%, with a 2023 detached median house price of $1,988,444. The total number of sales decreased year-over-year by 12.6% to 3,208 from 3,669 in 2022.

In 2023, the total number of building permits issued was 1,505, which was a 9.3% decrease from 2022. 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 2023 was $8.9M.

Building Permits 2019-2023



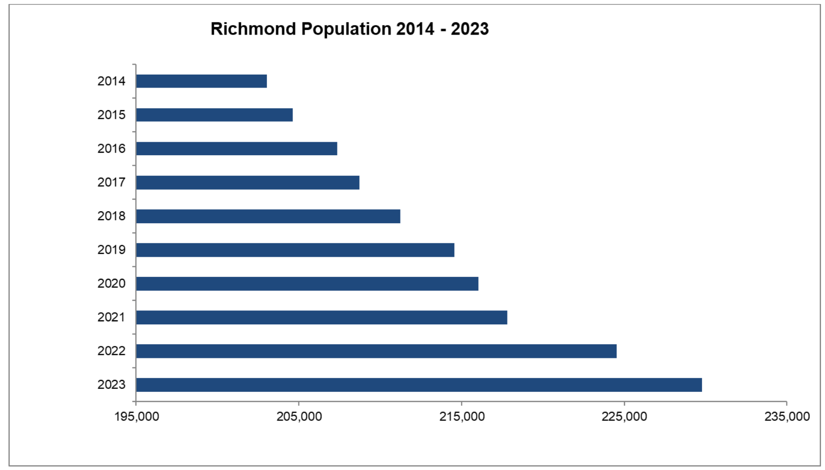
The construction value of building permits issued in 2023 was $751.1M, which decreased by approximately 18.9% from 2022 of $926.6M.

The number of development applications received in 2022 increased by 10.5% to 158 applications from 143 applications in 2022. Total fees collected in 2023 increased by 8.4%.

Population

Richmond's current population is estimated at 229,781 which is a 2.3% increase from 2022. According to the latest Statistics Canada Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2014-2023



Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated March 2024.

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 2023 operating, capital, and utility budgets.

	2021	2022	2023
Population growth (per annum) [1]	0.82%	3.09%	2.34%
Capital construction costs ($mil) [2]	$210.56	$95.77	$156.40
City Grants Program ($mil)	$0.85	$0.88	$0.91
Other grants ($mil) [3]	$1.54	$1.74	$1.80
RCMP calls for services	57,888	55,711	66,403
Fire Rescue Responses	9,494	11,317	12,262

[1] Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, March 2024.
[2] This reflects the amended capital budget excluding internal transfers, debt repayment and contributions.
[3] Other grants include contributions towards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society, various youth grants and Provision Transfer.

Conclusion

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

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

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

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

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

The 2023-2027 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

7649628

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 12, 2024
From:	Jerry Chong General Manager, Finance and Corporate Services	**File:**	03-0905-01/2024-Vol 01
Re:	**2023 Financial Statements for the Richmond Public Library**		

Staff Recommendation

That the 2023 Richmond Public Library audited financial statements for the year ended December 31, 2023, as presented in the attached report from the Chief Librarian, be received for information.

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

REPORT CONCURRENCE	
SENIOR STAFF REPORT REVIEW	INITIALS: CJ
APPROVED BY CAO	

7649837

REPORT TO CITY OF RICHMOND
FINANCE COMMITEE

TO:	City of Richmond Finance Committee
FROM:	Susan Walters, Chief Librarian
DATE:	March 20, 2024

Recommendation

That the 2023 Financial Statements of the Richmond Public Library Board be received for information.

SWalters.

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

Attachment:
Financial Statements of Richmond Public Library Board Year Ended December 31, 2023

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 2023 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, 2023. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

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

The library's Finance Committee reviewed the statements on March 21, 2024, and the Library Board approved them at their regular meeting on Wednesday, March 27, 2024.

Statement of Financial Position

	2023 Actual	2022 Actual	Change
Financial Assets	$4,997,525	$4,723,657	$273,868
Liabilities	1,731,880	1,382,519	349,361
Net Financial Assets	**3,265,645**	**3,341,138**	**-75,493**
Non-Financial Assets	4,718,508	3,995,892	722,616
Accumulated Surplus	**$7,984,153**	**$7,337,030**	**$647,123**

The library's overall financial position improved by $647,123, with accumulated surplus totaling $8.0 million. The increase in financial assets is mainly due to an increase in the amount due from the City of Richmond as a result of lower expenditures in library operations. The increase in liabilities is primarily due to an increase in accounts payable. Donation and grant revenue are recognized in the year in which the related expenses are incurred. The increase in non-financial assets is mainly due to an increase in tangible capital assets which included new additions to library collections, furniture and IT equipment, as well as 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 $8.0 million consists of tangible capital assets of $3.7 million, appropriated surplus of $3.7 million and surplus of $570,570. Note that in 2023, the library received $628,813 of Enhancement Grants from the Province of BC, and this was recognized as revenue in 2023 and transferred to appropriated surplus to support library enhancements that will take place in 2024 and 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

	2023 Budget	2023 Actual	2022 Actual
Revenue	$11,296,700	$12,196,250	$10,928,437
Expenses	12,061,800	11,549,127	10,591,943
Annual Surplus	-$765,100	$647,123	$336,494

Budget Variance

Revenue of $12.2 million was greater than budgeted revenue by $899,550 mainly due to:

- $628,813 of recognized one-time Enhancement Grants that are not budgeted.
- $111,353 of recognized one-time COVID-19 Relief and Recovery Grant that is not budgeted.
- $65,367 of recognized restricted donations relating to expenses incurred in the year that are not budgeted.
- $50,636 of increased revenue related to library's continual return to full services in 2023.
- $17,425 of gain on sale of tangible capital assets that are not budgeted.

Expenses of $11.5 million was lower than budgeted expenses by $512,673 mainly due to:

- $616,963 lower than budgeted salaries and employee benefits due to vacancies.
- $21,223 higher than budgeted library subscriptions and databases as the library strengthens its digital resources.
- $367,187 lower than budgeted supplies and equipment services mainly because various surplus initiatives, including those to optimize spaces in our libraries and the strategic planning project, will be completed in 2024.
- $74,733 higher than budgeted general and administration expenses mainly due to renovation at Brighouse library front entrance.
- $78,746 higher than budgeted building, leases and maintenance expenses primarily due to higher City's trade costs and a temporary increase in janitorial hours required.

Year Over Year Change

Revenue of $12.2 million increased by $1.3 million over 2022 mainly due to:

- $449,500 increase in municipal contribution.
- $628,813 of recognized one-time Enhancement Grants.
- $109,678 increase in recognized one-time COVID-19 Relief and Recovery Grant.

Expenses of $11.5 million increased by $957,184 over 2022 mainly due to:

- $400,506 increase in salaries and employee benefits resulting from a number of filled vacancies and contractual obligations.
- $106,222 increase in library subscriptions and databases as the library strengthens its digital resources.
- $164,349 increase in supplies and equipment services is mainly due to an increase in professional fees for strategic planning and completion of violence risk assessments, as well as an increased investment in staff professional development.
- $265,784 increase in general and administration expenses mainly due to renovation at Brighouse library front entrance, increased insurance expense, various IT systems upgrades, equipment evergreening and new initiatives, and general contractual increases.

Library Board Approval

The Library Board reviewed the statements and approved them at their meeting on Wednesday, March 27, 2024.

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, 2023

KPMG

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 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, 2023
- 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, 2023, 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 27, 2024

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2023, with comparative information for 2022

		2023		2022
Financial Assets				
Due from City of Richmond (note 4)	$	4,901,991	$	4,658,349
Accounts receivable		95,534		65,308
		4,997,525		4,723,657
Liabilities				
Accounts payable and accrued liabilities (note 5)		1,058,595		627,590
Post-employment benefits (note 6)		571,100		533,200
Deferred revenue (note 7)		102,185		221,729
		1,731,880		1,382,519
Net financial assets		3,265,645		3,341,138
Non-Financial Assets				
Tangible capital assets (note 8)		3,719,322		3,155,373
Prepaid expenses		999,185		840,519
		4,718,507		3,995,892
Accumulated surplus (note 9)	$	7,984,152	$	7,337,030

Commitments (note 16)
Economic dependence (note 19)

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

Caty Liu
_________________ Trustee

_________________ Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2023 with comparative information for 2022

	Budget 2023 (notes 2(a) and 18)	2023	2022
Revenue:			
Municipal contribution	$ 10,845,600	$ 10,845,550	$ 10,396,050
Grants (note 10)	376,500	1,137,917	378,203
Fines and miscellaneous (note 11)	56,200	106,836	76,757
Donations (note 12)	-	65,367	30,854
Investment income (note 13)	18,400	23,155	25,971
Gain on sale of tangible capital assets	-	17,425	20,602
	11,296,700	12,196,250	10,928,437
Expenses:			
Salaries and employee benefits	8,779,500	8,162,537	7,762,031
Amortization	593,100	901,182	930,948
Library subscriptions and databases (note 14)	787,600	808,823	702,601
Supplies and equipment services	832,300	465,112	300,763
General and administration	489,100	563,833	298,049
Building, leases and maintenance	424,200	502,945	490,043
Utilities	156,000	144,696	107,508
	12,061,800	11,549,128	10,591,943
Annual surplus (deficit)	(765,100)	647,122	336,494
Accumulated surplus, beginning of year	7,337,030	7,337,030	7,000,536
Accumulated surplus, end of year	$ 6,571,930	$ 7,984,152	$ 7,337,030

