

The Corporation of the
CITY OF WHITE ROCK



Finance and Audit Committee
AGENDA

Monday, June 27, 2022, 4:30 p.m.

City Hall Council Chambers

15322 Buena Vista Avenue, White Rock, BC, V4B 1Y6

***Live Streaming/Telecast:** Please note that all Committees, Task Forces, Council Meetings, and Public Hearings held in the Council Chamber are being recorded and broadcasted as well included on the City's website at: www.whiterockcity.ca
T. Arthur, Director of Corporate Administration

	Pages
1. CALL TO ORDER Councillor Manning, Chairperson	
2. ADOPTION OF AGENDA RECOMMENDATION THAT the Finance and Audit Committee adopt the agenda for June 27, 2022 as circulated.	
3. ADOPTION OF MINUTES RECOMMENDATION THAT the Finance and Audit Committee adopt the April 12, 2022 meeting minutes as presented.	3
4. DRAFT 2021 FINANCIAL STATEMENTS Corporate report dated June 27, 2022 from the Director of Financial Services and the Manager Budgets & Accounting titled "Draft 2021 Financial Statements". RECOMMENDATION THAT the Finance and Audit Committee: <ol style="list-style-type: none">1. Receive for information the June 27, 2022, corporate report from the Director, Financial Services and Manager, Budgets and Accounting, titled "Draft 2021 Financial Statements;" and2. Accept on behalf of City Council the 2021 Financial Statements as	8

presented in the June 27, 2022, corporate report from the Director, Financial Services and Manager Budgets and Accounting, titled "Draft 2021 Financial Statements."

5. **AUDIT FINDINGS REPORT FOR THE YEAR ENDED DECEMBER 31, 2021**

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Corporate report dated June 27, 2022 from the Director of Financial Services and the Manager Budget and Accounting titled "Audit Findings Report for the Year Ended December 31, 2021".

Brandon Ma, Engagement Partner - KPMG and Kurtis Beaumont, Engagement Manager- KPMG, to introduce the report submitted by KPMG LLP titled "Audit Findings Report for the year ended December 31, 2021".

RECOMMENDATION

THAT the Finance and Audit Committee receive the corporate report dated June 27, 2022, from the Director, Financial Services, and Manager, Budgets and Accounting, titled, "Audit Findings Report for the year ended December 31, 2021."

6. **CONCLUSION OF THE JUNE 27, 2022 FINANCE AND AUDIT COMMITTEE MEETING**



Finance and Audit Committee

Minutes

April 12, 2022, 6:00 p.m.
City Hall Council Chambers
15322 Buena Vista Avenue, White Rock, BC, V4B 1Y6

PRESENT: Mayor Walker
Councillor Chesney
Councillor Johanson
Councillor Kristjanson
Councillor Trevelyan (via electronic means)

ABSENT: Councillor Manning

STAFF: Guillermo Ferrero, Chief Administrative Officer
Tracey Arthur, Director of Corporate Administration
Jim Gordon, Director of Engineering and Municipal Operations
Shannon Johnston, Acting Director of Financial Services
Kale Pauls, Staff Sargent (via telephone)
Debbie Johnstone, Deputy Corporate Officer

GUEST: Paul Murray, City Consultant – Budget

PUBLIC 0

1. **CALL TO ORDER**

Councillor Kristjanson, Chairperson

The meeting was called to order at 6:01 p.m.

2. **ADOPTION OF AGENDA**

Motion Number: 2022-F&A-052 It was MOVED and SECONDED

THAT the Finance and Audit Committee adopt the agenda for April 12, 2022 as circulated.

Absent (1): Councillor Manning

Motion CARRIED (5 to 0)

3. **ADOPTION OF MINUTES**

Motion Number: 2022-F&A-053 It was MOVED and SECONDED

THAT the Finance and Audit Committee adopt the April 4, 2022 meeting minutes as presented.

Absent (1): Councillor Manning

Motion CARRIED (5 to 0)

4. **2022 BUDGET DISCUSSION**

Council to continue their discussion on the draft 2022 - 2026 Financial Plan following the April 4, 2022 meeting where public submissions were received.

Note: Updated documents from the April 4, 2022 Finance meeting are attached for information.

The following discussion points were noted:

- Tour de White Rock Event, as it has been cancelled for 2022 why is that not reflected in property taxation
Staff noted funds from the years that the Tour de White Rock was not held were instead utilized to offset revenues (not spending money but taking in less revenue)
- A Member of Council requested service levels / levels of care to be included regarding parks
Staff noted a corporate report from 2019 that outlined the park service levels, it was further noted that since that time the service levels have increased in parks
- Mayor and Council budget increase (inflationary and return to pre COVID action)

- Freedom of Information Clerk
Staff clarified there is no budget request for an additional FOI Clerk
- It was inquired if there has been consideration of offering a bonus for staff who find cost savings without cutting services
Staff noted this is not done in Local Government (staff are here to provide the services that the public need)
- Turnaround times for Building Application files / permits were noted

Motion Number: 2022-F&A-054 MOTION TABLED BY 2022-F&A-055

It was MOVED and SECONDED

THAT the Finance and Audit Committee direct staff to prepare the Financial Plan and taxation bylaws.

Motion Number: 2022-F&A-055 MOTION TO TABLE 2022-F&A-054

It was MOVED and SECONDED

THAT the Finance and Audit Committee table consideration of the following motion so full discussion may occur prior to considering this motion:

THAT the Finance and Audit Committee direct staff to prepare the Financial Plan and taxation bylaws.

Absent (1): Councillor Manning

Motion CARRIED (5 to 0)

Motion Number: 2022-F&A-056 It was MOVED and SECONDED

THAT the Finance and Audit Committee endorse amending Council pay for 2022 to not be increased (0%).

Voted in the Negative (3): Mayor Walker, Councillor Chesney, and Councillor Johanson

Absent (1): Councillor Manning

Motion DEFEATED (2 to 3)

Motion Number: 2022-F&A-057 It was MOVED and SECONDED

THAT the Finance and Audit Committee direct a report be brought forward that addresses what would be required for the City to achieve a six (6) month on average turn around for the building permit application approval process.

Voted in the Negative (1): Councillor Johanson

Absent (1): Councillor Manning

Motion CARRIED (4 to 1)

Motion Number: 2022-F&A-058 It was MOVED and SECONDED

THAT the Finance and Audit Committee bring back to the floor consideration of the following motion now full discussion on the matter as concluded:

THAT the Finance and Audit Committee direct staff to prepare the Financial Plan and taxation bylaws.

Absent (1): Councillor Manning

Motion CARRIED (5 to 0)

Motion Number: 2022-F&A-059 It was MOVED and SECONDED

THAT the Finance and Audit Committee direct staff to prepare the Financial Plan and taxation bylaws.

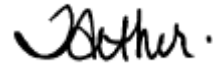
Voted in the Negative (1): Councillor Johanson

Absent (1): Councillor Manning

Motion CARRIED (4 to 1)

5. **CONCLUSION OF THE APRIL 12, 2022 FINANCE AND AUDIT COMMITTEE MEETING**

The meeting was concluded at 6:49 p.m.



Councillor Kristjanson, Chairperson

Tracey Arthur, Director of Corporate Administration

Unapproved

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: June 27, 2022

TO: Finance and Audit Committee

FROM: Candice Gartry, Director, Financial Services
Shannon Johnston, Manager, Budgets and Accounting

SUBJECT: Draft 2021 Financial Statements

RECOMMENDATIONS

THAT the Finance and Audit Committee:

1. Receive for information the June 27, 2022, corporate report from the Director, Financial Services and Manager, Budgets and Accounting, titled "Draft 2021 Financial Statements;" and
 2. Accept on behalf of City Council the 2021 Financial Statements as presented in the June 27, 2022, corporate report from the Director, Financial Services and Manager Budgets and Accounting, titled "Draft 2021 Financial Statements."
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EXECUTIVE SUMMARY

The Finance and Audit Committee is required to accept the City's 2021 Financial Statements on behalf of City Council. Attached as Appendix A are the Draft 2021 Financial Statements for submission to the Finance and Audit Committee.

INTRODUCTION/BACKGROUND

The annual financial statements are prepared in accordance with Section 167 of the *Community Charter*. Section 98 of the *Community Charter* requires that the audited Financial Statements be a mandatory component of the annual report, which is to be prepared before June 30 each year.

