

Live Streaming/Telecast: Please note that Standing Committees, 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

Corporate Administration Office (604) 541-2212
E-mail: clerksoffice@whiterockcity.ca



Click on the item to take
you to the document.

THE CORPORATION OF THE
CITY OF WHITE ROCK
15322 BUENA VISTA AVENUE, WHITE ROCK, B.C. V4B 1Y6

ON TABLE SEE PAGE 86

May 8, 2019

A **FINANCE AND AUDIT COMMITTEE MEETING** will be held in the **CITY HALL COUNCIL CHAMBERS** located at 15322 Buena Vista Avenue, White Rock, BC on **May 13, 2019** to begin at **5:30 p.m.** for the transaction of business as listed below.

T. Arthur, Director of Corporate Administration

A G E N D A

Councillor Johanson, Chairperson

1. **CALL MEETING TO ORDER**
2. **ADOPTION OF AGENDA**

RECOMMENDATION

THAT the Finance and Audit Committee adopt the agenda for May 13, 2019 as circulated.

3. **ADOPTION OF MINUTES**
a) April 8, 2019

Page 3

RECOMMENDATION

THAT the Finance and Audit Committee adopt the following meeting minutes as circulated:

- a) April 8, 2019
4. **2018 FINANCIAL STATEMENTS**
Corporate report dated May 13, 2019 from the Director of Financial Services titled "2018 Financial Statements".

Page 8

RECOMMENDATION

THAT the Finance and Audit Committee:

1. Receive for information the May 13, 2019 corporate report from the Director of Financial Services, titled "2018 Financial Statements"; and
2. Accept, on behalf of City Council, the 2018 Financial Statements as presented in the May 13, 2019 corporate report from the Director of Financial Services, titled "2018 Financial Statements".

5. **AUDIT FINDINGS REPORT FOR THE YEAR ENDED DECEMBER 31, 2018** Page 39
Carol Chiang, Partner - KPMG, and Matt Pauls, Audit Manager - KPMG, to introduce the report submitted by KPMG LLP titled “The Corporation of the City of White Rock: Audit Findings Report for the year ended December 31, 2019”.

RECOMMENDATION

THAT the Finance and Audit Committee receive the Audit Findings Report submitted by KPMG LLP titled “The Corporation of the City of White Rock: Audit Findings Report for the year ended December 31, 2019”.

6. **CONCLUSION OF THE MAY 13, 2019 FINANCE AND AUDIT COMMITTEE MEETING**

PRESENT: Councillor Johanson, Chairperson
Deputy Mayor Kristjanson
Councillor Chesney
Councillor Fathers
Councillor Manning
Councillor Trevelyan

ABSENT: Mayor Walker

STAFF: D. Bottrill, Chief Administrative Officer
T. Arthur, Director of Corporate Administration
J. Gordon, Director of Engineering and Municipal Operations
C. Johannsen, Director of Planning and Development Services
J. Johnstone, Director of Human Resources
S. Kurylo, Director of Financial Services
P. Lemire, Fire Chief
E. Stepura, Director of Recreation and Culture
C. Zota, Manager of Information Technology
S. Lam, Deputy Corporate Officer

Press: 0
Public: 3

The meeting was called to order at 5:09 p.m.

1. AGENDA APPROVAL

2019-F/A-020 **It was MOVED and SECONDED**

THAT the Finance and Audit Committee adopts the agenda for the meeting scheduled for April 8, 2019 as circulated.

CARRIED

2. PREVIOUS MINUTES

- a) Finance and Audit Committee Meeting – March 11, 2019; and
- b) Finance and Audit Committee Meeting – March 13, 2019.

2019-F/A-021 **It was MOVED and SECONDED**

THAT the Finance and Audit Committee adopts the minutes as circulated of their meetings held:

- a) Finance and Audit Committee Meeting – March 11, 2019; and
- b) Finance and Audit Committee Meeting – March 13, 2019.

CARRIED

3. 2019 – 2023 DRAFT FINANCIAL PLAN

The City of White Rock's Five Year Financial Plan was introduced at the February 28, 2019 Finance and Audit Committee meeting (video and a copy of the PowerPoint presentation can be accessed on the City's website). There was an opportunity for public and/or written comments/submissions to the City's Five Year Financial Plan given on March 13, 2019.

A Special Council meeting has now been scheduled for Monday, April 15, 2019 where Council will consider the Financial Plan Bylaws. This meeting (April 8, 2019) has been called so the Committee can ask any further questions or give further direction in regard to the proposed 2019 – 2023 Financial Plan.

The Director of Financial Services provided a PowerPoint presentation. Discussion took place through the presentation and the following comments were noted:

- The 2nd phase of the Johnston Revitalization project will commence in 2020-2021, pending completion of the Bosa Development as the timing is dependent on that project due to its location
- Questioned if the street poles will need to be removed (after new ones are installed) when the Johnston Revitalization occurs. Staff advised they would investigate
- The funding provided from the Solterra development is narrow in application and must be allocated towards a public art project
- Staff will report back on the definition of "failing" in terms of the streetlight poles
- The Sea Festival Committee anticipates falling short \$15K of their target fundraising due to various events taking place in the City this year. It was noted that this is the event's 70th anniversary and the funding would assist in a milestone event

2019-F/A-022

It was MOVED and SECONDED

THAT the Finance and Audit Committee endorses an additional \$25,000 be allocated towards the 2019 Sea Festival event.