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	Budget 2023 (notes 2(a) and 18)	2023	2022
Annual surplus (deficit)	$ (765,100)	$ 647,122	$ 336,494
Acquisition of tangible capital assets	(1,050,000)	(1,465,131)	(1,029,097)
Amortization of tangible capital assets	593,100	901,182	930,948
Gain on sale of tangible capital assets	-	(17,425)	(20,602)
Proceeds on sale of tangible capital assets	-	17,425	20,602
Increase in prepaid expenses	-	(158,666)	(16,296)
Change in net financial assets	(1,222,000)	(75,493)	222,049
Net financial assets, beginning of year	3,341,138	3,341,138	3,119,089
Net financial assets, end of year	$ 2,119,138	$ 3,265,645	$ 3,341,138

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Annual surplus	$ 647,122	$ 336,494
Items not involving cash:		
Amortization	901,182	930,948
Gain on sale of tangible capital assets	(17,425)	(20,602)
Changes in non-cash operating working capital:		
Due from City of Richmond	(243,642)	(197,520)
Accounts receivable	(30,226)	72,141
Prepaid expenses	(158,666)	(16,296)
Accounts payable and accrued liabilities	431,005	(119,948)
Post-employment benefits	37,900	(98,300)
Deferred revenue	(119,544)	121,578
Net change in cash from operating activities	1,447,706	1,008,495
Capital activities:		
Proceeds on sale of tangible capital assets	17,425	20,602
Acquisition of tangible capital assets	(1,465,131)	(1,029,097)
Net change in cash from capital activities	(1,447,706)	(1,008,495)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

See accompanying notes to financial statements.

1. Operations:

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

2. Significant accounting policies:

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

(a) Budget data:

The budget data presented in these financial statements is based on the 2023 budget approved by the Board of Trustees (the "Board") on November 30, 2022. 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:

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

(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.

2. Significant accounting policies (continued):

(f) Tangible capital assets:

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

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

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

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.

(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).

2. Significant accounting policies (continued):

(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, 2023 and December 31, 2022. 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 3280 *Asset Retirement Obligations*:

On January 1, 2023, the Library adopted Canadian public sector accounting standard PS 3280 *Asset Retirement Obligations*. An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

(i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;

(ii) The past transaction or event giving rise to the liability has occurred;

(iii) It is expected that future economic benefits will be given up; and,

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

4. Adoption of new accounting standards (continued):

(b) PS 3280 *Asset Retirement Obligations* (continued) :

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities and is recorded as a liability. As at December 31, 2023, the Library determined that there are no asset retirement obligations associated with its tangible capital assets and hence, the adoption of this standard did not have any impact on the amounts presented in these financial statements.

(c) PS 3450 *Financial Instruments* and related standards:

On January 1, 2023, the Library adopted Canadian public sector accounting standard PS 3450 *Financial Instruments*, PS 2601 *Foreign Currency Translation*, PS 1201 *Financial Statement Presentation* and PS 3041 *Portfolio Investments.* Under PS 3450 *Financial Instruments*, all financial instruments are included on the statement of financial position and are measured at either fair value or amortized cost based on the characteristics of the instrument and the Library's accounting policy choices (see note 2(m)).

The adoption of these standards did not have any impact on the amounts presented in these financial statements.

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:

	2023	2022
Accounts payable	$ 508,171	$ 172,296
Accrued liabilities	25,186	25,449
Accrued payroll liabilities	525,238	429,845
	$ 1,058,595	$ 627,590

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2023

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.

	2023	2022
Balance, beginning of year	$ 566,900	$ 616,500
Current service cost	38,300	51,800
Interest cost	25,500	15,200
Past service credit	-	(101,700)
Benefits paid	(32,400)	(63,600)
Amortization of net actuarial (gain) loss	(17,700)	48,700
Balance, end of year	$ 580,600	$ 566,900

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

	2023	2022
Accrued benefit obligation, end of year	$ 580,600	$ 566,900
Unamortized net actuarial gain	(9,500)	(33,700)
Accrued benefit liability, end of year	$ 571,100	$ 533,200

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

	2023	2022
Discount rate	4.10%	4.40%
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:

	2023	2022
Balance, beginning of year	$ 221,729	$ 100,151
Contributions	57,176	153,894
Revenue recognized as donations revenue	(65,367)	(30,641)
Revenue recognized as grants revenue (note 10(e))	(111,353)	(1,675)
Balance, end of year	$ 102,185	$ 221,729

8. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Library collections	$ 6,784,362	$ 754,680	$ (478,474)	$ 7,060,568
Furniture and fixtures	1,617,587	307,277	-	1,924,864
Equipment	2,724,503	259,326	-	2,983,829
Work-in-progress	-	143,848	-	143,848
	$ 11,126,452	$ 1,465,131	$ (478,474)	$ 12,113,109

Accumulated amortization	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Library collections	$ 5,003,318	$ 694,826	$ (478,474)	$ 5,219,670
Furniture and fixtures	936,421	47,437	-	983,858
Equipment	2,031,340	158,919	-	2,190,259
	$ 7,971,079	$ 901,182	$ (478,474)	$ 8,393,787

Net book value	Balance at December 31, 2023	Balance at December 31, 2022
Library collections	$ 1,840,898	$ 1,781,044
Furniture and fixtures	941,006	681,166
Equipment	793,570	693,163
Work-in-progress	143,848	-
	$ 3,719,322	$ 3,155,373

9. Accumulated surplus:

		2023		2022
Operating:				
Appropriated surplus:				
Capital expenditures	$	368,171	$	669,718
Library enhancement		914,548		1,544,452
IT infrastructure		575,000		375,000
Training		100,000		100,000
Budget stabilization		282,000		370,000
Future capital acquisitions		710,809		175,630
Library operations		33,401		33,401
Future salary and benefit obligations		83,002		83,002
Library grants provision		627,329		-
Total appropriated surplus		3,694,260		3,351,203
Surplus		570,570		830,454
Invested in tangible capital assets		3,719,322		3,155,373
	$	7,984,152	$	7,337,030

During the year ended December 31, 2023, the Board approved the transfers from surplus of $400,000 to Library Enhancement (2022 - $1,544,452), and $200,000 to IT infrastructure (2022 - $375,000).

10. Grants:

			2023		2022
Provincial Revenue Sharing Grant	(a)	$	373,688	$	352,990
One Card Grant	(b)		16,664		16,664
British Columbia Equity Grant	(c)		4,500		4,500
Resource Sharing Grants	(d)		2,899		2,374
COVID-19 Relief and Recovery Grant	(e)		111,353		1,675
Enhancement Grant (One-Time)	(f)		628,813		-
		$	1,137,917	$	378,203

(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 (One-Time) 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 (One-Time) 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 one-time, 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:

	2023	2022
Book fines	$ 12,534	$ 9,697
InterLINK revenue	16,995	13,468
Photocopy and printer revenue	59,456	43,516
Miscellaneous	17,851	10,076
	$ 106,836	$ 76,757

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.

	2023	2022
Friends of the Library	$ 5,000	$ 5,000
Other	60,367	25,854
	$ 65,367	$ 30,854

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 $296,758 at December 31, 2023 (2022 - $282,900). 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 income generated ($13,858).

As at December 31, 2023, the fair value of the capital in the fund amounted to $411,209 (2022 - $377,227).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income of $13,858 for the year ended December 31, 2023 was reinvested into the Endowment Fund's capital (2022 - $13,583). 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 $155,518 at December 31, 2023 (2022 - $150,518). The balance is comprised of donations from Friends of the Library of $64,000 (2022 - $59,000) and other donors of $91,518 (2022 - $91,518).

As at December 31, 2023, the fair value of the capital in the fund amounted to $205,314 (2022 - $176,506).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income of $4,677 for the year ended December 31, 2023 was reinvested into the Endowment Fund's capital (2022 - $6,630). 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:

	2023	2022
Digital books and multimedia	$ 684,983	$ 579,786
Databases, newspapers and magazines	123,840	122,815
	$ 808,823	$ 702,601

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, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

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

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

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

The Library paid $535,512 (2022 - $536,430) for employer contributions while employees contributed $495,613 (2022 - $496,109) to the plan in fiscal 2023.