The 2021 Financial Statements, including the associated report from the City's auditors, KPMG LLP, are attached as Appendix A. The Financial Statements are prepared in accordance with Canadian Public Sector Accounting Standards as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. KPMG LLP has issued an unqualified audit report on the 2021 Financial Statements.

CONCLUSION

It is recommended that the Finance and Audit Committee receive and accept the 2021 Financial Statements as presented.

Respectfully submitted,




Candice Gartry
Director, Financial Services



Shannon Johnston
Manager Budgets & Accounting

Comments from the Chief Administrative Officer

I concur with the recommendations of this corporate report.



Guillermo Ferrero
Chief Administrative Officer

Appendix A: Draft 2021 Financial Statements

Financial Statements of

**THE CORPORATION OF THE
CITY OF WHITE ROCK**

And Independent Auditors' Report thereon

Year ended December 31, 2021

MAYOR AND COUNCIL

It is my pleasure to present The Corporation of the City of White Rock's Financial Statements for the fiscal year ended December 31, 2021 pursuant to Section 167 of the *Community Charter*. The statements have been prepared in accordance with the Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The preparation and presentation of the financial statements and related information are the responsibility of management of The Corporation of the City of White Rock. This involves the use of management's best estimates and careful judgement. The City maintains a system of internal accounting controls designed to provide reasonable assurances for the safeguarding of assets and the reliability of financial records.

The City's auditors, KPMG LLP, have given the City an unqualified audit opinion on the City's financial statements, stating in their opinion, that the financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2021, the results of its operations, changes in net financial assets and its cash flows for the year then ended.

Financial Summary

Operating activities during the year contributed a surplus of \$11,166,768. This is mainly comprised of an increase in the City's investment in tangible capital assets and of planned contributions to reserves. The total accumulated surplus was \$229,662,974 as of December 31, 2021. Like most local governments, the largest component of accumulated surplus is the City's investment in tangible capital assets, which amounted to \$134,703,982 at the end of 2021. The remainder of accumulated surplus includes reserves and other surplus funds.

Net financial assets increased by \$10,360,151 to \$71,361,326 as of December 31, 2021. This is a positive indicator of the City's financial position.

Debt, net of sinking funds, outstanding as of December 31, 2021 was \$21,900,837, compared to \$22,626,177 on December 31, 2020. It is comprised of long-term debenture debt mainly attributed to the purchase of property and assets of the local water utility and subsequent water system infrastructure improvements.

The City ended the year 2021 in a sound financial position.



Shannon Johnston, CPA, CGA
Acting Director of Financial Services



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Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of The Corporation of the City of White Rock

Opinion

We have audited the financial statements of The Corporation of the City of White Rock (the "City"), which comprise:

- the statement of financial position as at December 31, 2021
- 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 City as at December 31, 2021, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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



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

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

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

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

Auditors' 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 auditors' 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 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 auditors' 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 auditors' report. However, future events or conditions may cause 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.

Chartered Professional Accountants

Vancouver, Canada
June 27, 2022

THE CORPORATION OF THE CITY OF WHITE ROCK

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash and cash equivalents (note 2)	\$ 131,642,172	\$ 127,772,639
Temporary investments (note 2)	13,855,996	-
Accounts receivable (note 3)	5,979,185	8,946,234
	<u>151,477,353</u>	<u>136,718,873</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	13,063,304	9,498,604
Post-employment benefits (note 5)	1,700,250	1,540,864
Refundable performance deposits (note 2(b))	13,413,939	12,785,980
Capital lease obligations (note 6)	132,180	164,718
Debt (note 7)	21,900,837	22,626,177
Deferred revenue (note 8)	29,905,517	29,101,355
	<u>80,116,027</u>	<u>75,717,698</u>
Net Financial Assets	71,361,326	61,001,175
Non-Financial Assets		
Tangible capital assets (note 9)	157,122,145	156,425,967
Prepaid expenses	1,006,934	884,797
Inventories of supplies	172,569	184,267
	<u>158,301,648</u>	<u>157,495,031</u>
Accumulated surplus (note 10)	<u>\$ 229,662,974</u>	<u>\$ 218,496,206</u>

Commitments and contingencies (note 13)

See accompanying notes to financial statements.



Shannon Johnston, CPA, CGA
Acting Director of Financial Services

THE CORPORATION OF THE CITY OF WHITE ROCK

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (note 1(b))	2021	2020
Revenue:			
Property taxes:			
General purposes	\$ 25,132,500	\$ 25,053,083	\$ 23,631,761
Regional library levy	990,100	986,310	975,183
Business improvement levy	343,000	318,952	336,779
	<u>26,465,600</u>	<u>26,358,345</u>	<u>24,943,723</u>
Receipts in lieu of taxes	22,600	22,590	22,356
Development cost charges (note 8(a))	937,100	45,059	61,005
Sanitary sewer fees and parcel tax	3,535,400	3,656,853	3,562,975
Drainage user fees	2,777,400	2,775,458	2,658,487
Water user fees	5,413,900	5,704,188	5,139,529
Sales of services and other revenue (note 16)	17,167,600	16,149,009	14,926,479
Government grants (note 17)	16,620,900	570,727	5,459,271
Developers' contributions of tangible capital assets (note 9(b))	-	633,263	663,861
	<u>72,940,500</u>	<u>55,915,492</u>	<u>57,437,686</u>
Expenses:			
General government	8,825,276	7,339,240	7,401,407
Protection services	12,647,936	12,442,628	12,395,323
Transportation, engineering and operations	7,875,812	7,275,906	6,782,642
Parks, recreation and cultural services	10,405,277	9,042,693	9,177,189
Solid waste services	1,201,300	1,005,667	1,057,036
Sanitary sewer system	3,444,600	2,759,416	2,655,801
Drainage system	1,156,900	832,913	857,446
Water system	4,537,800	4,050,261	3,910,691
	<u>50,094,901</u>	<u>44,748,724</u>	<u>44,237,535</u>
Annual surplus	22,845,599	11,166,768	13,200,151
Accumulated surplus, beginning of year	218,496,206	218,496,206	205,296,055
Accumulated surplus, end of year	<u>\$ 241,341,805</u>	<u>\$ 229,662,974</u>	<u>\$ 218,496,206</u>

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF WHITE ROCK

Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (note 1(b))	2021	2020
Annual surplus	\$ 22,845,599	\$ 11,166,768	\$ 13,200,151
Acquisition of tangible capital assets	(57,114,000)	(6,636,960)	(5,853,630)
Developers' contributions of tangible capital assets	-	(633,263)	(663,861)
Amortization of tangible capital assets	7,305,000	6,370,411	6,404,914
Loss (gain) on disposal of tangible capital assets	-	31,399	(239,580)
Proceeds on disposal of tangible capital assets	-	172,235	367,067
	(26,963,401)	10,470,590	13,215,061
Acquisition of prepaid expenses	-	(1,006,934)	(884,797)
Acquisition of inventories of supplies	-	(172,569)	(184,267)
Use of prepaid expenses	-	884,797	742,851
Consumption of inventories of supplies	-	184,267	232,598
Change in net financial assets	(26,963,401)	10,360,151	13,121,446
Net financial assets, beginning of year	61,001,175	61,001,175	47,879,729
Net financial assets, end of year	\$ 34,037,774	\$ 71,361,326	\$ 61,001,175

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF WHITE ROCK

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 11,166,768	\$ 13,200,151
Items not involving cash:		
Amortization	6,370,411	6,404,914
Loss (gain) on disposal of tangible capital assets	31,399	(239,580)
Developers' contributions of tangible capital assets	(633,263)	(663,861)
Changes in non-cash operating working capital:		
Accounts receivable	2,967,049	3,237,568
Prepaid expenses	(122,137)	(141,946)
Inventories of supplies	11,698	48,331
Accounts payable and accrued liabilities	3,564,700	(253,090)
Post-employment benefits	159,386	(64,639)
Refundable performance deposits	627,959	201,383
Deferred revenue	804,162	667,263
Net change in cash provided by operating activities	24,948,132	22,396,494
Capital activities:		
Cash used to acquire tangible capital assets	(6,636,960)	(5,605,331)
Proceeds on disposal of tangible capital assets	172,235	367,067
Net change in cash used in capital activities	(6,464,725)	(5,238,264)
Financing activities:		
Principal payments on debt	(725,340)	(702,441)
Principal payments on capital lease obligations	(32,538)	(83,581)
Net change in cash used in financing activities	(757,878)	(786,022)
Investing activities:		
Change in temporary investments	(13,855,996)	-
Net change in cash and cash equivalents	3,869,533	16,372,208
Cash and cash equivalents, beginning of year	127,772,639	111,400,431
Cash and cash equivalents, end of year	\$ 131,642,172	\$ 127,772,639
Non-cash transactions:		
Acquisition of tangible capital assets under capital lease	\$ -	\$ 248,299

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements

Year ended December 31, 2021

The Corporation of the City of White Rock (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, businesses and visitors of the incorporated area. These include legislative, operational and administrative support, protective, infrastructure, transportation, engineering and municipal operations, parks, recreation and cultural, solid waste, water system, drainage system, and sanitary sewer services.