CARRIED

Discussion continued and the following general comments were noted:

- All staff salaries are noted in the Financial Plan
- The Water Treatment Plant, when up and running, will operate five (5) days per week for eight (8) hours per day
- The White Rock Community Centre (WRCC) is used as a Council meeting venue when larger crowds are anticipated or for special circumstances (eg: Inaugural meeting of Council). At this time WRCC does not have the capacity for live streaming, and it is proposed that the venue be updated to accommodate that function

City Hall Feasibility Study

Concerns were expressed regarding the \$50K allocated for a City Hall feasibility study. It was recognized that the existing building has reached its' lifetime. Members of the Committee advised they would like to know what the cost of the needed upgrades would be prior to determining if a new City Hall were to be built. It was further noted that the allocated funds do not include the Fir Street building in the study.

The Committee recognized that staff should be moved out of the Fir Street facility (Annex).

If the new City Hall project was deferred, the existing facility would need renovations to ensure it is up to code. The feasibility study will address the costs of renovations, retrofitting, identify how much space is needed and where departments should be situated.

Concerns were expressed regarding the cost of the study. It was suggested that this be deferred to a later date, as constructing a City Hall may not be a top priority of Council for this year. It was clarified that the City Hall project is item ten (10) on the list of corporate priorities. Discussion continued and others spoke to the importance of having all of the relevant information, which would be identified in a complete feasibility study, prior to making a decision on a new City Hall precinct.

2019-F/A-023

It was MOVED and SECONDED

THAT the Finance and Audit Committee directs the City Hall feasibility study/needs assessment be limited, at this time, to renovating existing buildings and displacement costs of city staff, and that the corporate report exclude the development of a new City Hall.

DEFEATED

Councillors Chesney, Fathers, Johanson, and Manning voted in the negative

The Committee spoke to the importance of ensuring that any study obtained include the costs of upgrading the existing City Hall so that a comparison can be made.

2019-F/A-024

It was MOVED and SECONDED

THAT the Finance and Audit Committee directs a study be obtained that provides accurate numbers of upgrading the existing City Hall so that a comparison can be made with the numbers of constructing a new City Hall precinct.

CARRIED

Parking

The Committee recognized that the projected budget for parking revenue will be lower in 2019 as a result of the two (2) free months of parking. It was noted that if the Task Force did not want to address the difference in an increased parking rate, that an amendment to the Financial Plan could be considered.

It was noted that the City's Parking Task Force is responsible for recommending the parking rates to Council, therefore the City has not implemented any differential pricing to date. It was clarified that any rate changes would require an amendment to the City's Fees and Charges Bylaw.

The Committee noted that part of the parking fee is allocated to address the Burlington Northern Santa Fe (BNSF) lease, and questioned if the contract could be renegotiated to a lower rate, therefor lowering the parking price.

It was noted by staff that there are many elements to consider when re-opening contract negotiations.

2019-F/A-025

It was MOVED and SECONDED

THAT the Finance and Audit Committee recommends that staff enter into negotiations with Burlington Northern Santa Fe (BNSF) railway for a lower lease.

DEFEATED

Councillors Chesney, Fathers, Kristjanson, and Trevelyan voted in the negative

The meeting recessed at 6:12 p.m. and reconvened at 9:04 p.m. with all noted Council members and staff in attendance.

Rail Relocation

The Committee questioned if the \$75K allocated towards rail relocation can be included as one (1) sum in 2019. Staff advised that the funds for this were allocated from a reserve or surplus. It was further noted that monies need to be addressed in the budget before they can be spent. If the funds were not in place now (eg: pending grants), an amendment to the Bylaw could be done at a later date.

2019-F/A-026

It was MOVED and SECONDED

THAT the Finance and Audit Committee endorses the \$75,000 for a Rail Relocation study be budgeted in its entirety for 2019.

CARRIED

Councillor Fathers voted in the negative

LED Sign Board

In response to Council's questions, staff provided the following information regarding the LED sign board project:

- With the removal of the entrance banner on Johnston Road, the proposed digital sign is an alternative to a static poster
- The digital signage is dynamic and can change their messages
- The digital signage would be located in the Town Centre
- The digital signage would be a billboard type video screen on City property
- The signage would be approximately 2 feet in size, and would comply with the City's sign-bylaw

General comments

The Committee provided the following general comments:

- At Kent Street Activity Centre, the floors are in need of resurfacing and the siding of the building should be done as well
- With respect to Evergreen Daycare, all of the windows are slated for replacement
- The Water Master Plan notes that the water infrastructure at Martin/North Bluff to Roper is due for upgrade, noting that items addressed in the City's Masterplan are the City's responsibility
- \$100K of the project costs are to be paid for as a contribution by the Developer
- Hydrants are addressed under the asset improvement project and many are scheduled for replacement.

Staff clarified that they have noted the Committee's comments and that a public meeting is not required to address today's amendments.

4. CONCLUSION OF THE APRIL 8, 2019 FINANCE AND AUDIT COMMITTEE MEETING

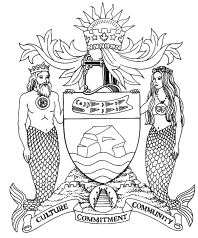
The Chairperson declared the meeting concluded at 9:23 p.m.

E. Johanson, Chairperson

S. Lam

S. Lam, Deputy
Corporate Officer

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: May 13, 2019
TO: Finance and Audit Committee
FROM: Sandra Kurylo, Director of Financial Services
SUBJECT: 2018 Financial Statements

RECOMMENDATIONS

THAT the Finance and Audit Committee:

1. Receive for information the May 13, 2019 corporate report from the Director of Financial Services, titled "2018 Financial Statements;" and
 2. Accept, on behalf of City Council, the 2018 Financial Statements as presented in the May 13, 2019 corporate report from the Director of Financial Services, titled "2018 Financial Statements."
-

INTRODUCTION

The Finance and Audit Committee is required to accept the City's 2018 Financial Statements on behalf of City Council. Attached, as Appendix A, are the 2018 Financial Statements for submission to the Finance and Audit Committee.