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

16. Commitments:

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

2024	$ 315,817
2025	218,240
2026	215,500
2027	215,500

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 2023 budget approved by the Board of Trustees on November 30, 2022. 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	$ 11,296,700	$ 11,296,700
Expenses:		
Operating budget	(11,468,700)	(11,468,700)
Less: Transfer from Surplus	1,134,000	-
Less: Transfer from Budget Stabilization	88,000	-
Less: Acquisition of tangible capital assets	(1,050,000)	-
Less: Amortization of tangible capital assets	-	(593,100)
Annual deficit	$ -	$ (765,100)

19. Economic dependence:

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

RICHMOND PUBLIC LIBRARY BOARD
Unaudited Statement of Operations by Fund

Year ended December 31, 2023

	2023			2022		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	$ 10,235,550	$ 610,000	$ 10,845,550	$ 9,653,650	$ 742,400	$ 10,396,050
Grants	1,137,917	-	1,137,917	378,203	-	378,203
Fines and miscellaneous	106,836	-	106,836	76,757	-	76,757
Donations	65,367	-	65,367	30,854	-	30,854
Investment income	23,155	-	23,155	25,971	-	25,971
Gain on sale of tangible capital assets	-	17,425	17,425	-	20,602	20,602
	11,568,825	627,425	12,196,250	10,165,435	763,002	10,928,437
Expenses:						
Salaries and employee benefits	8,162,537	-	8,162,537	7,762,031	-	7,762,031
Amortization	-	901,182	901,182	-	930,948	930,948
Library subscriptions and databases	808,823	-	808,823	702,601	-	702,601
Supplies and equipment services	465,112	-	465,112	300,763	-	300,763
General and administration	563,833	-	563,833	298,049	-	298,049
Building, leases and maintenance	502,945	-	502,945	490,043	-	490,043
Utilities	144,696	-	144,696	107,508	-	107,508
	10,647,946	901,182	11,549,128	9,660,995	930,948	10,591,943
Annual surplus (deficit)	920,879	(273,757)	647,122	504,440	(167,946)	336,494
Accumulated surplus, beginning of year	4,088,195	3,248,835	7,337,030	3,583,755	3,416,781	7,000,536
Accumulated surplus, end of year	$ 5,009,074	$ 2,975,078	$ 7,984,152	$ 4,088,195	$ 3,248,835	$ 7,337,030

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 9, 2024
From:	John Irving, P.Eng., MPA Deputy CAO, City Administration Chief Executive Officer, Lulu Island Energy Company Jerry Chong, CPA, CA General Manager, Finance and Corporate Services Chief Financial Officer, Lulu Island Energy Company	**File:**	01-0060-20-LIEC1/2024-Vol 01
Re:	**2023 Financial Statements for the Lulu Island Energy Company**		

Staff Recommendation

That the Lulu Island Energy Company report titled "2023 Financial Statements for the Lulu Island Energy Company", dated April 9, 2024, from the Chief Executive Officer and Chief Financial Officer, be received for information.

John Irving, P.Eng., MPA
Deputy CAO, City Administration
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	
CONCURRENCE OF GENERAL MANAGER	
REVIEWED BY SMT	INITIALS:
APPROVED BY CAO	

Richmond

6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

DATE: March 11, 2024

TO: Board of Directors

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

Re: **2023 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, 2023, 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 2023 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 2023 AGM. Their report precedes the financial statements in Attachment 3.

On September 22, 2022, LIEC entered into the City Centre District Energy Utility (CCDEU) Project Agreement with City Centre Energy Limited Partnership, a wholly owned subsidiary of Corix Utilities Inc. (Corix). The agreement replaced the previous concession agreement with Corix for the Oval Village District Energy Utility (OVDEU) concession agreement. The CCDEU agreement was approved by the LIEC Board and LIEC's shareholder, Richmond City Council, and includes a defined delivery model structure, initial setup costs and secured Canada Infrastructure Bank debt financing. Due to the new agreement being in place, year over year results may not be comparable.

Financial Position

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

	2023	2022	$ Changes	% Change
Current Assets	$ 19,319,821	$ 17,756,420	$ 1,563,401	9%
Non-current Assets	53,740,785	45,745,053	7,995,732	17%
Total Assets	$ 73,060,606	$ 63,501,473	$ 9,559,133	15%
Current Liabilities	$ 8,569,424	$ 5,842,906	$ 2,726,518	47%
Non-current Liabilities	27,393,282	22,630,407	4,762,875	21%
Shareholder's Equity	37,097,900	35,028,160	2,069,740	6%
Total Liabilities and Shareholder's Equity	$ 73,060,606	$ 63,501,473	$ 9,559,133	15%

The statement of financial position distinguishes current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered within 12 months; non-current assets and liabilities are those where the recovery is expected to occur more than 12 months from the reporting date. LIEC's overall financial position improved by $9,559,133 in 2023 with total assets of $73,060,606 (2022 - $63,501,473).

Total assets are comprised of current assets (cash, investments, and receivables) totaling $19,319,821 (2022 – $17,756,420) and non-current assets (plant and equipment) of $53,740,785 (2022 - $45,745,053). The current assets increased by $1,563,401 mainly due to advanced payments required from developers for future building connections and net cash flows generated from operations. During 2023, LIEC continued to keep more cash in secured term deposit investments in order to benefit from higher interest rates. Non-current assets increased by $7,995,732, bringing the total to $53,740,785. The increase is the result of capital additions in the year offset by amortization expense.

The developers' contributions and Project Agreement liabilities as primary sources of funding for the construction of new assets make up the majority of the liabilities. LIEC's current liabilities of $8,569,424 (2022 - $5,842,906) consists of outstanding invoices and payables due within 12 months. The increase of $2,726,518 is mainly due to the current portion of Project Agreement liability allocation. Higher amounts of annual payments are expected as a result of project growth.

The non-current liabilities increased by $4,762,875 to $27,393,282 (2022 - $22,630,407), mainly due to the increase in assets in the CCDEU area which in turn increased the deferred developers' 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. LIEC recognizes contributions received from developers, in the form of recovering the construction cost for installation of equipment, in deferred contributions. In accordance with IFRS reporting, revenue from the contributions is recognized over the useful life of the equipment on an annual basis from the date the asset is in service. Therefore, unrecognized contributions are deferred and recognized as non-current liabilities of the company.

The Project Agreement liabilities are linked to the 30 year agreements between LIEC, Corix and Canada Infrastructure Bank (CIB), where Corix designs, constructs, finances, and maintains the CCDEU infrastructure, and CIB finances portion of the infrastructure through low cost financing. The Project Agreement liabilities are the anticipated cash outflow for future obligations under the agreement for the capital and operating costs of the assets.

The shareholder's equity represents the net worth of the company. It is equal to the total assets minus the total liabilities and measures the company's financial health. In 2023, LIEC's shareholder equity was $37,097,900 (2022 - $35,028,160).

Statement of Profit or Loss and Total Comprehensive Income

	2023	2022	$ Changes	% Change
Revenues				
Metered billings	$ 7,588,977	$ 6,626,509	$ 962,468	15%
Service fee	981,486	981,500	(14)	-%
	8,570,463	7,608,009	962,454	13%
Cost of Sales				
Contracts	1,603,226	1,150,431	452,795	39%
Utilities	1,815,943	1,937,484	(121,541)	(6%)
Amortization	1,455,216	1,540,099	(84,884)	(6%)
	4,874,385	4,628,014	246,371	5%
Gross Margin	**3,696,078**	**2,979,995**	**716,083**	**24%**
General and Administration Expenses				
Salaries and benefits	1,056,910	886,834	170,076	19%
Administration expenses	541,233	118,904	422,329	355%
Insurance	308,640	136,697	171,943	126%
Professional fees	270,883	237,278	33,605	14%
	2,177,666	1,379,713	797,953	58%
Net Income Before Other Items	1,518,412	1,600,282	(81,870)	(5%)
Contributions and Financing Expense				
Developer contributions	475,410	397,695	77,715	20%
Other income	20,511	120,394	(99,883)	(83%)
Other expense	-	(426,141)	426,141	(100%)
Net finance income(cost)	55,407	(311,610)	367,017	(118%)
	551,328	(219,662)	770,990	
Net Income	**$ 2,069,740**	**$ 1,380,620**	**$ 689,120**	**50%**

Earnings before interest, taxes and amortization (EBITA)

Net income per above	$2,069,740	$1,380,620	$ 689,120	50%
Net finance cost(income)	(55,407)	311,610	(367,017)	(118%)
Amortization expense	1,455,216	1,540,099	(84,883)	(6%)
EBITA	$3,469,549	$3,232,329	$ 237,220	7%

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 2023. It reports the financial performance of the company.

Table 2: Percentage of revenue

	December 31, 2023	December 31, 2022
Percentage of Revenue		
Gross margin percentage	43%	39%
General and administration percentage	25%	18%
EBITA percentage	40%	42%
Net income percentage	24%	18%

Year-over-Year Change

Revenues

The metered billings reflect the full year energy sales based on the actual customers' energy usage and consumption. It comprises the total energy sales of ADEU, and CCDEU service areas[1]. The metered billings revenue is $2,876,481 (2022 – 2,857,251) from the ADEU and $4,712,496 (2022 – 3,769,258) from the CCDEU. Overall, the metered billings increased by $962,468 to $7,588,977 (2022 - $6,626,509) mainly due to:

- An increase of $19,230 in ADEU metered billings due to additional energy consumption as a result of increased occupancy of Westmark.
- An increase of $943,238, in CCDEU metered billings due to two new building connections, additional energy use by buildings that were not fully occupied in prior years, and the approved 2023 rates.

There is no increase to the service fee of $981,486 (2022 - $981,500) 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 17,930 tons of GHG emissions.

Cost of Sales

The cost of sales is the accumulated total expenses attributable to the metered billing revenue, which includes contract services, utilities (electricity and natural gas), and amortization expenses. The total contract expense increased by $452,795 to $1,603,226 (2022 - $1,150,431)

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

due to the additional operations and maintenance work as a result of more buildings being serviced, including three on-site low carbon energy plants (LCEP).

Utility expenses decreased by $121,541 to $1,815,943 (2022 - $1,937,484). The decrease is mainly due to the reduction in natural gas rates.

The amortization expense decreased due to a change in the accounting estimate, where LIEC is matching the amortization life of the assets to be the same as in the CCDEU Project Agreement and the financial model. The gross margin as a percentage of revenue is 43% for 2023 compared to 39% in 2022 mainly due to lower utility cost expenses incurred in 2023.