1. Significant accounting policies:

The City follows Canadian Public Sector Accounting Standards as prescribed by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada, including the following significant policies:

(a) Basis of presentation:

These financial statements present the resources and operations including all accounts and funds of the City. All inter-fund transactions, assets and liabilities have been eliminated.

(b) Budget reporting:

The budget figures reported in the statement of operations and statement of changes in net financial assets represent the 2021 component of White Rock Financial Plan (2021-2025) Bylaw, 2021, No. 2377, adopted by the City Council on April 26, 2021.

(c) Cash and cash equivalents:

Cash and cash equivalents include short-term highly liquid investments with maturity dates within three months of acquisition that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(d) Temporary investments:

Temporary investments are recorded at cost which approximates market value and are comprised of term deposits and bankers’ acceptances.

(e) Revenue:

Revenue is recorded on the accrual basis and is recognized when it is earned and measurable. Revenue relating to future periods, including prepaid property taxes, government grants and certain facility upgrade contributions, are reported as deferred revenue and recognized as revenue when earned.

(f) Development cost charges (“DCCs”):

DCCs collected under the City’s Development Cost Charge Bylaw (“DCC Bylaw”), plus interest earned thereon, are recorded as deferred revenue. DCCs are recognized as revenue when related costs are incurred.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(g) Deferred revenue:

Deferred revenues represent the receipt of funds for which the provision of services occurs in the future. These revenues may only be used in the conduct of certain services, in the completion of specific work, or for the purchase of tangible capital assets. These amounts will be recognized as revenues in the year in which the expenditures are incurred.

(h) Refundable performance deposits:

Refundable performance deposits represent cash collected by the City as security against work performed by property developers. The security is returned to the property developer upon satisfactory completion of the work, or recognized into revenue if the work is not performed in accordance with applicable bylaws.

(i) Capital lease obligation:

Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs e.g., insurance, maintenance costs etc. The discount rate used to determine the present value of the lease payments is the City's interest rate implicit in the lease.

(j) Expenses:

Expenses are recorded on the accrual basis and are recognized as they are incurred. This is upon the receipt of goods or services and/or the creation of a legal obligation. Interest expense on debt and capital lease obligations is accrued to the end of the reporting period.

(k) Government transfers:

Restricted transfers from governments are deferred and recognized as revenue as the related expenditures are incurred or the stipulations in the related agreements 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.

(l) Debt:

Debt is recorded net of repayments and actuarial adjustments.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(m) 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 asset. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	3 to 100
Buildings and facilities	2 to 50
Machinery and equipment	2 to 25
Roads and sidewalks	10 to 50
Sanitary sewer infrastructure	10 to 80
Storm sewer infrastructure	5 to 80
Water system infrastructure	4 to 80

Leasehold improvements are amortized using the lesser of the remaining term of the lease, including all renewal terms at the option of the City, or the life of the asset.

Annual amortization is charged commencing when the asset is available for use. Assets under construction are not amortized until the asset is put into 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 are also recorded as revenue.

(iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest capitalization:

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

(v) 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.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(m) Non-financial assets (continued):

(vi) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(n) Employee future benefits:

(i) The City and its employees make contributions to the Municipal Pension Plan. The Municipal Pension Plan is a multi-employer defined benefit pension plan. The City's contributions are expensed as incurred.

(ii) Sick leave and post-employment benefits also accrue to the City's employees. The liability relating to these benefits is actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefit plans are accrued based on projected benefits prorated as employees render services necessary to earn the future benefits.

(o) Use of accounting estimates:

The preparation of 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 these financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Areas requiring the use of management estimates relate to the determination of the value of contributed assets, useful lives of tangible capital assets for amortization, collectibility of receivables, accrued sick and other post-employment benefits and provision for contingencies. Adjustments, if any, will be reflected in the financial statements in the period of settlement or change in the amount of the estimate.

(p) Segment disclosures:

A segment is defined as a distinguishable activity or group of activities of government for which it is appropriate to separately report financial information. The City has provided definitions of segments used by the City, as well as, presented financial information in segmented format (note 20).

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(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, or a 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 standards;
- (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.

2. Cash and cash equivalents and temporary investments:

	2021	2020
Cash balances	\$ 127,391,177	\$ 123,528,131
Cash equivalents:		
Municipal Finance Authority Money Market Fund	4,250,995	4,244,508
Total cash and cash equivalents (a) (b)	131,642,172	127,772,639
Temporary investments consist of term deposits maturing within 365-days of inception	13,855,996	-
Total cash and cash equivalents and temporary investments	\$ 145,498,168	\$ 127,772,639

As at December 31, 2021, cash equivalents and temporary investments including the Municipal Finance Authority Money Market Fund, have annual yields that range from 0.15% to 1.05% (2020 – 0.89%).

(a) Included in cash and cash equivalents is an amount of \$15,907,883 (2020 - \$12,532,028) that can only be used for the acquisition of tangible capital assets as provided for by the DCC Bylaw.

(b) Included in cash and cash equivalents is an amount of \$13,413,939 (2020 - \$12,785,980) which consists of refundable performance deposits.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Accounts receivable:

	2021	2020
Property taxes	\$ 1,287,510	\$ 1,757,625
Water user fees	1,534,190	1,419,170
Government grants	21,593	1,071,503
Amounts receivable secured by letters of credit (a)	582,322	2,415,733
Insurance proceeds	-	1,232,054
Loan receivable	52,200	7,000
Other (note 7)	2,501,370	2,275,203
	<u>\$ 5,979,185</u>	<u>\$ 8,946,234</u>

(a) Amounts receivable secured by letters of credit of \$582,322 (2020 - \$2,415,733) can only be used for the acquisition of tangible capital assets as provided for by the DCC Bylaw (note 8(a)).

4. Accounts payable and accrued liabilities:

	2021	2020
Trade accounts payable and other	\$ 9,001,010	\$ 5,581,833
Due to governments and agencies	3,410,428	3,080,164
Other payroll liabilities	651,866	836,607
	<u>\$ 13,063,304</u>	<u>\$ 9,498,604</u>

5. Post-employment benefits:

The City provides certain post-employment and sick leave benefits to its employees. These benefits include accumulated non-vested sick leave, post-employment gratuity and time-in-lieu benefits, and certain vacation benefits.

	2021	2020
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,857,606	\$ 1,755,977
Current service cost	159,661	145,837
Interest cost	39,180	47,236
Benefits paid	(74,402)	(274,537)
Actuarial (gain) loss	(112,420)	183,093
Balance, end of year	<u>\$ 1,869,625</u>	<u>\$ 1,857,606</u>

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Post-employment benefits (continued):

	2021	2020
Accrued benefit obligation, end of year	\$ 1,869,625	\$ 1,857,606
Unamortized net actuarial loss	(169,375)	(316,742)
Accrued benefit liability, end of year	\$ 1,700,250	\$ 1,540,864

Actuarial gains and losses are amortized over the expected average remaining service period of the related employee group, commencing the year after the gain or loss arises. In 2021, the expected average remaining service period of the related employee group is 11 years (2020 - 11 years).