PAST PRACTICE/POLICY/LEGISLATION

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 annual financial statements be a mandatory component of the annual report, which is to be prepared before June 30 each year.

ANALYSIS

The 2018 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 2018 Financial Statements.

CONCLUSION

It is recommended that the Finance and Audit Committee receive and accept the 2018 Financial Statements as presented.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'S. Kurylo', with a large, sweeping flourish at the end.

Sandra Kurylo
Director of Financial Services

Appendix A: 2018 Financial Statements

Financial Statements of

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

Year ended December 31, 2018

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, 2018 pursuant to Section 167 of the *Community Charter*. The statements have been prepared in accordance with the Canadian Public Sector Accounting Standards established by 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 statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, 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 \$33,674,502. 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 \$183,052,246 as of December 31, 2018. Like most local governments, the largest component of accumulated surplus is the City's investment in tangible capital assets, which amounted to \$120,319,270 at the end of 2018. The remainder of accumulated surplus includes reserves and other surplus funds.

Net financial assets decreased by \$2,169,217 to \$38,756,911 as of December 31, 2018. This is due to a significant amount of expenditures incurred on major capital projects, such as a new water treatment plant and a new waterfront parkade, as well as the renovation of Memorial Park and the pier washroom. Most of these expenditures were funded from reserves and a federal/provincial grant.

Debt, net of sinking funds, outstanding as of December 31, 2018 was \$24,008,890, compared to \$22,346,427 on December 31, 2017. 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 2018 in a sound financial position.

Sandra Kurylo, B. Comm., CPA, CMA
Director of Financial Services



KPMG LLP
PO Box 10426 777 Dunsmuir Street
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, 2018
- 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, 2018, 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.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the 2018 Annual Financial Report.



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

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

We obtained the information, other than the financial statements and the auditors' report thereon, included in the 2018 Annual Financial Report as at the date of this auditors' report.

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

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the 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

[Date]

THE CORPORATION OF THE CITY OF WHITE ROCK

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents (note 2)	\$ 99,870,023	\$ 89,501,440
Temporary investments (note 2)	-	7,472,842
Accounts receivable (note 3)	13,455,091	6,001,646
Loans receivable (note 4)	14,000	17,500
	<u>113,339,114</u>	<u>102,993,428</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	13,080,920	8,533,568
Refundable performance deposits (note 2(b))	13,220,076	11,288,606
Capital lease obligation (note 7)	4,478	20,182
Debt (note 8)	24,008,890	22,346,427
Deferred revenue (note 9)	24,267,839	19,878,517
	<u>74,582,203</u>	<u>62,067,300</u>
Net financial assets	38,756,911	40,926,128
Non-Financial Assets		
Tangible capital assets (note 10)	143,474,439	107,674,895
Prepaid expenses	609,061	584,347
Inventories of supplies	211,835	192,374
	<u>144,295,335</u>	<u>108,451,616</u>
Accumulated surplus (note 11)	<u>\$ 183,052,246</u>	<u>\$ 149,377,744</u>

Commitments and contingencies (note 14)

See accompanying notes to financial statements.

SANDRA KURYLO, B. Comm., CPA, CMA
Director of Financial Services
DRAFT – MAY 6, 2019

THE CORPORATION OF THE CITY OF WHITE ROCK

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (Note 1(b))	2018	2017
Revenue:			
Property taxes:			
General purposes	\$ 21,647,900	\$ 21,638,551	\$ 20,446,775
Regional library levy	934,584	934,205	897,392
Business improvement levy	347,700	346,379	270,575
	<u>22,930,184</u>	<u>22,919,135</u>	<u>21,614,742</u>
Receipts in lieu of taxes	27,600	27,551	18,886
Development cost charges (note 9(a))	4,030,700	3,014,745	87,274
Sanitary sewer fees and parcel tax	3,496,906	3,523,309	3,590,860
Drainage user fees	2,410,700	2,413,036	2,150,175
Water user fees	4,744,000	4,635,515	4,302,249
Sales of services and other revenue (note 17)	27,476,280	27,315,659	17,120,957
Government grants (note 18)	16,360,100	9,786,203	1,768,102
Developers' contributions of tangible capital assets (note 10(b))	-	933,635	764,587
	<u>81,476,470</u>	<u>74,568,788</u>	<u>51,417,832</u>
Expenses:			
General government	7,651,375	6,931,555	6,851,759
Protection services	11,817,590	10,959,542	11,180,436
Transportation, engineering and operations	6,718,913	6,676,647	6,155,764
Parks, recreation and cultural services	9,511,506	8,677,384	8,605,535
Solid waste services	1,088,900	874,855	822,498
Sanitary sewer system	2,797,304	2,507,967	2,438,697
Drainage system	964,900	991,529	1,025,233
Water system	4,063,200	3,274,807	3,818,550
	<u>44,613,688</u>	<u>40,894,286</u>	<u>40,898,472</u>
Annual surplus	36,862,782	33,674,502	10,519,360
Accumulated surplus, beginning of year	149,377,744	149,377,744	138,858,384
Accumulated surplus, end of year	<u>\$ 186,240,526</u>	<u>\$ 183,052,246</u>	<u>\$ 149,377,744</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, 2018, with comparative information for 2017