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 $797,953 to $2,177,666 (2022 - $1,379,713) due to:

- **Salaries and benefits** - The increase from $170,076 to $1,056,910 (2022 - $886,834) of salaries and benefits is due to the filling of two new positions this year, extra support from City staff and adjustments to existing salaries and fringe benefits.

- **Administration expense** - The increase from $422,329 to $541,233 (2022 – $118,904) is mainly due to an increase in the CCDEU Project Agreement related administration expenses, which include: Project Agreement administration as per the agreement, overhead costs to administer Corix's special purpose entity, LIEC reporting, and CIB reporting and financial administration requirements. This increase was expected as the implementation of the CCDEU project ramps up. The administration expense also includes the overhead allocation of $147,890 (2022 - $282,499) paid to the City of Richmond for the day-to-day support that LIEC receives from City staff for the management support.

- **Insurance** - The premium increased by $171,944 due to a general insurance rate increase, additional capital assets insured, additional comprehensive environmental liability insurance coverage and deductions required under the CCDEU Project Agreement.

- **Professional fees** - The increase from $33,605 to $270,883 (2022 - $237,278) is due to the cost for updating technical guidelines, as well as due to the audit, bank account, collateral agent and insurance trustee fees for the special purpose entity necessary to deliver the CCDEU Project Agreement. LIEC audit fees also increased due to additional audit work surrounding the CCDEU project and increase in the financial position.

Overall, general and administration expenses as a percentage of revenues is 25% for 2023 (2022-18%). This is due to the first full year of implementation of the CCDEU. As with the ADEU and OVDEU projects, the CCDEU initial years' general and administration expenses are projected to increase in relation to the revenue received from customers. This is due to the initial project operation and administration setup costs necessary for the infrastructure expansion and operation for a project of this scale, as well as the costs required to administer low-interest financing from CIB. As more customers are connected to the utility, the general and administration expenses in relation to the revenue will decrease.

Contributions and financing expenses

The contributions and financing expense section represents other sources of revenue and expenses for the business. The developer contributions are higher compared to 2022 mainly due to two new connections during the year. Other income is made up of energy model review fees. The energy modeling review fee revenues are lower than 2022 due to lower than projected building permit reviews. During the year, LIEC continued to repair, remediate and monitor the leak service area; all remediation costs had been accrued in prior years and there are no additional costs in 2023. The net finance income and cost is the net balance of year-to-date finance costs on project agreement liabilities, offset by interest income. Interest income has exceeded the full year finance cost for 2023, because LIEC has taken advantage of the higher interest rates by investing in short-term term deposits which have yielded much higher returns compared to 2022. This has resulted in a positive variance in the net financing costs comparison with prior years.

LIEC's earnings before interest, tax, and amortization (EBITA), used as a proxy to measure the company's financial performance, as a percentage of revenue decreased to 40% compared to 42% in 2022. This is due to the initial operation and administration setup costs necessary for the CCDEU project infrastructure expansion and operation. This is expected and was encountered in the past with the existing OVDEU and ADEU projects. As more customers are connected to the system, revenues and EBITA will increase.

Overall, LIEC's revenues exceeded expenses resulting in a net income of $2,069,740 (2022 - $1,380,620).

LIEC's financial sustainability and future growth must be taken into consideration when reviewing its EBITA and net income. LIEC's success is dependent upon developing in-house expertise and securing funds for future capital replacements as existing infrastructure components reach their end of life, as well as to cover expenses of unexpected and rare events. Other important factors include the planning of future projects, which consists of research and development, and exploratory reviews of future technology and opportunities. The net income will be set aside in LIEC's equity to build a reserve fund for future capital replacement and to ensure long-term rate stability for ratepayers.

Budget Variance
(See Attachment 2 for 2023 budget to actual comparison)

Revenues

The metered billings are the total energy sales of both ADEU and CCDEU service areas. The metered billings revenue is $2,876,481 from the ADEU and $4,712,495 from the CCDEU. 2023 actual revenues of $7,588,977 are slightly under the budget of $7,819,757 due to delays in new buildings connections and projected occupancy levels.

Cost of Sales

The cost of sales includes contract services, utilities (electricity and natural gas) and amortization expenses. The contract expense is under budget by 4% mainly due to less unscheduled repairs and maintenance incidents. The utility expenses are based on actual customers' energy usage and consumption of electricity and natural gas. The overall utility cost is lower than budget by $159,471. The main reasons are as follows:

- Lower utility costs associated with the One Park low carbon energy plant due to service start later than projected.
- Electricity and natural gas are billed directly to Fiorella strata due to no separate meters built by developer which is in the midst of rectifying by developer.
- Electricity used to run pumps and peaking equipment at ADEU was lower than projected due to moderate weather conditions. Similarly, air-source heat pumps that service the Central at Garden City development in Area A did not operate at maximum heating and cooling capacity throughout the year, resulting in lower than expected electricity use.
- Natural gas, used to provide peak heating capacity at ADEU, was lower than expected due to moderate winter conditions. ADEU was able to meet 92% of the total energy demand using renewable sources, resulting in lower than expected natural gas consumption. Similarly, at Smart Centres air-source heat pumps were able to meet most heating demand without the use of natural gas as outdoor air temperatures rarely went below freezing conditions.

The amortization expense is lower than budgeted mainly due to the timing of new capital asset additions and change in amortization policy. Overall, the cost of sales is below the budget by 15%.

General and Administration Expenses

The general and administration expenses are expenditures that LIEC incurs to engage in business development activities and includes salaries and benefits, administration expense, professional fees, insurance expense, etc. The salary expense is slightly higher than budget due to extra support during the year-end audit from the City. Administration expenses were slightly under the budget. The insurance expense is below budget due to timing of capital expenditure. The professional fees expenses are over the budget due to the audit and financial reporting requirements of CIB. Overall, the total general and administration expense of $2,177,666 is in line with the budget.

Contributions and Financing Expense

The Contributions and Financing Expense section represents other sources of income and costs. The developer contributions are below budget due to a change in the amortization rate and adjustment for values in 2023 to match it with the CCDEU Project Agreement. Other income comprises energy model review fees and lower than the budget due to less building permits being reviewed. The net finance cost is the result of the finance costs on Project Agreement liabilities offset by interest income. The finance cost on Project Agreement liabilities is below the budget due to timing of capital expenditure. The interest income has exceeded the full year budget for 2023, because LIEC has taken advantage of the higher interest rates by investing in short-term term deposits which have yielded much higher returns compared to budget. This has resulted in a positive variance in the net financing costs in budget comparison.

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 replacements.

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, 2023, and its financial performance and cash flows for the year end in accordance with International Financial Reporting standards.

Helen Zhao
Controller
(604-276-4019)

Cody Lan
Cody Lan
Assistant Controller
(604-247-4698)

Attachment 1: District Energy in Richmond
Attachment 2: 2023 Budget and Actual Comparison
Attachment 3: 2023 Audited Financial Statements

District Energy in Richmond

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

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

The City established three DEU service areas: ADEU, OVDEU, and CCDEU. Table 1 below provides a summary of the developments connected 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	Floor Area 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	3	1,082	1.2M ft^2	48.0M ft^2
Total	**30**	**6,456**	**7.3M 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 of 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 three buildings, comprised of 1,082 residential units and approximately 1.2M ft^2 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 48M ft^2 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.

2023 Budget and Actual Comparison

	Budget	Actual	$ Changes	% Change
Revenues				
Metered Billings	$7,819,757	$ 7,588,977	$ (230,780)	(3%)
Service fee	981,486	981,486	0	-%
	8,801,243	8,570,463	(230,780)	(3%)
Cost of Sales				
Contracts[2]	1,670,377	1,603,226	(67,151)	(4%)
Utilities	1,975,414	1,815,943	(159,471)	(8%)
Amortization	1,951,433	1,455,216	(496,217)	(25%)
	5,597,224	4,874,385	(722,839)	(13%)
Gross margin	**3,204,019**	**3,696,078**	**492,059**	**15%**
General and Administration Expenses				
Salaries and benefits	1,008,550	1,056,910	48,360	5%
Administration expenses[2]	562,521	541,233	(21,288)	(4%)
Insurance	334,722	308,640	(26,082)	(8%)
Professional Fees	199,000	270,883	71,833	36%
	2,104,793	2,177,666	72,873	3%
Net income before other items	1,099,226	1,518,412	419,186	38%
Contributions and Financing expense				
Developer contributions	505,084	475,410	(29,674)	(6%)
Energy modeling review fee	27,000	20,511	(6,489)	(24%)
Net finance cost	(1,037,586)	55,407	1,092,992	
	(505,502)	551,328	1,056,829	
Net Income	**$593,724**	**$ 2,069,740**	**$ 1,476,016**	**249%**

Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$593,724	$2,069,740	$ 1,476,016	249%
Net Financing cost	1,037,586	(55,407)	(1,092,992)	(105%)
Amortization expense	1,951,433	1,455,216	(496,217)	(24%)
EBITA	$3,582,743	$3,469,549	($113,194)	(3%)

[2] The budget figure is restated to be in line with actual classification of expenses; overall budget remained the same.

2023 Audited Financial Statements

Financial Statements
(Expressed in Canadian dollars)

LULU ISLAND ENERGY COMPANY LTD.

And Independent Auditor's Report thereon

Year ended December 31, 2023

KPMG

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, 2023
- 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, 2023, 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 4, 2024

LULU ISLAND ENERGY COMPANY LTD.