The significant actuarial assumptions used to determine the City's accrued benefit obligation are as follows:

	2021	2020
Discount rate	2.50%	2.00%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary increases	2.58% to 5.90%	2.58% to 5.90%

6. Capital lease obligation:

The City has financed certain equipment by entering into three capital leasing arrangements. Two of the arrangements expire on June 30, 2025, and the third arrangement expires on June 30, 2027. The leases are repayable in monthly blended installments of \$3,075 including principal and interest. The amount of interest incurred on the leases in the current year was \$4,321 (2020 - \$5,272). Minimum lease payments due under the capital leases are:

Year ending December 31:

2022	\$	36,897
2023		36,897
2024		36,897
2025		21,215
2026		5,532
Thereafter		2,767
Minimum capital lease payments		140,205
Less amounts representing interest (2.85%)		8,025
	\$	132,180

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Debt:

	2021	2020
Debentures, net of repayments and actuarial adjustments	\$ 21,900,837	\$ 22,626,177

The City issues debt instruments through the Municipal Finance Authority (“MFA”) to finance certain capital acquisitions. Repayments and actuarial adjustments are netted against related long-term debts. Details are as follows:

Bylaw number	Purpose	Maturity date	Interest rate	Refinancing year *	Authorized amount	Sinking fund credits		
						2021	2020	
1667	Sanitary Sewers-Local Improvement	2023	5.95%	n/a	\$ 224,580	\$ 191,073	\$ 33,507	\$ 49,074
2098	Water Utility Acquisition Advance Payment	2046	2.60%	2026	14,250,000	1,480,261	12,769,739	13,086,502
2163	Water System Infrastructure Construction	2027	2.80%	n/a	440,000	160,573	279,427	321,367
2163	Water System Infrastructure Construction	2047	2.80%	2027	5,779,000	508,186	5,270,814	5,403,548
2178	Water System Infrastructure Construction	2027	3.15%	n/a	1,662,000	606,530	1,055,470	1,213,890
2178	Water System Infrastructure Construction	2047	3.15%	2027	400,000	35,176	364,824	374,012
2179	Water Treatment Facilities Construction	2048	3.15%	2028	2,274,850	147,794	2,127,056	2,177,784
\$ 25,030,430						\$ 3,129,593	\$ 21,900,837	\$ 22,626,177

* During the refinancing year, the City will have the option to retire part or all of the debt early or refinance the borrowing at a new interest rate.

Total interest on the debt for the year ended December 31, 2021 was \$694,606 (2020 - \$694,606).

As a condition of these borrowings, a portion of the debt proceeds is withheld by the MFA in a debt reserve fund. If at any time the City does not have sufficient funds to meet payments due on its obligations, the payments shall be made from the debt reserve fund. Amounts withheld for this purpose are as follows:

Bylaw number	Purpose	Debt reserve fund
1667	Sanitary Sewers - Local Improvement	\$ 2,246
2098	Water Utility Acquisition Advance Payment	142,500
2163	Water System Infrastructure Construction	62,190
2178	Water System Infrastructure Construction	20,620
2179	Water Treatment Facilities Construction	22,749
\$		250,305

These cash deposits are included as part of accounts receivable in the Statement of Financial Position (note 3).

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Debt (continued):

Principal payments and estimated actuarial adjustments on the outstanding debt over the following five years and thereafter are as follows:

2022	\$ 748,996
2023	773,431
2024	780,652
2025	805,830
2026	831,820
Thereafter	17,960,108
	\$ 21,900,837

8. Deferred revenue:

	2021	2020
Property taxes	\$ 3,299,003	\$ 3,218,594
Contributions for future capital works	3,630,013	3,731,110
Development cost charges (a)	16,490,205	14,947,761
Utility service connections	1,563,750	1,151,750
Deferred revenue - facility upgrades (note 11)	385,146	428,121
Deferred revenue - building permits	2,614,950	4,386,140
Other	1,922,450	1,237,879
	\$ 29,905,517	\$ 29,101,355

(a) Development cost charges:

	Highways	Drainage	Parkland	Sanitary	Water	Total
Balance, beginning of year	\$ 3,505,452	\$ 3,085,749	\$ 6,184,906	\$ 881,842	\$ 1,289,812	\$ 14,947,761
Add:						
Amounts received	299,648	242,636	674,395	100,104	143,335	1,460,118
Investment income	29,669	26,324	53,187	7,354	10,851	127,385
Deduct:						
Acquisition of tangible capital assets	-	25,059	-	20,000	-	45,059
Balance, end of year	\$ 3,834,769	\$ 3,329,650	\$ 6,912,488	\$ 969,300	\$ 1,443,998	\$ 16,490,205

The balance as of December 31, 2021 includes \$582,322 (2020 - \$2,415,733) in amounts receivable secured by letters of credit (note 3(a)).

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Tangible capital assets:

	Land	Land improvements	Buildings and facilities	Machinery and equipment	Roads and sidewalks	Sanitary sewer infrastructure	Storm sewer infrastructure	Water system infrastructure	Assets under construction (a)	2021 Total
Cost:										
Balance, beginning of year	\$ 17,310,385	\$ 24,698,389	\$ 42,856,241	\$ 14,069,320	\$ 46,482,120	\$ 21,497,841	\$ 23,840,136	\$ 37,077,251	\$ 4,179,781	\$ 232,011,464
Additions	-	639,944	287,163	1,154,595	854,741	553,830	460,373	782,935	2,536,642	7,270,223
Transfers	-	1,568,227	66,572	32,624	-	28,520	28,516	700,517	(2,424,976)	-
Disposals	-	(148,702)	(160,000)	(504,934)	(468,489)	(122,247)	(85,896)	(32,155)	-	(1,522,423)
Balance, end of year	\$ 17,310,385	\$ 26,757,858	\$ 43,049,976	\$ 14,751,605	\$ 46,868,372	\$ 21,957,944	\$ 24,243,129	\$ 38,528,548	\$ 4,291,447	\$ 237,759,264
Accumulated amortization:										
Balance, beginning of year	\$ -	\$ 7,852,933	\$ 17,332,361	\$ 7,196,237	\$ 22,416,546	\$ 7,499,126	\$ 9,880,305	\$ 3,407,989	\$ -	\$ 75,585,497
Amortization expense	-	1,159,523	1,401,127	1,023,112	1,057,716	326,820	310,756	1,091,357	-	6,370,411
Disposals	-	(148,702)	(121,981)	(492,832)	(407,217)	(52,130)	(74,611)	(21,316)	-	(1,318,789)
Balance, end of year	\$ -	\$ 8,863,754	\$ 18,611,507	\$ 7,726,517	\$ 23,067,045	\$ 7,773,816	\$ 10,116,450	\$ 4,478,030	\$ -	\$ 80,637,119
Net book value, end of year	\$ 17,310,385	\$ 17,894,104	\$ 24,438,469	\$ 7,025,088	\$ 23,801,327	\$ 14,184,128	\$ 14,126,679	\$ 34,050,518	\$ 4,291,447	\$ 157,122,145
Net book value, beginning of year	\$ 17,310,385	\$ 16,845,456	\$ 25,523,880	\$ 6,873,083	\$ 24,065,574	\$ 13,998,715	\$ 13,959,831	\$ 33,669,262	\$ 4,179,781	\$ 156,425,967

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction have not been amortized. Amortization of these assets will commence when the asset is put into productive use.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of developers' contributions of tangible capital assets received during the year ended December 31 was comprised of:

	2021	2020
Roads and sidewalks	\$ 295,344	\$ 464,171
Sanitary sewers	222,773	50,569
Storm sewers	-	100,356
Water system	115,146	48,765
Developers' contributions of tangible capital assets	\$ 633,263	\$ 663,861

(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 totem poles, sculptures and paintings located at City sites and public display areas. These assets are not reflected in the financial statements.

(e) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets during the year. The City disposed of assets as part of planned replacement capital projects in the year.