	2018 Budget (Note 1(b))	2018	2017
Annual surplus	\$ 36,862,782	\$ 33,674,502	\$ 10,519,360
Acquisition of tangible capital assets	(75,063,500)	(40,110,852)	(10,040,502)
Contribution of tangible capital assets	-	(933,635)	(764,587)
Amortization of tangible capital assets	6,217,900	4,644,186	4,453,875
Loss on disposal of tangible capital assets	-	526,121	646,159
Proceeds on disposal of tangible capital assets	-	74,636	59,774
	(31,982,818)	(2,125,042)	4,874,079
Acquisition of prepaid expenses	-	(609,061)	(584,347)
Acquisition of inventories of supplies	-	(211,835)	(192,374)
Use of prepaid expenses	-	584,347	581,847
Consumption of inventories of supplies	-	192,374	228,209
Change in net financial assets	(31,982,818)	(2,169,217)	4,907,414
Net financial assets, beginning of year	40,926,128	40,926,128	36,018,714
Net financial assets, end of year	\$ 8,943,310	\$ 38,756,911	\$ 40,926,128

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF WHITE ROCK

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 33,674,502	\$ 10,519,360
Items not involving cash:		
Amortization	4,644,186	4,453,875
Loss on disposal of tangible capital assets	526,121	646,159
Developers' contributions of tangible capital assets	(933,635)	(764,587)
Changes in non-cash operating working capital:		
Increase in accounts receivable	(7,453,445)	(2,861,157)
Increase in prepaid expenses	(24,714)	(2,500)
Decrease (increase) in inventories of supplies	(19,461)	35,835
Decrease in loans receivable	3,500	3,500
Increase in accounts payable and accrued liabilities	4,547,352	2,395,448
Increase in refundable performance deposits	1,931,470	2,719,433
Increase in deferred revenue	4,389,322	7,475,955
Net change in cash from operating activities	41,285,198	24,621,321
Capital activities:		
Cash recovery for water utility acquisition	-	600,000
Cash used to acquire tangible capital assets	(40,110,852)	(10,640,502)
Proceeds on disposal of tangible capital assets	74,636	59,774
Net change in cash from capital activities	(40,036,216)	(9,980,728)
Financing activities:		
New debt issued (note 8)	2,274,850	8,281,000
Principal payments on debt	(612,387)	(6,507,849)
Principal payments on capital leases	(15,704)	(21,884)
Net change in cash from financing activities	1,646,759	1,751,267
Investing activities:		
Change in temporary investments	7,472,842	(2,564,144)
Net change in cash and cash equivalents	10,368,583	13,827,716
Cash and cash equivalents, beginning of year	89,501,440	75,673,724
Cash and cash equivalents, end of year	\$ 99,870,023	\$ 89,501,440

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements

Year ended December 31, 2018

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.

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:

The 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 represent the 2018 component of White Rock Financial Plan Bylaw (2018-2022), 2018, No. 2239, Amendment No. 1, 2018, No. 2256 adopted by the City Council on May 7, 2018.

(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, plus interest earned thereon, are recorded as deferred revenue. DCCs are recognized as revenue when related tangible capital assets are acquired.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(g) 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 December 31, 2018.

(h) 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.

(i) Debt:

Debt is recorded net of repayments and actuarial adjustments.

(j) Non-financial assets:

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

(i) Tangible capital assets:

Tangible capital assets are 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	10 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	30 to 80
Water system infrastructure	5 to 80

Leasehold improvements are amortized using the lesser of the remaining term of the lease, including all renewal terms, 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.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(ii) Contributions of tangible capital assets:

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

(vi) Inventories of supplies:

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

(k) 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.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(l) 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 the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the value of developer contributed assets, useful lives of tangible capital assets for amortization, valuation 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.

(m) 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).

(n) 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 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.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Cash and cash equivalents and temporary investments:

	2018	2017
Cash balances	\$ 81,814,315	\$ 71,490,793
Cash equivalents:		
Money market securities and term deposits maturing within 90 days of inception	13,923,750	13,945,749
MFA Money Market Fund	4,131,958	4,064,898
	99,870,023	89,501,440
Temporary investments maturing within 365 days of inception	-	7,472,842
	\$ 99,870,023	\$ 96,974,282

Cash equivalents and temporary investments, including the MFA Money Market Fund, have annual yields that range from 1.64% to 2.40% (2017 – 0.97% to 1.90%).

- (a) Included in cash and cash equivalents is an amount of \$4,859,325 (2017 - \$4,718,780) that can only be used for the acquisition of tangible capital assets as provided for by the DCC Bylaw (note 9(a)).
- (b) Included in cash and cash equivalents is an amount of \$13,220,076 (2017 - \$11,288,606) which consists of refundable performance deposits.

3. Accounts receivable:

	2018	2017
Property taxes	\$ 2,278,679	\$ 1,777,113
Water user fees	1,233,318	1,125,370
Government grants	2,965,408	770,021
Amounts secured by letters of credit (a)	4,674,175	1,054,093
Other	2,303,511	1,275,049
	\$ 13,455,091	\$ 6,001,646

- (a) Included in accounts receivable are letters of credit of \$4,674,175 (2017 - \$854,093) that can only be used for the acquisition of tangible capital assets as provided for by the DCC Bylaw (note 9(a)).

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Loans receivable:

The City has a loan receivable in the amount of \$14,000 (2017 - \$17,500) from The Peace Arch Curling Club to assist in financing the purchase and installation of kitchen equipment. The loan receivable bears a variable per annum interest rate which is the average annual rate of return the City has achieved on its investments in the twelve months preceding the anniversary date of the loan agreement. The remaining principal will be paid in four equal annual instalments of \$3,500 each. The interest is paid semi-annually.

5. Accounts payable and accrued liabilities:

	2018	2017
Trade accounts payable and other	\$ 9,357,948	\$ 4,885,915
Due to governments and agencies	1,451,965	1,423,570
Post-employment benefits (note 6)	1,531,450	1,604,950
Other payroll liabilities	739,557	619,133
	<u>\$ 13,080,920</u>	<u>\$ 8,533,568</u>

6. 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 lieu time benefits, and certain vacation benefits.