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 2,511,976	$ 3,191,380
Accounts receivable (note 4)	4,792,892	2,240,807
Investments (note 5)	12,014,953	12,324,233
	19,319,821	17,756,420
Non-current assets:		
Plant and equipment (note 6)	53,740,785	45,745,053
Total assets	$ 73,060,606	$ 63,501,473
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	$ 1,776,102	$ 3,852,889
Current portion of deferred developer contributions (note 8(a))	668,131	471,964
Current portion of Project Agreement liability (note 9)	6,125,191	1,518,053
	8,569,424	5,842,906
Non-current liabilities:		
Government grants (note 8(b))	403,026	241,051
Post-employment benefits	72,800	-
Deferred developer contributions (note 8(a))	18,567,329	12,545,851
Project Agreement liability (note 9)	8,350,127	9,843,505
	27,393,282	22,630,407
Total liabilities	35,962,706	28,473,313
Shareholder's equity:		
Share capital and contributed surplus (note 10)	27,397,115	27,397,115
Retained earnings	9,700,785	7,631,045
	37,097,900	35,028,160
Commitments and contingencies (note 13)		
Total equity and liabilities	$ 73,060,606	$ 63,501,473

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, 2023, with comparative information for 2022

	2023	2022
Revenue (note 14)	$ 8,570,463	$ 7,608,009
Cost of sales:		
Operating expenses	3,419,169	3,087,915
Depreciation	1,455,216	1,540,099
	4,874,385	4,628,014
Gross profit	3,696,078	2,979,995
General and administrative expenses (note 11)	2,177,666	1,379,713
Profit before undernoted items	1,518,412	1,600,282
Developer contributions, other income (expenses) and net finance cost:		
Developer contributions (note 8(a))	475,410	397,695
Other income (note 15)	20,511	120,394
Other expenses (note 7)	-	(426,141)
Net finance income (expense) (note 12)	55,407	(311,610)
	551,328	(219,662)
Profit and total comprehensive income for the year	$ 2,069,740	$ 1,380,620

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, 2023, with comparative information for 2022

	Share capital (note 10)	Contributed surplus (note 10)	Retained earnings	Shareholder's equity
Balance, January 1, 2022	$ 5	$ 27,397,110	$ 6,250,425	$ 33,647,540
Profit and total comprehensive income	-	-	1,380,620	1,380,620
Balance, December 31, 2022	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

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

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Profit and total comprehensive income	$ 2,069,740	$ 1,380,620
Adjustments for:		
Depreciation	1,455,216	1,540,099
Recognition of deferred contributions	(475,410)	(397,695)
Finance expense	729,783	128,179
Finance expense on Concession Agreement liability	-	568,174
Write off of assets	-	81,179
Changes in non-cash operating working capital:		
Accounts receivable	(406,393)	(564,384)
Accounts payable and accrued liabilities	(2,003,987)	1,181,473
Net cash provided by operating activities	1,368,949	3,917,645
Cash flows provided by (used in) investing activities:		
Additions to plant and equipment	(2,050,178)	(1,305,119)
Deferred developer contributions	438,780	662,882
Cash receipts from sale of investments	12,324,233	4,047,518
Cash payments to acquire investments	(12,014,953)	(12,324,233)
Net cash used in investing activities	(1,302,118)	(8,918,952)
Cash flows provided by (used in) financing activities:		
Cash received from government grants	161,975	241,051
Project Agreement liability	(908,210)	(1,482,165)
Concession Agreement liability	-	(586,371)
Repayment of the non-capital portion of the Concession Agreement liability	-	(1,687,622)
Net cash used in financing activities	(746,235)	(3,515,107)
Decrease in cash and cash equivalents	(679,404)	(8,516,414)
Cash and cash equivalents, beginning of year	3,191,380	11,707,794
Cash and cash equivalents, end of year	$ 2,511,976	$ 3,191,380
Non-cash transactions:		
Additions to plant and equipment	$ (7,400,770)	$ (7,156,066)
Project Agreement liability	3,247,234	407,902
Concession Agreement liability	-	1,637,906
Developer contributions	6,254,275	4,999,090
Finance cost capitalized to plant and equipment	44,953	111,168
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 4, 2024.

(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 - recognition of deferred developer contributions.

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

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

3. Material accounting policies:

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

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

(a) Plant and equipment

(*i*) Recognition and measurement:

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

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

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

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

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

3. 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:

Effective, January 1, 2023, the Company revised the estimated useful lives of certain general equipment assets from 25-30 years to 20-40 years. The change was implemented to better reflect the rate of use of the general equipment. The impact of the change in the estimated useful lives has been accounted for prospectively as a change in accounting estimate. The change in the deprecation rate of general equipment resulted in a reduction to the depreciation expense of $196,450.

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 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 (2022 – Project Agreement liability/Concession Agreement liability). Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3. Material accounting policies (continued):

(i) Financial instruments:

(*i*) Classification and measurement of financial assets and financial liabilities:

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

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

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

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

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

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

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

3. Material accounting policies (continued):

(i) Financial instruments (continued):

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

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

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

  Financial assets at amortized cost: these assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses (see note 3(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

(*ii*) Measurement categories:

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2023 and 2022. Unless otherwise noted, the fair values of the instruments approximate their carrying amount due to their short-term nature and/or due to application of market rates of interest.

3. Material accounting policies (continued):

(i) Financial instruments (continued):

(*ii*) Measurement categories (continued):

		2023		2022
Financial assets:				
Financial assets at amortized cost:				
Cash and cash equivalents	$	2,511,976	$	3,191,380
Accounts receivable		4,792,892		2,240,807
Investments		12,014,954		12,324,233
	$	19,319,822	$	17,756,420
Financial liabilities:				
Financial liabilities at amortized cost:				
Accounts payable and accrued liabilities	$	1,848,902	$	3,852,889
Project Agreement liability		14,475,318		11,361,558
	$	16,324,260	$	15,214,447

(j) Impairment:

(*i*) Financial assets:

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

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

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

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

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

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

3. Material accounting policies (continued):

(j) Impairment (continued):

(*ii*) Non-financial assets:

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

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

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

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

(k) Pension benefits:

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

3. Material accounting policies (continued):

(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.

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.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Lack of exchangeability (Amendments to IAS 21).

4. Accounts receivable:

	2023	2022
Trade receivables	$ 2,371,845	$ 194,213
Due from City of Richmond	165,059	152,937
Unbilled trade receivables	2,157,192	1,874,018
GST receivable	98,796	19,639
	$ 4,792,892	$ 2,240,807

5. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	Interest rate	2023	2022
June 15, 2023	June 17, 2024	6.21%	$ 3,707,485	-
June 15, 2023	June 17, 2024	5.65%	1,056,153	-
July 19, 2023	July 19, 2024	6.40%	4,357,453	-
November 8, 2023	November 8, 2024	6.21%	2,893,862	-
July 19, 2022	July 19, 2023	5.05%	-	4,123,378
November 7, 2022	November 7, 2023	5.95%	-	3,193,869
December 21, 2022	December 21, 2023	5.10%	-	5,006,986
			$ 12,014,953	$ 12,324,233

6. Plant and equipment:

	Energy plant center	General equipment	Distribution piping	Total
Cost:				
Balance as at December 31, 2021	$ 5,031,915	$ 26,641,207	$ 13,142,967	$ 44,816,089
Additions	-	6,954,522	1,506,663	8,461,185
Disposals	-	-	(88,238)	(88,238)
Balance as at December 31, 2022	5,031,915	33,595,729	14,561,392	53,189,036
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
Accumulated depreciation:				
Balance as at December 31, 2021	335,460	4,683,132	892,351	5,910,943
Depreciation	67,092	1,207,563	265,445	1,540,100
Disposals	-	-	(7,059)	(7,059)
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
Net book value:				
At January 1, 2021	$ 4,696,455	$ 21,958,075	$ 12,250,616	$ 38,905,146
At December 31, 2022	4,629,363	27,705,034	13,410,656	45,745,053
At December 31, 2023	4,562,271	33,537,710	15,640,804	53,740,785

Included in plant and equipment is $5,173,479 (2022 - $3,642,359) of assets under construction being $2,982,685 (2022 - $1,340,818) general equipment and $2,190,794 (2022 - $2,301,541) distribution piping. For the year ended December 31, 2023, capitalized borrowing costs related to the construction of the general equipment and distribution system in the year amounted to $44,953 (2022 - $111,168).

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, 2023, the Company continued to monitor the service area and incur legal costs associated with the leak, and recognized expenses of $nil (2022 - $344,962) in other expenses. As of December 31, 2023, $440,560 (2022 - $716,403) 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.

8. Deferred developer contributions and Government grants:

(a) Deferred developer contributions:

The following table summarizes deferred developer contribution amounts recognized:

	2023	2022
Deferred developer contributions, beginning of year	$ 13,017,815	$ 7,753,538
Developer contributions receivable	2,145,692	-
Developer contributions received (net of refunds)	366,780	662,882
Developer contributions received (non-cash)	4,180,583	4,999,090
Recognized revenue from developer contributions	(475,410)	(397,695)
	19,235,460	13,017,815
Less: current portion of deferred developer contributions	668,131	471,964
Non-current deferred developer contributions	$ 18,567,329	$ 12,545,851

(b) Government grants:

In 2022, the Company was awarded a grant (the "Sewer Heat Recovery grant") from CleanBC Communities Fund. In 2023, the Company recognized $403,026 (2022 - $241,051) under the Sewer Heat Recovery grant. The relevant assets were under construction at December 31, 2023 and therefore the grant received is recognized under non-current liabilities.