(f) Leased tangible capital assets:

The City has leased radio equipment for RCMP and Fire operations. Total cost of the leased assets is \$248,299. As at December 31, 2021, \$122,140 (2020 - \$89,213) of accumulated amortization has been recorded, with \$32,927 (2020 - \$19,283) of amortization related to the current fiscal year.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

10. Accumulated surplus:

	Reserves established by bylaw (note 12(a))	Other reserves (note 12(b))	Other surplus funds	Investment in tangible capital assets (note 11)	Total
General Fund	\$ 31,428,393	\$ 22,201,808	\$ 6,236,425	\$ 92,915,654	\$ 152,782,280
Sanitary Sewer Fund	-	14,823,480	1,107,116	14,202,858	30,133,454
Drainage Fund	-	11,257,191	784,117	15,047,085	27,088,393
Water Fund	-	5,872,462	1,248,000	12,538,385	19,658,847
Total for 2021	\$ 31,428,393	\$ 54,154,941	\$ 9,375,658	\$ 134,703,982	\$ 229,662,974
Total for 2020	\$ 26,632,385	\$ 49,880,870	\$ 8,771,058	\$ 133,211,893	\$ 218,496,206

Included in the water fund investment in tangible capital assets is an adjustment in the amount of nil (2020 - \$4,942) for unspent debt proceeds which have been earmarked for use in future years (note 11).

11. Investment in tangible capital assets:

	2021	2020
Tangible capital assets (note 9)	\$ 157,122,145	\$ 156,425,967
Deduct:		
Capital lease obligations (note 6)	(132,180)	(164,718)
Debt (note 7)	(21,900,837)	(22,626,177)
Deferred revenue - facility upgrades (note 8)	(385,146)	(428,121)
Add:		
Unspent debt proceeds (note 10)	-	4,942
	\$ 134,703,982	\$ 133,211,893

12. Reserves:

(a) The following reserves were established, by bylaw, in accordance with BC municipal legislation:

	2021	2020
General Fund:		
Land sale reserve	\$ 416,665	\$ 413,013
Equipment replacement reserve	5,470,192	5,339,079
Capital works, machinery and equipment reserve	7,615,295	6,547,194
Local improvement reserve	33,963	33,665
Community amenity reserve	13,892,278	14,299,434
Affordable Housing Reserve	4,000,000	-
	\$ 31,428,393	\$ 26,632,385

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Reserves (continued):

(b) The following additional reserve amounts are set aside for specific purposes:

	2021	2020
General Fund:		
Infrastructure reserve	\$ 4,982,797	\$ 4,656,217
Roadworks reserve	5,030,102	4,407,146
Secondary suite service fee reserve	1,556,289	1,189,107
Density bonus/amenity contribution reserve	196,829	214,634
Incomplete asset improvement projects	3,846,100	3,272,500
COVID-19 Safe Restart Reserve	1,142,616	2,586,388
Other reserves	5,447,075	4,629,243
	<u>22,201,808</u>	<u>20,955,235</u>
Sanitary Sewer Fund:		
Infrastructure reserve	14,068,546	13,055,437
Terry Road local improvement reserve	25,634	39,096
Incomplete asset improvement projects	729,300	1,069,700
	<u>14,823,480</u>	<u>14,164,233</u>
Drainage Fund:		
Infrastructure reserve	8,760,991	7,069,996
Operating reserve	25,000	25,000
Incomplete asset improvement projects	2,471,200	2,878,500
	<u>11,257,191</u>	<u>9,973,496</u>
Water Fund:		
Infrastructure reserve	4,890,175	4,026,448
Debt retirement reserve	28,687	24,058
Operating reserve	953,600	737,400
	<u>5,872,462</u>	<u>4,787,906</u>
	<u>\$ 54,154,941</u>	<u>\$ 49,880,870</u>

13. Commitments and contingencies:

(a) Borrowing liability:

The City has a contingent liability with respect to debentures of the Metro Vancouver Sewerage and Drainage District and the 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) Third party claims:

There are various lawsuits and claims pending by and against the City. The outcome of these claims is undeterminable, and it is the opinion of management that final determination of these claims will not materially affect the financial statements of the City.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

13. Commitments and contingencies (continued):

(c) Lease commitments:

The City initially entered into a 5-year agreement ending July 31, 2008 to lease certain parcels of real property from The Burlington Northern and Santa Fe Railway Company. Under the terms of this agreement, the City is committed to annual rent payments as well as the costs of all taxes, utilities, insurance, repairs and maintenance of the leased premises. This is accounted for as an operating lease. This agreement provides for renewal options consisting of 5 additional 5-year terms. In April 2018, the City exercised its third option to renew this lease for the 5-year term ending July 31, 2023. During this period, the City is committed to annual base rent payments of \$472,500.

The City has also entered into various leases for office and other operating equipment.

Total annual commitments for the next five years, net of applicable taxes are approximately as follows:

2022	\$	484,464
2023		504,638
2024		524,538
2025		519,084
2026		510,294
Thereafter		3,542,077
	\$	6,085,095

(d) Agreements and contractual commitments:

In addition to the leases described in note 13(c), the City has entered into various agreements and contracts for services and construction with periods ranging from one to 5-years, including the following:

	Total contractual commitment	Total contractual commitment remaining at year end
Ruth Johnston Park ravine restoration	\$ 1,463,264	\$ 445,592
2021 paving program	689,819	8,698
Solid waste recycling trucks	838,569	838,569
Solid waste residential collection vehicles	1,131,801	1,131,801
Janitorial services	477,007	238,081

The City records the capital costs incurred to the end of the year on incomplete projects as tangible capital assets under construction. The City's 5-year financial plan is amended as necessary to reflect the carryover of the required expenditure budgets and the financing of these obligations to the following year.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

13. Commitments and contingencies (continued):

(e) Debt agreement with the MFA:

The City issues debt instruments through the MFA. As a condition of these borrowings the City is required to execute demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. The debt agreement with the MFA provides that if at any time the scheduled payments provided for in the agreement are not sufficient to meet the MFA's obligations in respect to such borrowing, the resulting deficiency becomes the joint and several liability of the City and all other participants to the agreement through the MFA. The City is similarly liable on a contingent basis for the debt of other municipalities secured through the MFA. Details of the contingent demand notes are as follows:

Bylaw number	Purpose	2021	2020
1667	Sanitary Sewers - Local Improvement	\$ 7,364	\$ 7,364
2098	Water Utility Acquisition Advance Payment	180,771	180,771
2163	Water System Infrastructure Construction	104,802	104,802
2178	Water System Infrastructure Construction	88,549	88,549
2179	Water Treatment Facilities Construction	36,988	36,988
		\$ 418,474	\$ 418,474

These contingent demand loans are not recorded in the City's financial statements as they are not likely to be paid.

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

The City is a shareholder of E-Comm Emergency Communications for British Columbia Incorporated ("E-Comm"). The City receives services for the regional 9-1-1 call centre for Metro Vancouver Regional District and the Wide Area Radio network from E-Comm. The City has two Class A shares (of a total 36 Class A and 19 Class B shares issued and outstanding as at December 31, 2021).

As a Class A shareholder, the City is committed to paying levies for services received under a cost-sharing formula to fund operating and capital costs of the E-Comm operations. In addition, the City is contingently liable to cover its proportionate share of such costs should any member be unable to fulfill its funding obligations. Annual levy amounts fluctuate based on various factors under the cost sharing formula.

(g) Municipal Insurance Association of British Columbia (the "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 the other participants, would be required to contribute towards the deficit. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

14. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from local government and 150 contributors from the City.

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 as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be at December 31, 2021 with results available in 2022. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The City paid \$1,273,000 (2020 - \$1,269,600) for employer contributions to the Plan in fiscal 2021.

15. Collections for other governments:

The City collects certain taxation revenue on behalf of other government bodies. These funds are excluded from the City's financial statements as they are not revenue of the City. Such taxes collected and remitted to other government bodies during the year are as follows:

	2021	2020
Province of British Columbia - school tax	\$ 13,303,585	\$ 11,671,297
South Coast BC Transportation Authority - TransLink tax	2,786,379	2,612,455
Other regional bodies	1,035,496	963,477
	<u>\$ 17,125,460</u>	<u>\$ 15,247,229</u>

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

16. Sales of services and other revenue:

	2021	2020
Parking	\$ 2,842,810	\$ 2,206,698
Parks, recreation and cultural services	785,451	745,032
Licences and permits	3,254,455	2,737,882
Solid waste services	1,573,085	1,569,079
Utility service connection fees	378,067	647,672
Community amenity contributions	3,600,000	3,386,000
Interest and penalties	1,065,203	1,433,641
Contributions toward tangible capital asset improvements	461,393	450,882
Other	2,188,545	1,749,593
	\$ 16,149,009	\$ 14,926,479

17. Government grants:

Government grant revenue is comprised of the following government transfers:

	2021	2020
Federal	\$ 254,216	\$ 157,061
Provincial	316,511	5,302,210
	\$ 570,727	\$ 5,459,271

18. Contractual rights:

The City's contractual rights arise from rights to receive payments under lease, license, rental, grant and other agreements. The City has contractual rights to receive the following amounts in the next 5 years and thereafter:

2022	\$ 359,682
2023	272,366
2024	281,051
2025	13,048
2026	8,440
Thereafter	3,600
	\$ 938,187

The City is entitled to receive revenue from certain other grants and agreements which is difficult to quantify. The contractual rights from these agreements have not been included in the amounts noted above.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

19. Comparative information:

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

20. Segmented information:

The City is a diversified municipal government institution that provides a wide range of services to its citizens, visitors and many others. In compliance with *PS2700, Segment Disclosures*, certain financial information is required to be reported for major activities involving these services. Each of these major activities is comprised of various City departments and/or divisions as noted below.