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,756,000	\$ 1,394,500
Immediate recognition (reduction) of Work Safe BC benefits liability	(244,900)	214,900
Current service cost	139,100	129,300
Interest cost	46,700	48,000
Benefits paid	(18,900)	(76,700)
Actuarial loss (gain)	(95,100)	46,000
Balance, end of year	<u>\$ 1,582,900</u>	<u>\$ 1,756,000</u>

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Post-employment benefits (continued):

	2018	2017
Accrued benefit obligation, end of year	\$ 1,582,900	\$ 1,756,000
Unamortized net actuarial loss	(51,450)	(151,050)
Accrued benefit liability, end of year	\$ 1,531,450	\$ 1,604,950

Actuarial gains and losses for accumulating benefits are amortized over the expected average remaining service period of the related employee group, commencing the year after the gain or loss arises. In 2018 the expected average remaining service period of the related employee group is 11 years (2017 – 11 years). Post-employment liabilities are included in accounts payable and accrued liabilities.

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

	2018	2017
Discount rates	3.20%	2.90%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.58% - 4.63%	2.58% - 4.63%

7. Capital lease obligation:

The City has financed certain equipment by entering into capital leasing arrangements. There is one capital lease repayable in monthly installments of \$756 including principal and interest. Minimum lease payments due under the capital lease are:

Year ending December 31:		
2019	\$	4,539
Minimum capital lease payments	\$	4,539
Less amounts representing interest		61
	\$	4,478

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Debt:

	2018	2017
Debentures, net of repayments and actuarial adjustments	\$ 24,008,890	\$ 22,346,427
	\$ 24,008,890	\$ 22,346,427

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 assets		2018	2017
1667	Sanitary Sewers-Local Improvement	2023	5.95%	n/a	\$ 224,580	\$ 146,560	\$ 78,020	\$ 91,468	
2098	Water Utility Acquisition Advance Payment	2046	2.60%	2026	14,250,000	561,744	13,688,256	13,973,959	
2163	Water System Infrastructure Construction	2027	2.80%	n/a	440,000	38,381	401,619	440,000	
2163	Water System Infrastructure Construction	2047	2.80%	2027	5,779,000	121,470	5,657,530	5,779,000	
2178	Water System Infrastructure Construction	2027	3.15%	n/a	1,662,000	144,977	1,517,023	1,662,000	
2178	Water System Infrastructure Construction	2047	3.15%	2027	400,000	8,408	391,592	400,000	
2179	Water Treatment Facilities Construction	2048	3.15%	2028	2,274,850	-	2,274,850	-	
\$ 25,030,430						\$ 1,021,540	\$ 24,008,890	\$ 22,346,427	

* 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 debenture debt for the year was \$672,280 (2017 - \$527,183).

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Debt (continued):

As a condition of these borrowings, a portion of the debenture debt proceeds is withheld by the MFA in a Debt Reserve Fund. Amounts withheld for this purpose are as follows:

Bylaw number	Purpose	Debt reserve fund
1667	Sanitary Sewer 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
		<u>\$ 250,305</u>

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

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

2019	\$ 680,271
2020	702,441
2021	725,341
2022	748,996
2023	773,432
Thereafter	20,378,409
	<u>\$ 24,008,890</u>

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

9. Deferred revenue:

	2018	2017
Property taxes	\$ 3,300,393	\$ 3,426,722
Contributions for future capital works	2,352,127	1,180,686
Government grants for future capital works	-	3,380,037
Development cost charges (a)	9,533,500	5,572,873
Utility service connections	1,169,950	808,050
Deferred revenue - facility upgrades	514,071	557,046
Deferred revenue - building permits	6,400,210	4,023,070
Other	997,588	930,033
	\$ 24,267,839	\$ 19,878,517

(a) Development cost charges:

	Highways	Drainage	Parkland	Sanitary	Water	Total
Balance, beginning of year	\$ 799,865	\$ 971,451	\$3,741,174	\$ 3,070	\$ 57,313	\$ 5,572,873
Add:						
Amounts received	1,499,710	1,119,885	3,101,151	465,424	692,662	6,878,832
Investment income	19,107	20,959	51,143	2,284	3,047	96,540
Deduct:						
Acquisition of tangible capital assets	284,892	74,671	2,546,890	-	108,292	3,014,745
Balance, end of year	\$ 2,033,790	\$ 2,037,624	\$4,346,578	\$ 470,778	\$ 644,730	\$ 9,533,500

The balance as of December 31, 2018 includes \$4,674,175 secured by letters of credit.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. 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	Total
Cost:										
Balance, beginning of year	\$ 10,812,185	\$ 8,541,287	\$ 31,113,744	\$ 11,857,573	\$ 41,500,829	\$ 19,385,981	\$ 20,713,918	\$ 19,238,436	\$ 7,567,032	\$ 170,730,985
Additions	4,868,100	2,442,977	196,902	2,540,976	3,180,477	1,196,704	1,967,670	1,244,274	23,406,407	41,044,487
Transfers	-	202,417	-	387,227	1,025,651	597,192	958,271	1,135,618	(4,306,376)	-
Disposals	-	(837,758)	(437,275)	(720,138)	(601,117)	(242,960)	(259,520)	(105,869)	-	(3,204,637)
Balance, end of year	\$ 15,680,285	\$ 10,348,923	\$ 30,873,371	\$ 14,065,638	\$ 45,105,840	\$ 20,936,917	\$ 23,380,339	\$ 21,512,459	\$ 26,667,063	\$ 208,570,835
Accumulated Amortization:										
Balance, beginning of year	\$ -	\$ 5,663,684	\$ 13,961,476	\$ 6,874,591	\$ 19,836,695	\$ 6,674,509	\$ 9,042,265	\$ 1,002,870	\$ -	\$ 63,056,090
Amortization expense	-	330,974	1,111,475	946,905	1,022,876	307,263	334,175	590,518	-	4,644,186
Disposals	-	(752,995)	(432,964)	(694,923)	(435,796)	(103,936)	(161,560)	(21,706)	-	(2,603,880)
Balance, end of year	\$ -	\$ 5,241,663	\$ 14,639,987	\$ 7,126,573	\$ 20,423,775	\$ 6,877,836	\$ 9,214,880	\$ 1,571,682	\$ -	\$ 65,096,396
Net book value, end of year	\$ 15,680,285	\$ 5,107,260	\$ 16,233,384	\$ 6,939,065	\$ 24,682,065	\$ 14,059,081	\$ 14,165,459	\$ 19,940,777	\$ 26,667,063	\$ 143,474,439
Net book value, beginning of year	\$ 10,812,185	\$ 2,877,603	\$ 17,152,268	\$ 4,982,982	\$ 21,664,134	\$ 12,711,472	\$ 11,671,653	\$ 18,235,566	\$ 7,567,032	\$ 107,674,895