9. City Centre District Energy Utility Project Agreement:

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

The total estimated Project Agreement liability to finance the construction of the CCDEU project at full build out is estimated at $513,485,496 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:

	2023	2022
Project Agreement liability – capital	$ 13,968,958	$11,277,500
Project Agreement liability – non-capital	506,360	84,058
	14,475,318	11,361,558
Less: Current portion of Project Agreement liability	(6,125,191)	(1,518,053)
Non-current portion of Project Agreement liability	$ 8,350,127	$ 9,843,505

The average finance cost on the project liability is 5.35% for the year ended December 31, 2023 (2022 – 6.7%).

The Project Agreement liability is repayable as follows:

2024	$ 6,125,191
2025	1,195,385
2026	1,225,270
2027	1,255,902
2028 and thereafter	4,673,570
Total	$ 14,475,318

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.

	2023	2022
Opening balance	$ 11,361,558	$ -
Transfer balance from Concession Agreement liability	-	10,966,470
Additions	3,247,234	1,637,906
Finance expense (note 12)	774,736	239,347
Net repayment	(908,210)	(1,482,165)
Ending balance	$ 14,475,318	$11,361,558

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

(b) Concession Agreement liability:

	2023	2022
Opening balance Concession Agreement liability	$ -	$ 12,264,387
Additions		407,902
Finance expense (note 11)	-	568,174
Repayment of the non-capital portion of the Concession Agreement liability	-	(1,687,622)
Net repayment	-	(586,371)
Transfer balance to Project Agreement liability	-	(10,966,470)
Ending balance Concession Agreement liability	$ -	$ -

10. Share capital:

At December 31, 2023, the authorized share capital comprised 10,000 (2022 - 10,000) common shares without par value.

As at December 31, 2023, the Company has issued 450 common shares (2022 - 450) at $0.01 per share totaling $4.50 (2022 - $4.50) and held a contributed surplus of $27,397,110 (2022 - $27,397,110).

11. Personnel expenses:

The following expenses are included in general and administrative expenses:

	2023	2022
Wages and salaries	$ 1,056,910	$ 886,834
	$ 1,056,910	$ 886,834

12. Net finance income (cost):

		2023		2022
Finance income:				
Investment interest	$	706,881	$	169,433
Bank interest		52,097		186,562
Other		26,212		28,748
		785,190		384,743
Finance cost:				
Finance expense on Project Agreement liability (note 9)		(774,736)		(239,347)
Finance expense on Concession Agreement liability (note 9)		-		(568,174)
Less: Finance cost capitalized to plant and equipment (note 6)		44,953		111,168
		(729,783)		(696,353)
Net finance income (cost)	$	55,407	$	(311,610)

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 the each contract year. The capital obligations are comprised of capital expenditures, financing costs and the Project Contractor's return on equity. The commodity costs include costs of fuel, electricity, water, waste water, chemicals, etc. which are consumed or produced in the performance of the infrastructure and the operating services. All these costs will be repaid over time by revenue generated through the from 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 of the assets. 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
2024	$	846,813	$	5,278,378	$	6,125,191

13. Commitments and contingencies (continued):

(a) Project Agreement commitments (continued):

As at December 31, 2023, 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 $877,869 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:

	2023	2022
Metered billings	$ 7,588,977	$ 6,626,509
Other revenue	981,486	981,500
	$ 8,570,463	$ 7,608,009

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 2023, the Company received and recognized in revenue $981,486 (2022 - $981,500) for its services of advancing district energy opportunities in the City. Staff and advanced design activities on low carbon district energy initiatives are covered by this fee. With or without the Company, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges our world faces.

In addition, included in revenue for 2023 is $44,848 (2022 - $30,830) for district energy utility services rendered by the Company to the City.

15. Related party transactions (continued):

(a) Due from City of Richmond (continued):

The Company also received and recognized energy model review fees into other income of $20,511 (2022 - $120,394) relating to district energy permit fees collected by the City for in-building district energy related equipment reviews performed by the Company.

The total amount due from the City as at December 31, 2023 is $165,059 (2022 - $152,937) and is included within accounts receivable.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amount is non-interest bearing and repayable on demand.

(b) Key management personnel:

A fee of $147,890 (2022 - $282,498), 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.

16. Fair values:

The Company uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 - inputs other than quoted prices that are observable for asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) Financial assets and liabilities not measured at fair value:

The carrying amounts for cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

(b) Non-current financial liabilities:

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

17. Financial risk management and financial instruments:

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk).

(b) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Company consisting of its cash and cash equivalents, trade accounts receivables and other investments. The Company assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable. It is management's opinion that the Company is not exposed to significant credit risk from its financial instruments.

(*i*) Trade and unbilled trade receivables:

The Company trades mainly with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The sale of energy utilities is made to end-user customers in the City's geographic region. On the basis of the Company's collective experience, management considers the credit risk associated with trade receivables to be low.

(*ii*) Due from the City:

The credit risk on amounts due from the City is considered to be low as the City is a Crown entity incorporated under the Local Government Act of British Columbia.

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

(c) Credit risk (continued):

(*iii*) Cash and investments:

Credit risk arising from other financial assets of the Company comprises cash and investments. The Company's exposure to credit risk arises from default of the counterparties. The Company manages credit risk through depositing cash and only investing in cash term deposits with established financial institutions which are considered to be low risk.

(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, 2023	$ 14,475,318	$ 16,697,727	$ 6,310,433	$ 1,307,153	$ 9,080,140
December 31, 2022	11,361,558	12,437,215	2,882,097	4,301,253	5,253,865

(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 the debt funding for the project 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, 2023, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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 $105,804 (2022 - $72,275) for employer contributions while employees contributed $97,849 (2022 - $66,762) to the plan in fiscal 2023.

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.

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 25, 2024
From:	Jerry Chong General Manager, Finance & Corporate Services	**File:**	03-1200-09/2024-Vol 01

Re: **Richmond Olympic Oval Corporation 2023 Audited Financial Statements**

Staff Recommendation

That the report on the 2023 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

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

REPORT CONCURRENCE
APPROVED BY CAO

7664200

RICHMOND OLYMPIC OVAL

Report

DATE: April 25, 2024

TO: Serena Lusk
Chief Administrative Officer, City of Richmond

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

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

Re: **Richmond Olympic Oval Corporation 2023 audited financial statements**

Origin

This staff report addresses the Richmond Olympic Oval Corporation's (the "Corporation") 2023 audited financial statements (attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD") on April 24, 2024, as well as an update on the 4th quarter ("Q4").

Q4 Highlights

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

<u>Community Use</u>
In Q4 2023, Oval members continued to be engaged and active, with an average of 26,000 monthly member visits. The Oval provided vital access to facilities for community groups and youth athletes to deliver programs and services for ages ranging from tots to seniors. These programs and services included but were not limited to, the following sports: badminton, baseball, basketball, climbing, hockey, rhythmic gymnastics, table tennis, track and field and speed skating. With respect to climbing, the Oval provided opportunities for Richmond's youth to participate in sport climbing. During Q4, the number of registrations for youth sport climbing reached its highest number to date. To further promote the sport's growth, the Oval hosted a climbing competition, which welcomed 220 athletes from Metro Vancouver and Vancouver Island schools.

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

Sport Development and Events

Events that took place in Q4 included: World Masters and Junior Functional Fitness Championships, Taekwondo Korean Council Cup, ParaTough Cup, Boccia Nationals, Handball BC Cup, City Shred, Climbing Escalade Canada Senior Lead National Championships, Karate BC Canada Cup, and the Pinnacle Cheer Pink Cheerleading Championships.

New events secured in Q4 by Events and Sport Hosting included: Functional Fitness Throw Down Series, 12th World Youth Live Painting Competition, Canadian Alliance of Chinese Associations Multicultural Fair, 2024 Sport Climbing BC Provincial Championships, 2024 Climbing Escalade Canada High Performance Climbing Competition, 2024 Karate North American Cup, 2025 Senior Volleyball National Championships, and the 2025 Western Canadian Rhythmic Gymnastics Championships.

Athletes representing various provincial and national sport organizations utilized the Oval for training and competition in Q4. These groups included but were not limited to the following: Athletics Canada, Rhythmic Gymnastics, BC Wheelchair Athletics, BC Wheelchair Sports, Beach Volleyball Canada, Climbing Canada, Field Hockey Canada, Softball Canada, Table Tennis Canada, Volleyball Canada, Weightlifting Canada, Wheelchair Basketball Canada and Wheelchair Rugby Canada.

Governance

Meetings of the Corporation's Audit & Finance Committee, Richmond Olympic Experience (ROX) Committee and the Board of Directors took place during Q4.

2023 Audited Financial Statements

Please see attachment #1 for the audited financial statements of the Corporation for the year ended December 31, 2023. The comments below refer to figures included in the audited financial statements.

Independent Auditors Report

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

Statement of Financial Position

The total financial assets of the Corporation were $17.3M, with liabilities of $10.8M, and non-financial assets of $14.9M as of December 31, 2023. The total financial assets of $17.3M primarily included investments of $14.9M which represents the Corporation's investments, an accounts receivable balance of $1.0M and a cash balance of $1.1M. The total liabilities of $10.8M primarily included accounts payable and accrued liabilities of $1.4M, post-employment benefits of $1.2M and deferred revenue of $8.1M. The non-financial assets of the Corporation of $14.9M included $14.6M of tangible capital assets and $0.3M of prepaid expenses.