General Government - Mayor and Council, Chief Administrative Officer, Corporate Administration, Communications, Financial Services, Human Resources, Planning and Development, and Information Services. These departments are responsible for many legislative, operational and administrative support services including but not limited to City Council, bylaw and procedural matters, levying and collecting property taxes, hiring City staff, supporting the City's information technology infrastructure, preparing land use plans and approving new development in the City.

Protection Services - Police, Fire, Building and Bylaw Enforcement (non-parking related). These departments are responsible for ensuring public safety and security, preventing crimes as well as enforcing various laws.

Transportation, Engineering and Municipal Operations - Public Works, Engineering and Parking. These areas are responsible for providing and maintaining the systems that enable the community to use transportation facilities such as roads, sidewalks and parking lots. This category also includes management and administrative services of the City's Engineering and Municipal Operations Department.

Parks, Recreation and Cultural Services - These areas are responsible for providing, facilitating the development of, and maintaining high quality parks, recreation facilities and cultural services such as the public library.

Solid Waste Services - These services include the City's garbage collection, green waste collection and recycling programs.

Sanitary Sewer System - These services include the provision and maintenance of all systems related to the distribution and disposal of sanitary sewage.

Drainage System - These services include the provision and maintenance of all systems involving the distribution of storm water run-off in the City.

Water System - These services include the provision and treatment of water supply, as well as, the provision and maintenance of all other systems involving the distribution of water.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2021

20. Segmented information (continued):

	General Government	Protection Services	Transportation, Engineering and Operations Services	Parks, Recreation and Cultural Services	Solid Waste Services	Sanitary Sewer System	Drainage System	Water System	Adjustments	2021	2020
Revenue:											
Property taxes:											
General purposes	\$ 25,053,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,053,083	\$ 23,631,761
Regional library levy	-	-	-	986,310	-	-	-	-	-	986,310	975,183
Business improvement levy	318,952	-	-	-	-	-	-	-	-	318,952	336,779
	25,372,035	-	-	986,310	-	-	-	-	-	26,358,345	24,943,723
Receipts in lieu of taxes	22,590	-	-	-	-	-	-	-	-	22,590	22,356
Development cost charges	-	-	-	-	-	20,000	25,059	-	-	45,059	61,005
Sanitary sewer fees and parcel tax	-	-	-	-	-	3,684,931	-	-	(28,078)	3,656,853	3,562,975
Drainage user fees	-	-	-	-	-	-	2,775,458	-	-	2,775,458	2,658,487
Water user fees	-	-	-	-	-	-	-	5,913,201	(209,013)	5,704,188	5,139,529
Sales of services and other revenue:											
Parking	-	-	2,842,810	-	-	-	-	-	-	2,842,810	2,206,698
Parks, recreation, and cultural services	-	-	-	785,451	-	-	-	-	-	785,451	745,032
Licenses and permits	11,640	3,242,815	-	-	-	-	-	-	-	3,254,455	2,737,882
Solid waste services	-	-	-	-	1,573,085	-	-	-	-	1,573,085	1,569,079
Utility service connection fees	-	-	-	-	-	106,975	113,850	157,242	-	378,067	647,672
Community amenity contributions	3,600,000	-	-	-	-	-	-	-	-	3,600,000	3,386,000
Interest and penalties	988,113	-	-	-	-	31,486	12,000	33,604	-	1,065,203	1,433,641
Contributions toward tangible capital asset improvements	-	-	441,884	19,509	-	-	-	-	-	461,393	450,882
Other	3,288,465	335,802	507,519	42,975	36,169	8,775	-	164,290	(2,195,450)	2,188,545	1,749,593
Government grants	262,185	292,639	2,211	13,692	-	-	-	-	-	570,727	5,459,271
Developers' contributions of tangible capital assets	-	-	295,344	-	-	222,773	-	115,146	-	633,263	663,861
	33,545,028	3,871,256	4,089,768	1,847,937	1,609,254	4,074,940	2,926,367	6,383,483	(2,432,541)	55,915,492	57,437,686
Expenses:											
Salaries, wages and benefits	4,694,062	5,995,593	2,727,250	2,742,890	670,679	362,762	432,607	1,280,433	(1,225,042)	17,681,234	17,410,695
Contracted services	1,233,579	5,768,050	2,033,415	3,374,905	660,285	2,364,465	541,291	995,836	(549,193)	16,422,633	16,814,727
Supplies and other	1,178,040	336,171	733,835	962,958	230,416	175,820	133,073	483,475	(658,306)	3,575,482	2,896,547
Amortization	273,428	352,025	1,799,898	2,163,271	25,899	326,820	310,756	1,118,314	-	6,370,411	6,404,914
Interest	4,358	-	-	-	-	13,363	-	681,243	-	698,964	710,652
	7,383,467	12,451,839	7,294,398	9,244,024	1,587,279	3,243,230	1,417,727	4,559,301	(2,432,541)	44,748,724	44,237,535
Annual surplus (deficit)	\$ 26,161,561	\$ (8,580,583)	\$ (3,204,630)	\$ (7,396,087)	\$ 21,975	\$ 831,710	\$ 1,508,640	\$ 1,824,182	\$ -	\$ 11,166,768	\$ 13,200,151

THE CORPORATION OF THE CITY OF WHITE ROCK

Unaudited Statement of the COVID-19 Safe Restart Grant

Year ended December 31, 2021

The COVID-19 Safe Restart Grant was received November 2020 from the Province of British Columbia. A requirement of the COVID-19 Safe Restart Grant 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.

	2021
COVID-19 Safe Restart Grant received	\$ 3,769,000
COVID-19 Safe Restart Grant funds used 2020	(1,182,612)
COVID-19 Safe Restart Grant funds used 2021:	
Decreased revenues:	
Parking services	(712,789)
Recreation and culture	(864,162)
Miscellaneous	(37,945)
	<hr/> (1,614,896)
Decreased expenses:	
Parking services	17,410
Recreation and culture	624,545
General government	23,846
Miscellaneous	83,678
	<hr/> 749,479
Increased expenses:	
Parks and facilities	(286,645)
Roads	(291,710)
	<hr/> (578,355)
Total COVID-19 Safe Restart Grant funds used 2021	(1,443,772)
Year end COVID-19 Safe Restart Grant funds available as at December 31, 2021	<hr/> \$ 1,142,616 <hr/>

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: June 27, 2022

TO: Finance and Audit Committee

FROM: Candice Gartry, Director, Financial Services
Shannon Johnston, Manager Budgets & Accounting

SUBJECT: Audit Findings Report for the year ended December 31, 2021

RECOMMENDATIONS

THAT the Finance and Audit Committee receive the corporate report dated June 27, 2022, from the Director, Financial Services, and Manager, Budgets and Accounting, titled, "Audit Findings Report for the year ended December 31, 2021."

EXECUTIVE SUMMARY

Attached to this report as Appendix A is the Audit Findings Report for the year ended December 31, 2021 provided to the City by its Auditors, KPMG LLP.

CONCLUSION

The Audit Findings Report for the year ended December 31, 2021 as presented in Appendix A has been prepared and submitted by KPMG LLP.