DRAFT – MAY 6, 2019

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. 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 market value at the date of contribution. The value of contributed assets received during the year was comprised of:

	2018	2017
Roads and sidewalks	\$ 325,214	\$ 437,107
Sanitary sewers	250,844	186,362
Storm sewers	357,577	141,118
Developers' contributions of tangible capital assets	\$ 933,635	\$ 764,587

(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.

11. Accumulated surplus:

	Reserves established by bylaw (note 13(a))	Other reserves (note 13(b))	Other surplus funds	Investment in tangible capital assets (note 12)	Total
General Fund	\$ 17,460,992	\$ 15,581,329	\$ 5,129,985	\$ 80,751,740	\$ 118,924,046
Sanitary Sewer Fund	-	12,305,764	1,107,116	14,189,155	27,602,035
Drainage Fund	-	6,798,571	639,719	15,001,031	22,439,321
Water Fund	-	2,985,799	723,701	10,377,344	14,086,844
Total for 2018	\$ 17,460,992	\$ 37,671,463	\$ 7,600,521	\$ 120,319,270	\$ 183,052,246
Total for 2017	\$ 16,419,746	\$ 39,008,068	\$ 7,060,020	\$ 86,889,910	\$ 149,377,744

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

11. Accumulated surplus (continued):

Included in the water fund investment in tangible capital assets is an adjustment in the amount of \$1,372,270 (2017 - \$2,138,670) for unspent debt proceeds which have been earmarked for use in future years.

12. Investment in tangible capital assets:

	2018	2017
Tangible capital assets (note 10)	\$ 143,474,439	\$ 107,674,895
Deduct:		
Capital lease obligation (note 7)	(4,478)	(20,182)
Debt (note 8)	(24,008,890)	(22,346,427)
Deferred revenue - facility upgrades (note 9)	(514,071)	(557,046)
Add:		
Unspent debt proceeds (note 11)	1,372,270	2,138,670
	<u>\$ 120,319,270</u>	<u>\$ 86,889,910</u>

13. Reserves:

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

	2018	2017
General Fund:		
Land sale reserve	\$ 424,393	\$ 2,479,123
Equipment replacement reserve	4,131,576	4,786,946
Capital works, machinery and equipment reserve	5,174,746	4,933,155
Off-street parking facilities reserve	-	6,659
Local improvement reserve	32,353	32,353
Community amenity reserve	7,697,924	4,181,510
	<u>\$ 17,460,992</u>	<u>\$ 16,419,746</u>

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

13. Reserves (continued):

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

	2018	2017
General Fund:		
Infrastructure reserve	\$ 4,248,791	\$ 4,024,920
Roadworks reserve	3,019,242	3,394,702
Secondary suite service fee reserve	918,545	1,001,997
Density bonus/amenity contribution reserve	261,177	529,679
Incomplete asset improvement projects	2,329,200	3,281,000
Other reserves	4,804,374	4,857,313
	<u>15,581,329</u>	<u>17,089,611</u>
Sanitary Sewer Fund:		
Infrastructure reserve	11,704,346	11,454,407
Terry Road local improvement reserve	64,918	77,318
Incomplete asset improvement projects	536,500	647,900
	<u>12,305,764</u>	<u>12,179,625</u>
Drainage Fund:		
Infrastructure reserve	5,069,971	5,025,154
Operating reserve	25,000	25,000
Incomplete asset improvement projects	1,703,600	2,223,000
	<u>6,798,571</u>	<u>7,273,154</u>
Water Fund:		
Infrastructure reserve	2,704,197	1,997,506
Debt retirement reserve	12,502	7,072
Operating reserve	269,100	461,100
	<u>2,985,799</u>	<u>2,465,678</u>
	<u>\$ 37,671,463</u>	<u>\$ 39,008,068</u>

14. Commitments and contingencies:

(a) Borrowing liability:

The City has a contingent liability with respect to debentures of the Greater Vancouver Sewerage and Drainage District and the Greater 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 against the City. The outcome of these claims and any impact on the financial statements are undeterminable; hence no amounts have been accrued in these financial statements.

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

14. Commitments and contingencies (continued):

(c) Lease commitments:

The City entered into a five-year agreement, initially 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 three additional five-year terms. In April 2018, the City exercised its third option to renew this lease for the five-year term ending July 31, 2023. During this period the City is committed to annual base rent payments of \$450,000.