Statement of Operations

The 2023 audited financial statements have a surplus of $3.7M before amortization and transfers to reserves, which represents a favourable variance of $1.4M when compared to budget and an increase of $1.2M compared to the prior year. Total revenues for 2023 were $21.2M, and total expenses in 2023 before amortization were $17.5M.

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

Attachment #1

Financial Statements of

RICHMOND OLYMPIC OVAL CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2023

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Richmond Olympic Oval Corporation

Opinion

We have audited the financial statements of Richmond Olympic Oval Corporation (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Other Information

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

- the information, other than the financial statements and the auditor's report thereon, included in the 2023 annual report.

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

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

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2023 annual report as at the date of this auditor's report.

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 24, 2024

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial Assets		
Cash	$ 1,122,442	$ 1,743,783
Investments (note 4)	14,850,000	14,206,580
Accounts and other receivable	1,009,382	595,183
Due from City of Richmond (note 5)	118,603	16,968
Inventories held for resale	185,275	160,232
	17,285,702	16,722,746
Liabilities		
Accounts payable and accrued liabilities	1,430,334	2,266,613
Post-employment benefits (note 7)	1,185,300	900,458
Deferred revenue (note 8)	8,132,049	8,578,270
Rental deposits	11,781	7,373
	10,759,464	11,752,714
Net financial assets	6,526,238	4,970,032
Non-Financial Assets		
Tangible capital assets (note 9)	14,582,577	14,327,807
Prepaid expenses and other deposits	362,771	196,972
	14,945,348	14,524,779
Economic dependence (note 14)		
Accumulated surplus (note 10)	$ 21,471,586	$ 19,494,811

See accompanying notes to financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (Note 2(h))	2023	2022
Revenue:			
2010 Games Operating Trust Fund (note 6)	$ 3,725,000	$ 4,136,315	$ 4,212,071
Contribution from City of Richmond (note 12(a))	3,903,713	3,903,713	3,754,292
Memberships, admissions and programs	8,379,797	10,150,651	8,048,501
Other revenue (note 16)	2,405,931	2,986,657	1,556,569
	18,414,441	21,177,336	17,571,433
Expenses:			
Salaries and benefits	11,128,078	12,045,966	10,396,266
Utilities	1,002,316	1,045,226	954,149
Amortization	2,500,000	1,728,852	1,782,243
Supplies and equipment	1,030,579	1,001,330	863,286
Insurance	740,400	697,986	620,064
General and administration	883,347	808,350	827,767
Marketing	156,388	156,995	162,782
Program services	1,142,599	1,572,920	1,188,153
Professional fees	57,560	142,936	49,537
	18,641,267	19,200,561	16,844,247
Annual surplus (deficit)	(226,826)	1,976,775	727,186
Accumulated surplus, beginning of year	19,494,811	19,494,811	18,767,625
Accumulated surplus, end of year	$ 19,267,985	$ 21,471,586	$ 19,494,811

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (Note 2(h))	2023	2022
Annual surplus (deficit), for the year	$ (226,826)	$ 1,976,775	$ 727,186
Acquisition of tangible capital assets	(2,205,000)	(1,983,622)	(3,966,248)
Loss on sale of tangible capital assets	-	-	1,609
Proceeds on sale of tangible capital assets	-	-	809
Amortization of tangible capital assets	2,500,000	1,728,852	1,782,243
	295,000	(254,770)	(2,181,587)
Acquisition of prepaid expenses and other deposits	-	(1,174,182)	(415,822)
Use of prepaid expenses and other deposits	-	1,008,383	921,150
Change in net financial assets	68,174	1,556,206	(949,073)
Net financial assets, beginning of year	4,970,032	4,970,032	5,919,105
Net financial assets, end of year	$ 5,038,206	$ 6,526,238	$ 4,970,032

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION
Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Annual surplus	$ 1,976,775	$ 727,186
Items not involving cash:		
Amortization of tangible capital assets	1,728,852	1,782,243
Loss on sale of tangible capital assets	-	1,609
Changes in non-cash operating items		
Accounts receivable	(414,199)	(263,271)
Due from the City of Richmond	(101,635)	(25,483)
Inventories held for resale	(25,043)	(20,666)
Prepaid expenses and other deposits	(165,799)	505,328
Accounts payable and accrued liabilities	(836,279)	1,054,523
Post-employment benefits	284,842	264,898
Deferred revenue	(446,221)	2,953,905
Rental deposits	4,408	-
	2,005,701	6,980,272
Capital activities:		
Acquisition of tangible capital assets	(1,983,622)	(3,966,248)
Proceeds on sale of tangible capital assets	-	809
	(1,983,622)	(3,965,439)
Investing activities:		
Net purchase of investments	(643,420)	(2,629,686)
Increase (decrease) in cash	(621,341)	385,147
Cash, beginning of year	1,743,783	1,358,636
Cash, end of year	$ 1,122,442	$ 1,743,783

See accompanying notes to financial statements.

1. Incorporation and nature of business:

The Richmond Olympic Oval Corporation (the "Corporation") was incorporated on June 16, 2008 under the Business Corporations Act of British Columbia as a municipal corporation wholly-owned by the City of Richmond (the "City"). The business of the Corporation is to use the Richmond Olympic Oval facility (the "Oval") to provide a venue for a wide range of sports, business and community activities, including, but not limited to, being the long-track speed skating venue for the 2010 Olympic and Paralympic Winter Games (the "Games").

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

(b) Revenue recognition:

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. Annual distributable amounts and trust income amounts are recognized as revenue when the amounts are approved by the 2010 Games Operating Trust (note 6) and when the related operating expenses and capital maintenance costs of the Oval are incurred. Any amounts received but not yet spent are recognized as deferred revenue.

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

Restricted contributions are deferred and recognized as revenue when the resources are used for the purposes specified by the related agreement.

(c) Financial instruments:

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

Financial instruments are recorded at fair value on initial recognition. Equity instruments and derivatives that are quoted in an active market are subsequently recorded at fair value as at the reporting date. All other financial instruments are subsequently recorded at cost or amortized cost unless management elects to carry the instruments at fair value. The Oval 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, 2023 and December 31, 2022. As a result, the Oval does not have a Statement of Remeasurement Gains and Losses.

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

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

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

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

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

(d) Non-financial assets:

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

(*i*) Tangible capital assets:

Tangible capital assets are initially recorded at cost. Amortization is provided on a straight-line basis at rates that reflect estimates of the economic lives of the assets over the following periods:

Assets	Rate
Athletic equipment	5 - 10 years
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Infrastructure	40 years
Signage	3 years
Simulators and exhibit fabrication	10 years
Tenant improvements	Term of the lease
Uniforms, ice skates and helmets	3 years

Work in progress assets are not amortized until the asset is available for use.

(*ii*) Impairment of tangible capital assets:

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

(e) Pension plan:

The Corporation and its employees make contributions to the Municipal Pension Plan (the "Plan"). As the Plan is a multi-employer contributory defined benefit pension plan, these contributions are expensed as incurred.

2. Significant accounting policies (continued):

(f) Income taxes:

The Corporation is not subject to income taxes as it is a municipal corporation wholly-owned by the City.

(g) Functional and object reporting:

The operations of the Corporation are comprised of a single function, which includes provision of sports, fitness, and recreation services. As a result, the expenses of the Corporation are presented by object in the statement of operations.

(h) Budget data:

The budget data presented in these financial statements is based upon the 2023 budget approved by the Board of Directors on January 17, 2023.

(i) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas requiring the use of management estimates relate to the determination of valuation of accounts receivable and useful lives of tangible capital assets for amortization. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in surplus (deficit) in the year in which they become known.

(j) Government transfers:

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

(k) Post-employment benefits:

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

3. Adoption of new accounting standards:

(a) PS 3280 *Asset Retirement Obligations:*

On January 1, 2023, the Corporation adopted Canadian public sector accounting standard PS 3280 *Asset Retirement Obligations*. An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

(i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;

(ii) The past transaction or event giving rise to the liability has occurred;

(iii) It is expected that future economic benefits will be given up; and,

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

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities and is recorded as a liability. As at December 31, 2023, the Corporation determined that there are no asset retirement obligations associated with its tangible capital assets and hence, the adoption of this standard did not have any impact on the amounts presented in these financial statements.

(b) PS 3450 *Financial Instruments and related standards:*

On January 1, 2023, the Corporation adopted Canadian public sector accounting standard PS 3450 *Financial Instruments*, PS 2601 *Foreign Currency Translation*, PS 1201 *Financial Statement Presentation* and PS 3041 *Portfolio Investments*. Under PS 3450 *Financial Instruments*, all financial instruments are included on the statement of financial position and are measured at either fair value or amortized cost based on the characteristics of the instrument and the Corporation's accounting policy choices (see note 2(c)).

The adoption of these standards did not have any impact on the amounts presented in these financial statements.

4. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	2023	2022
April 24, 2023	April 24, 2024	$ 5,000,000	$ -
June 27, 2023	June 27, 2024	600,000	-
July 21, 2023	January 22, 2024	2,500,000	-
July 21, 2023	July 22, 2024	5,000,000	-
December 7, 2023	April 8, 2024	1,750,000	-
July 14, 2022	July 14, 2023	-	3,987,088*
July 19, 2022	July 19, 2023	-	3,619,492*
December 21, 2022	April 21, 2023	-	6,000,000
December 29, 2022	May 1, 2023	-	600,000
		$ 14,850,000	$ 14,206,580

4. Investments (continued):

The interest rate of the term deposits ranges from 5.66% to 6.30% (2022 - 5.05% to 5.22%).