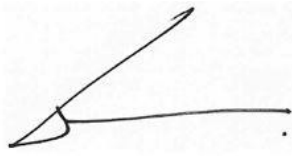
Respectfully submitted,

Candice Gartry
Director, Financial Services

Shannon Johnston
Manager Budgets & Accounting

Comments from the Chief Administrative Officer

This corporate report is provided for information purposes.

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line and a diagonal stroke.

Guillermo Ferrero
Chief Administrative Officer

Appendix A: Audit Findings Report for the year ended December 31, 2021



The Corporation of the City of White Rock

Audit Findings Report for the year ended
December 31, 2021

KPMG LLP

Dated June 22, 2022 for the Finance and
Audit Committee meeting on June 27, 2022

kpmg.ca/audit

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Significant accounting policies and practices	11
Appendices	12

KPMG contacts

The contacts at KPMG in connection with this report are:

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Engagement Manager
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Our refreshed Values

What we believe



We do what is right.



We never stop learning and improving.



We think and act boldly.



We respect each other and draw strength from our differences.



We do what matters.

Audit highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Finance and Audit Committee (the “Committee”), in your review of the results of our audit of the financial statements of The Corporation of the City of White Rock (the “City”) as at and for the year ended December 31, 2021. This Audit Findings Report builds on the Audit Plan we presented to the Committee dated December 14, 2021.

Status of the audit

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

- Completing certain audit documentation, completion, and review processes;
- Receipt of legal letter confirmation;
- Completing our discussions with the Committee;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council’s acceptance of the financial statements; and,
- Completing subsequent event review procedures.

We will update the Committee on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors’ report, a draft of which is attached to the draft financial statements, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

In our audit plan, we determined materiality to be \$1,500,000, based on budgeted total expenses. As the actual expenses was lower than the budgeted total expenses, we revised materiality accordingly. The following revised amounts have been determined:

- Materiality: \$1,300,000
- Audit misstatement posting threshold: \$65,000

Materiality has been set at 3% of actual expenses and the audit misstatement posting threshold has been set at 5% of materiality, consistent with our audit plan. Our audit was performed using the revised materiality.

Our audit plan included the valuation of post-employment benefits as an area of audit focus. We have re-assessed the risk of material misstatement related to that account to be not significant due to the magnitude of the balance.

There were no other significant changes from our audit plan which was originally communicated in the audit planning report previously provided.

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

Audit highlights (continued)

Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks except for the presumed risk of management override of controls.

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

- Tangible capital assets;
- Revenue recognition and deferred revenue;
- Expenses, including payroll; and
- Contingencies.

See pages 5 to 9 for the audit findings related to these areas of audit focus.

Audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

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

Control deficiencies and other observations

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

Significant accounting policies and practices

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

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, 2021 up to the date of this report.

Current developments

Please refer to Appendix 3 for additional information related to the implementation of the PS3280 Asset Retirement Obligations accounting standard and Appendix 4 for other current development updates.

Areas of audit focus

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Tangible capital assets ("TCA")	No	No – We did not identify a more than remote risk of material misstatement due to estimation uncertainty relating to the estimated useful lives of tangible capital assets and value of contributed assets.

Our response

We performed the following procedures:

- We updated our understanding of the process activities and controls over TCA, including the year-end process around identifying assets for impairment.
- We obtained the TCA continuity schedule and verified its mathematical accuracy.
- We tested a selection of TCA additions through inspection of supporting documentation to determine if capital in nature and amounts recorded are accurate.
- We tested a selection of TCA dispositions including inspection of supporting documentation and assessed appropriateness of the gain or loss recorded.
- We performed substantive analytical procedures over amortization recognized.
- We reviewed the financial statement note disclosure.

Significant findings

- There were no significant issues noted in the audit testing completed.

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Revenue recognition and deferred revenue	No	No

Our response

We performed the following procedures:

- We updated our understanding of the process activities over revenues and contributions received, amounts spent as well as deferral of unspent amounts.
- We evaluated the design and implementation of controls over contributions received and expenditures incurred, as well as management's review of related balances.
- We reviewed the accounting treatment for significant new revenue agreements, including community amenity charges ("CAC"), to determine whether restrictions exist and how the funds should be recognized into revenue and/or deferred.
- We performed substantive procedures, including vouching and review of supporting documentation related to significant contributions received, as well as expenses incurred, to ensure that revenues and expenses are appropriately recognized, and that any unearned portions are appropriately deferred.
- We tested a sample of new development cost charges ("DCC") recorded in the year by agreeing amounts to the related permits issued and inspecting associated bylaws showing appropriation for the specified purpose.
- We reviewed the year-end DCC fund balances and assessed whether any funds had negative balances.

Significant findings

- No significant issues were noted in the audit testing completed.

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Expenses, including payroll	No	No

Our response

We performed the following procedures:

- We updated our understanding of the process activities and controls for expenses, including payroll.
- We analyzed the change in payroll expense relative to the prior year based on changes in headcount and pay rates. We also performed testing over headcount and pay rates by agreeing to supporting documentation.
- We performed year over year analytical procedures for all financial statement expense captions to assess the accuracy and completeness of the amounts recorded in the fiscal year.
- We performed a search for unrecorded liabilities and tested whether sample expenses were recorded in the appropriate fiscal year.

Significant findings

- No significant issues were noted in the audit testing completed.

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Contingencies	No	Yes – We identified a more than remote risk of material misstatement due to estimation uncertainty. There are various lawsuits or claims pending against and by the City. Management and the City’s external legal counsel assess the outcome of such claims and any impact on the financial statements. Provisions for contingencies are recorded when appropriate.

Our response

We performed the following procedures:

- We discussed legal claims with management as well as reviewed legal invoices and Council meeting minutes.
- We obtained written confirmation from the City’s external legal counsel in testing whether amounts have been accrued for outcomes which are likely and where the contingent loss amount is estimable at year end.
- We reviewed the financial statement note disclosure.

Significant findings

- No significant issues were noted in the audit testing completed.

Audit risks

Professional requirements

Presumption of the risk of fraud resulting from management override of controls.

Why is this significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We did not identify a specific risk at the City.

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.
- Evaluating the business rationale of significant unusual transactions.

Significant findings

There were no significant issues noted in our testing.

Data & Analytics in the audit

We have integrated Data & Analytics (“D&A”) into our audit approach. Use of innovative D&A allows us to analyze greater quantities of data, dig deeper and deliver more value from our audit. We believe that D&A improves both the quality and effectiveness of our audit by allowing us to analyze large volumes of financial information quickly, enhancing our understanding of your business as well as enabling us to design procedures that better target risks. We have summarized our use of D&A in the audit as follows:

Area of audit focus	D&A tools and routines	Our results
Journal entry testing	– We used KPMG data analytics software (IDEA) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.	There were no issues noted in our testing.

Significant accounting policies and practices



Significant accounting policies

- There were no initial selections of or changes to the new significant accounting policies and practices.
 - There were no significant accounting policies in controversial or emerging areas.
 - There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded.
 - 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.
-



Financial statement presentation and disclosure

- 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.
 - As requested by the Ministry of Municipal Affairs and Housing, the supplementary information contained within the financial statements includes an unaudited schedule for the COVID-19 Safe Restart Grant received by the City in 2020. The schedule shows the amount of funding received, how the funding was used in the current year to offset lost revenues and to fund increased expenses due to COVID-19 impacts, and the remaining grant balance at December 31, 2021.
-

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

**Appendix 3: Implications of PSAS 3280
Asset Retirement Obligations**

Appendix 4: Current developments and insights



Appendix 1: Required communications

Draft auditors' report

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

Management representation letter

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

Independence

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

Appendix 2: Management representation letter

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

June 27, 2022

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements of the Corporation of the City of White Rock (the "City") as at and for the period ended December 31, 2021.

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 November 30, 2020, 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 all financial records and documentation and other matters, including:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.

- f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others

where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, 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 2021 Annual Report will be provided to you when available, and prior to issuance by the City, to enable you to complete your audit 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 consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Guillermo Ferrero, Chief Administrative Officer

Shannon Johnston, Acting Director, Financial Services

cc: 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.

Appendix 3: Implications of PS 3280 Asset Retirement Obligations

PS 3280 Asset Retirement Obligations (“PS 3280”) is a new accounting standard effective for the City’s 2023 financial statements. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. This significant new accounting standard has implications that have the potential to go beyond financial reporting.