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:

2019	\$	28,318
2020		23,363
2021		12,241
2022		5,667
2023		5,667
	\$	75,256

(d) Agreements and contractual commitments:

In addition to the leases described above, the City has entered into various agreements and contracts for services and construction with periods ranging from one to five years, including the following:

	Total contractual commitment	Total contractual commitment remaining at year end
Water treatment plant	\$ 13,005,285	\$ 1,736,980
Waterfront parking facility	8,202,413	2,584,461
Memorial Park & pier washroom	5,410,283	1,628,821
Pedestrian railway crossings	2,108,903	1,767,951
Water main replacements	1,997,140	196,502
Janitorial services	1,240,481	1,033,734

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 five 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, 2018

14. 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	2018	2017
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	-
		<u>\$ 418,474</u>	<u>\$ 381,486</u>

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 Southwest British Columbia Incorporated ("E-Comm"):

The City is a shareholder of the Emergency Communications for Southwest British Columbia Incorporated ("E-Comm"). The City receives services for the regional 9-1-1 call centre for Greater Vancouver Regional District and the Wide Area Radio network from E-Comm. The City has two Class A shares (of a total 32 Class A and 21 Class B shares issued and outstanding as at December 31, 2018). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date. Class B shareholders are only obligated to share in funding of the ongoing operating costs. The City has recorded its proportionate obligations.

(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, 2018

15. 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 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local government and 160 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, 2015 indicated a \$2,224 million funding surplus for basic pension benefits. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation will be at December 31, 2018 with results available in 2019. 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 \$1,196,300 (2017 - \$1,123,100) for employer contributions to the Plan in fiscal 2018.

16. 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:

	2018	2017
Province of British Columbia - school tax	\$ 12,089,695	\$ 12,331,880
South Coast BC Transportation Authority - Translink tax	2,243,642	2,210,261
Other regional bodies	857,923	823,692
	<u>\$ 15,191,260</u>	<u>\$ 15,365,833</u>

THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2018

17. Sales of services and other revenue:

	2018	2017
Parking	\$ 3,001,058	\$ 2,973,884
Parks, recreation and cultural services	1,671,573	1,641,419
Licences and permits	2,033,426	1,796,746
Solid waste services	1,544,582	1,543,018
Utility service connection fees	773,129	669,642
Community amenity contributions	12,914,101	4,488,471
Interest and penalties	2,203,927	1,362,206
Contributions toward tangible capital asset improvements	1,202,672	305,532
Other	1,971,191	2,340,039
	\$ 27,315,659	\$ 17,120,957

18. Government transfers:

Government grant revenue is comprised of the following government transfers:

	2018	2017
Federal	\$ 5,815,527	\$ 973,634
Provincial	3,970,676	794,468
	\$ 9,786,203	\$ 1,768,102

19. 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 five years and thereafter:

2019	\$ 2,363,589
2020	210,554
2021	206,536
2022	192,233
2023	193,652
Thereafter	200,310
	\$ 3,366,874

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, 2018

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, 2018

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	2018	2017
Revenue:											
Property taxes:											
General purposes	\$ 21,638,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,638,551	\$ 20,446,775
Regional library levy	-	-	-	934,205	-	-	-	-	-	934,205	897,392
Business improvement levy	346,379	-	-	-	-	-	-	-	-	346,379	270,575
	21,984,930	-	-	934,205	-	-	-	-	-	22,919,135	21,614,742
Receipts in lieu of taxes	27,551	-	-	-	-	-	-	-	-	27,551	18,886
Development cost charges	-	-	284,892	2,546,890	-	-	74,671	108,292	-	3,014,745	87,274
Sanitary sewer fees and parcel tax	-	-	-	-	-	3,551,488	-	-	(28,179)	3,523,309	3,590,860
Drainage user fees	-	-	-	-	-	-	2,413,036	-	-	2,413,036	2,150,175
Water user fees	-	-	-	-	-	-	-	4,795,278	(159,763)	4,635,515	4,302,249
Sales of services and other revenue:											
Parking	-	-	3,001,058	-	-	-	-	-	-	3,001,058	2,973,884
Parks, recreation, and cultural services	-	-	-	1,671,573	-	-	-	-	-	1,671,573	1,641,419
Licences and permits	27,100	2,006,326	-	-	-	-	-	-	-	2,033,426	1,796,746
Solid waste services	-	-	-	-	1,544,582	-	-	-	-	1,544,582	1,543,018
Utility service connection fees	-	-	-	-	-	158,850	152,250	462,029	-	773,129	669,642
Community amenity contributions	12,914,101	-	-	-	-	-	-	-	-	12,914,101	4,488,471
Interest and penalties	2,174,894	-	-	-	-	2,548	-	26,485	-	2,203,927	1,362,206
Contributions toward tangible capital asset improvements	-	-	289,000	832,672	-	25,000	31,000	25,000	-	1,202,672	305,532
Other	2,714,139	274,982	667,254	42,975	24,753	6,656	21,150	73,338	(1,854,056)	1,971,191	2,340,039
Government grants	272,770	277,435	14,200	379,473	-	-	-	8,842,325	-	9,786,203	1,768,102
Developers' contributions of tangible capital assets	-	-	325,214	-	-	250,844	357,577	-	-	933,635	764,587
	40,115,485	2,558,743	4,581,618	6,407,788	1,569,335	3,995,386	3,049,684	14,332,747	(2,041,998)	74,568,788	51,417,832
Expenses:											
Salaries, wages and benefits	4,287,133	5,333,984	2,313,568	2,796,743	578,231	280,136	341,613	1,151,011	(911,184)	16,171,235	16,094,753
Contracted services	1,339,417	5,128,858	2,199,374	3,693,501	565,331	2,075,894	584,009	904,772	(589,724)	15,901,432	16,018,306
Supplies and other	1,090,399	221,653	810,367	941,018	140,913	238,519	210,942	391,908	(541,090)	3,504,629	3,779,601
Amortization	248,402	283,735	1,367,550	1,401,598	94,015	307,263	334,175	607,448	-	4,644,186	4,453,875
Interest on debt	524	-	-	-	-	13,363	-	658,917	-	672,804	551,937
	6,965,875	10,968,230	6,690,859	8,832,860	1,378,490	2,915,175	1,470,739	3,714,056	(2,041,998)	40,894,286	40,898,472
Annual surplus (deficit)	\$ 33,149,610	\$ (8,409,487)	\$ (2,109,241)	\$ (2,425,072)	\$ 190,845	\$ 1,080,211	\$ 1,578,945	\$ 10,618,691	\$ -	\$ 33,674,502	\$ 10,519,360