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

5. Due from City of Richmond:

The amounts due from the City of Richmond arise in the normal course of business and are unsecured, and non-interest bearing with no stated repayment terms.

6. 2010 Games Operating Trust Fund:

On November 14, 2002, under the terms of the Multiparty Agreement for the Games, the Government of Canada and the Province of British Columbia agreed to establish the Legacy Endowment Fund (the "Fund") and to each contribute $55 million. On March 31, 2004, under the terms of the 2010 Games Operating Trust Agreement ("GOT"), an irrevocable trust was created known as GOT and the 2010 Games Operating Trust Society (the "Society") became the trustee of the Fund. The purpose of the Fund is to fund operating expenses and capital maintenance costs of certain facilities created for the Games, specifically the Oval and the Whistler Sliding Centre and Nordic Centre, and to assist with the continued development of amateur sport in Canada. Subsequent to the formation of the GOT, the City, as owner of the Oval, became a beneficiary of the GOT and became responsible for complying with obligations set by the Society and GOT in order to receive funding.

Effective December 31, 2007:

(a) the Society Board divided the Fund into three funds: the Speed Skating Oval Fund; the Whistler Sliding Centre and Nordic Centre Fund; and the Contingency Fund; and

(b) the Society Board divided the capital and any accumulated but undistributed income of the Fund as follows: Speed Skating Oval Fund (40%); Whistler Sliding Centre and Nordic Centre Fund (40%); and the Contingency Fund (20%).

Effective April 21, 2009, the City entered into an agreement with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("VANOC"). The agreement details the terms and conditions to which the City is required to adhere in order to receive funding from GOT. Effective September 1, 2011, VANOC assigned the agreement to the Society.

Funds from GOT are paid to the City first and the City distributes the funds to the Corporation. Revenue from GOT is comprised of:

	2023	2022
2022 annual distributable amount approve and received in 2023	$ 4,136,315	$ -
2021 annual distributable amount approve and received in 2022	-	4,212,071
	$ 4,136,315	$ 4,212,071

7. Post-employment benefits:

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

	2023
Accrued benefit obligation, beginning of year	$ 900,458
Opening adjustment due to actuarial valuation, January 1, 2023	206,542
Current service cost	84,300
Interest cost	47,700
Benefits paid	(53,700)
Accrued benefit obligation, end of year	$ 1,185,300

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

	2023
Accrued benefit obligation, end of year	$ 1,185,300
Unamortized net actuarial gain	-
Accrued benefit liability, end of year	$ 1,185,300

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

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

8. Deferred revenue:

	2023	2022
Balance, beginning of year	$ 8,578,270	$ 5,624,365
Add: amounts received	12,691,087	12,558,975
Less: revenue recognized	(13,137,308)	(9,605,070)
Balance, end of year	$ 8,132,049	$ 8,578,270

8. Deferred revenue (continued):

Deferred revenue comprises of:

	2023	2022
Memberships and programs	$ 1,322,166	$ 1,061,065
Sponsorship fees	28,226	28,226
Sport Hosting funding (note 12(b))	664,897	817,964
Richmond Olympic Experience (note 12(b))	3,526,038	3,638,995
The Fields (a)	2,590,722	3,032,020
	$ 8,132,049	$ 8,578,270

(a) The Fields is a year-round outdoor activity space for sports programs and events. As at December 31, 2023, $2,590,722 of the funds restricted for The Fields remain in deferred revenue and the revenue will be recognized based on the terms specified by the related agreements.

9. Tangible capital assets:

Cost	Balance December 31, 2022	Additions	Disposals	Balance December 31, 2023
Athletic equipment	$ 4,383,290	$ 1,092,879	$ (17,213)	$ 5,458,956
Building improvements	3,125,675	195,862	-	3,321,537
Computer software and equipment	3,696,811	173,510	-	3,870,321
Facility equipment	1,535,247	145,512	-	1,680,759
Infrastructure	5,880,940	4,937,378	-	10,818,318
Signage	195,542	23,115	-	218,657
Simulators and exhibit fabrication	3,884,306	793,768	-	4,678,074
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	399,227	18,486	-	417,713
Work in progress	5,496,888	(5,396,888)	-	100,000
	$ 28,663,655	$ 1,983,622	$ (17,213)	$ 30,630,064

9. Tangible capital assets (continued):

Accumulated amortization	December 31, 2022	Amortization expense	Disposals	Balance December 31, 2023
Athletic equipment	$ 2,866,828	$ 374,296	$ (17,213)	$ 3,223,911
Building improvements	2,354,463	293,467	-	2,647,930
Computer software and equipment	3,339,835	266,806	-	3,606,641
Facility equipment	1,346,419	132,199	-	1,478,618
Infrastructure	1,051,070	187,918	-	1,238,988
Signage	173,470	17,030	-	190,500
Simulators and exhibit fabrication	2,773,096	438,063	-	3,211,159
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	364,938	19,073	-	384,011
	$ 14,335,848	$ 1,728,852	$ (17,213)	$ 16,047,487

Note: the column headers print "Balance" above "Amortization expense" and "Balance" above "December 31, 2023".

	2023 Net book value	2022 Net book value
Athletic equipment	$ 2,235,045	$ 1,516,462
Building improvements	673,607	771,212
Computer software and equipment	263,680	356,976
Facility equipment	202,141	188,828
Infrastructure	9,579,330	4,829,870
Signage	28,157	22,072
Simulators and exhibit fabrication	1,466,915	1,111,210
Uniforms, ice skates and helmets	33,702	34,289
Work in progress	100,000	5,496,888
	$ 14,582,577	$ 14,327,807

The Oval land and building complex and its major equipment components are the property of the City and are not recorded in these financial statements.

There was no write-down of tangible capital assets during the year (2022 - nil).

10. Accumulated surplus:

	2023	2022
Accumulated surplus is comprised of:		
Share capital	$ 1	$ 1
Capital reserve	11,586,385	9,846,053
Other reserves/provisions	774,472	1,166,472
Operating surplus	607,259	610,286
Invested in tangible capital assets	8,503,469	7,871,999
	$ 21,471,586	$ 19,494,811

11. Financial risk management:

The Corporation has exposure to the following risks from the use of financial instruments: credit risk, market risk, and liquidity risk. The Board of Directors ensures that the Corporation has identified its major risks and ensures that the management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of cash, account receivables, and investments. The Corporation limits its credit risk by holding its cash and investments with federally regulated, credit worthy financial institutions. The Corporation assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable.

It is management's opinion that the Corporation is not exposed to significant credit risk from its financial instruments.

(b) Market and interest rate risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporation's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return of risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rate.

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

(c) Liquidity risk:

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

It is management's opinion that the Corporation is not exposed to significant liquidity risk.

There have been no changes in risk disclosures since 2022.

12. Related party transactions:

(a) City of Richmond:

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

In 2023, nil (2022 - $24,663) of general and administration and salaries and benefits expenses were charged to the Corporation for the provision of City staff time.

The Corporation is party to the Richmond Oval Agreement (the "Agreement") with the City, which had an effective date of July 1, 2008. The Agreement established the terms and conditions of the relationship between the City and the Corporation, including any financial support.

During 2023, the Corporation received a contribution from the City of $3,903,713 (2022 - $3,754,292) (note 17).

(b) Sport Hosting Function:

Effective July 1, 2011, the Sport Hosting function of the City was transferred to the Corporation. This function is fully funded by the hotel tax. In 2023, $400,000 (2022 - $399,996) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2023, $664,897 (2022 - $817,964) has been included in deferred revenue (note 8) and during 2023, $553,067 (2022 - $336,255) was recognized in memberships, admissions, and programs revenue on the statement of operations relating to Sport Hosting.

In previous years, the Corporation received hotel tax funding restricted for the purpose of purchasing tangible capital assets related to the Richmond Olympic Experience project. In order to retain the funding received in prior years, the Corporation must maintain and operate the tangible capital assets purchased with these funds over the life of the tangible capital assets. On an annual basis, the Corporation must provide a report to the City as to the use of the funds and the maintenance and operation of these tangible capital assets. As at year-end, $3,526,038 (2022 - $3,638,995) of the funds restricted for the purchase of tangible capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets.

13. Pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2022, the Plan has about 241,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

13. Pension plan (continued):

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

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

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

The Corporation paid $630,578 (2022 - $553,353) for employer contributions to the Plan in fiscal 2023.

14. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT (note 6) and the City (note 12).

15. Contractual rights:

Contractual rights are the right to economic resources arising from contracts or agreements that will result in revenues and assets in the future and are not yet recorded in the financial statements. The Corporation has contractual rights to receive sponsorship revenue and lease revenue over the next four years in the following total amounts:

2024	$ 526,065
2025	513,424
2026	476,457
2027	378,054

In addition, the Corporation receives funding from the City (note 12(a)) and from the GOT (note 6).

16. Other revenue:

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

17. Government transfers:

Government transfers are received for operating and capital activities. During 2023, the Corporation received an operating transfer of $3,903,713 (2022 - $3,754,292) (note 12(a)) and capital transfers of $396,399 (2022 – $1,353,601). The capital transfers are included in deferred revenue.

18. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year. These reclassifications do not impact the annual surplus reported in the prior period or net financial assets.