Financial reporting implications

A liability for asset retirement costs will be recorded with a corresponding increase in the cost of tangible capital assets in productive use, resulting in a decrease to the net financial assets reported in the Statement of Financial Position.

Asset retirement obligations associated with tangible capital assets that are not recognized or no longer in productive use are expensed.

Additional non-cash expenses for the amortization of tangible capital assets and accretion will be recognized annually.

The total cost of legally required retirement activities will be recognized earlier in a tangible capital asset’s life. There is no change to the total cost recorded over an asset’s life.

A process needs to be established to support updates to the ARO measurement on an annual basis post-initial implementation.

Asset management implications

The asset retirement date used to determine the asset retirement liability needs to be consistent with the useful life of the related tangible capital asset. As a result, public sector entities need to assess whether the useful lives of tangible capital assets continue to be accurate and consistent with asset management plans.

Many public sector entities are using the implementation of PS 3280 as an opportunity to develop or refine their asset management plans.

Funding implications

PS 3280 does not provide guidance on how the asset retirement liability should be funded. Many public sector entities currently fund retirement costs as they are incurred at the end of the asset’s life. Public sector entities will need to assess whether this practice remains appropriate or if funding will be obtained over the life of the asset.

Budget implications

In addition to budgeting for costs associated with the initial implementation of PS 3280, public sector entities will need to consider if the non-cash accretion expense and additional amortization expense will be included in the annual budget.

Public sector entities operating under balanced budget legislation or similar guidelines will need to determine the impact of PS 3280 on current requirements.

Capital planning implications

PS 3280 requires legal obligations associated with the retirement of tangible capital assets to be recorded when the assets are acquired, constructed or developed. As a result, the cost of legally required retirement activities will need to be considered at the inception of a capital project to determine the financial viability and impact of the project.

Appendix 4: Current developments and insights

Public Sector Accounting Standards

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> – PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023, and may be applied retroactively or prospectively. – The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists.
Government Not-for-Profit Strategy	<ul style="list-style-type: none"> – PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs. – PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS. – PSAB is in the process of considering stakeholder comments.

Appendix 4: Current developments and insights (continued)

Public Sector Accounting Standards (continued)

Standard	Summary and implications
Financial Instruments and Foreign Currency Translation	<ul style="list-style-type: none">– The accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.– Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.– A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.– In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 <i>Financial Instruments</i> which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 <i>Financial Instruments</i>. The exposure drafts were released in summer 2020 with a 90-day comment period.
Employee Future Benefit Obligations	<ul style="list-style-type: none">– PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan.– PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard.– Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.– PSAB released an exposure draft on proposed section PS3251, <i>Employee Benefits</i> in July 2021. Comments to PSAB on the proposed section are due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.

Appendix 4: Current developments and insights (continued)

Public Sector Accounting Standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none">– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.– PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received.– PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.– In addition, PSAB is proposing:<ul style="list-style-type: none">• Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.• Separating liabilities into financial liabilities and non-financial liabilities.• Restructuring the statement of financial position to present non-financial assets before liabilities.• Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).• Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.• A new provision whereby an entity can use an amended budget in certain circumstances.• Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Appendix 4: Current developments and insights (continued)

Public Sector Accounting Standards (continued)

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> – In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.
2022 – 2027 Strategic Plan	<ul style="list-style-type: none"> – PSAB’s Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021. – The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities – The Strategic Plan emphasizes four key priorities: <ul style="list-style-type: none"> – Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB’s due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project. – Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting. – Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB. – Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.

Appendix 4: Current developments and insights (continued)

New auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement	<p>Revised CAS 315, Identifying and Assessing the Risks of Material Misstatement has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021.</p> <p>The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include:</p> <ul style="list-style-type: none">- Enhanced requirements relating to exercising professional skepticism- Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls- Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls- Introduction of scalability- Incorporation of considerations for using automated tools and techniques- New and revised concepts and definitions related to identification and assessment of risk- Strengthened documentation requirements <p>CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.</p>

Appendix 4: Current developments and insights (continued)

Thought leadership – Local governments

Thought leadership	Overview	Link
Cities portal	KPMG in Canada provides insights and resources for municipalities on a variety of topics including achieving sustainable infrastructure, the new reality for government in Canada, drinking water supply and park access.	Link to Canadian portal
The Future of Local Government	The Future of Local Government report provides a Canadian perspective for how local governments can meet the rapidly changing needs and expectations of their stakeholders – the citizens, partners and leaders across diverse cities and communities they serve.	Link to Canadian portal
The Future of Cities	The Future of Cities report unpacks our KPMG Global research and insights on the future of local government, providing an international viewpoint. The report traces the unprecedented journey ahead. Cities worldwide are now poised at a significant inflection point, as their leaders realize that long-held ‘one-size-fits-all’ approaches to planning and policies will likely no longer work to shape cities for a future that is truly healthy, sustainable, efficient and prosperous for all.	Link to Global portal
The Future of Government	The Future of Government report considers all levels of government and provides additional perspective from the content in the Future of Local Government report. It discusses the opportunity for governments to consider a different vision of Canadian social systems and how they can adapt their operations to reflect the needs of a modern Canada.	Link to Canadian portal
CX Coffee Chats: Modernizing Government	As a result of the pandemic, government organizations have been faced with unprecedented demand for digital transformation in the delivery of services to Canadians. In the latest installment of the CX Coffee Chat series, industry specialists discuss the evolving needs of Canadians and the opportunities for government organizations to deliver online services citizens can count on.	Link to Canadian portal
20 Predictions for the Next 20 Years	This series looks at how new technologies could evolve and how these advances will change every facet of our lives, including the industries and sectors that drive them. We asked KPMG in Canada subject matter specialists, across industries and sectors, to tell us how they think the world will change in the next two decades. Specifically for local governments, the political and regulatory predictions may be especially relevant.	Link to Canadian portal
Principles for Digital Transformation in Cities	This report was authored by KPMG and published as part of the World Government Summit. The report highlights the realization of ‘smart digitalization’ and how it differs across cities.	Link to report

Appendix 4: Current developments and insights (continued)

Thought leadership – Environmental, social, and governance (ESG)

Thought leadership	Overview	Links
Unleashing the Positive in Net Zero	CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we're committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.	Link to Global portal
KPMG Climate Change Financial Reporting Resource Centre	KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.	Link to Global portal
You Can't Go Green Without Blue – The Blue Economy is Critical to All Companies' ESG Ambitions	In this report, KPMG considers how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.	Link to Canadian portal
ESG, Strategy and the Long View	This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.	Link to Global portal
Inclusion and diversity practices	In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.	Link to Canadian portal

Appendix 4: Current developments and insights (continued)

Thought leadership – Digital and technology

Thought leadership	Overview	Link
Going digital, faster in Canada	Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG’s recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.	Link to Canadian portal

Thought leadership – Board, Audit Committee and C-Suite

Thought leadership	Overview	Links
Accelerate	Our Accelerate series offer insight into the key issues that will drive the Audit Committee agenda in 2022 in a number of key areas: cyber-related risk, digital transformation in the finance function, the ‘Great Resignation’ impacting finance, climate-related physical risks, enterprise risk management, and building a climate-conscious organization.	Link to Canadian Accelerate 2022 Insights series
KPMG 2021 CEO Outlook – Canadian Insights	This year we surveyed over 1,300 CEOs globally and the results are pointing to an optimistic outlook amongst Canadian CEOs. Some of the key themes coming out of the survey include expectations for aggressive growth through expansion, investment in both people and technology as well as a focus on delivering on environmental, social and governance (ESG) and sustainability commitments.	Link to Canadian portal
Board Leadership Centre + Audit Committee Guide	<p>KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.</p> <p>The new Audit Committee Guide – Canadian Edition from our Board Leadership Centre provides timely, relevant and trusted guidance to help both new and seasoned audit committee members stay informed.</p>	<p>Link to Canadian portal</p> <p>Link to 2021 guide</p>

Appendix 4: Current developments and insights (continued)

Thought leadership – Audit quality and insights

Thought leadership	Overview	Links
Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to Canadian portal Link to 2021 Global report
Audit and Assurance Insights	KPMG provides curated research and insights on audit and assurance matters for audit committees and boards.	Link to Canadian portal



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