DRAFT – MAY 6, 2019



The Corporation of the City of White Rock

**Audit Findings Report for the year ended
December 31, 2018**

KPMG LLP

May 3, 2019, for presentation on May 13, 2019 to
the Finance and Audit Committee

kpmg.ca/audit



Table of contents

Summary of audit findings	1
Areas of audit focus and results	4
Audit risks	7
Technology in the audit	8
Significant accounting policies and practices	9
Control observations	10
Appendices	11



The contacts at KPMG in connection with this report are:

Carol Chiang, CPA, CA

Engagement Partner

Tel: (604) 527-3652

cchiang@kpmg.ca

C.J. James, CPA, CA

Quality Control Review Partner

Tel: (604) 527-3635

cjames@kpmg.ca

Matt Pauls, CPA

Manager

Tel: (604) 527-3671

mpauls@kpmg.ca

This Audit Findings Report should not be used for any other purpose or by anyone other than the Finance and Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Summary of audit findings



Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Finance and Audit Committee (the “Committee”), in your review of the results of 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, 2018.

This Audit Findings Report builds on the Audit Plan we presented to the Committee dated March 11, 2019.



Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.



Finalizing 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 subsequent event review procedures up to the date of Council’s acceptance of the financial statements.
- Completing our discussions with the Committee;
- Obtaining the signed management representation letter; and,
- Obtaining evidence that those with approved authority to take responsibility for the financial statements have done so;

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 will be dated upon the completion of any remaining procedures.

Summary of audit findings



Areas of audit focus and risks

Our audit is risk-focused. Our assessment is based on a variety of factors that include our knowledge of your organization, the susceptibility of the account balances to the risk of material misstatement, size of the balance, inherent complexity, and level of uncertainty in measurements as well as significant external factors. However, as part of our audit, we identified areas of audit focus which include:

- Tangible capital assets (“TCA”)
- Revenue recognition and deferred revenue
- Expenses, including payroll
- Water treatment plant development
- Contingencies
- Presumed risk of management override of controls.

See pages 4 to 8 for the audit findings related to these areas of audit focus.



Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

We did not identify differences that remain uncorrected.

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

Summary of audit findings



Significant accounting policies and practices

We have reviewed the financial reporting impact of the new accounting standards effective for the City's 2018 fiscal year end with no issues noted. There have been no other initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

The presentation and disclosure of the financial statements are, in all material respects, in accordance with Canadian public sector accounting standards. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.



Control and other observations

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



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, 2018 up to the date of this report.



Current developments

There have been no significant updates to the current developments included in our Audit Plan previously provided to the Committee.

Areas of audit focus and results

We highlight our significant findings in respect of areas of audit focus as identified in our Audit Plan, as well as any additional areas of audit focus identified.

Area of audit focus	Why is it significant?	Our response and significant findings
Tangible capital assets ("TCA")	Each year, the City incurs capital expenditures which are recorded as TCA. Coordination is required between the Finance and Engineering departments to ensure that all projects and assets are accounted for appropriately.	<p>In 2018, the City incurred \$40,110,852 (2017 - \$10,040,502) of capital expenditures and received \$933,635 (2017 - \$764,587) of contributed tangible capital assets from developers. As at December 31, 2018, the City has recorded TCA totaling \$143,474,439 (2017 - \$107,674,895).</p> <p>Audit findings</p> <ul style="list-style-type: none"> - We updated our understanding of the process activities and controls for TCA. - We selected a sample of TCA additions, including developer contributed assets, and agreed the amount recorded in the general ledger to supporting documentation. We ensured each item is recorded in the appropriate TCA category and is appropriate to capitalize. - We selected a sample of TCA disposals and recalculated the gain/loss recorded. We agreed any proceeds from disposition to cash receipts. - We performed substantive analytical procedures over amortization expense to assess whether the change in the balance from the prior year is reasonable. - We assessed management's assessment of impairment for TCA and noted all write downs were reasonable based on the assessment. <p>There were no issues noted in our audit work.</p>

Areas of audit focus and results (continued)

Area of audit focus	Why is it significant?	Our response and significant findings
Revenue recognition and deferred revenue	<p>Revenue is recorded on an accrual basis and is recognized when it is earned and measurable. Revenue relating to future periods, including property taxes, development cost charges (“DCCs”), government grants, contributions for future capital works, and amounts collected for building permits and facility upgrades, are reported as deferred revenue and recognized when earned.</p> <p>As contributions are received for specified purposes and sometimes contain restrictions, there is a need to determine whether the amounts should be deferred or recognized as revenue upon receipt.</p>	<p>The City’s DCC total \$9,533,500 (2017 - \$5,572,873) as at December 31, 2018. The City’s revenues total \$74,568,788 (2017 - \$51,417,832) for the year ended December 31, 2018.</p> <p>Audit findings</p> <ul style="list-style-type: none"> – We obtained an 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 all new 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 contributions received, as well as expenses incurred, to ensure that revenues and expenses are appropriately recognized and deferred contributions are appropriately recorded. – For DCC’s we reviewed the year-end fund balances and assessed whether any funds had negative balances. We did not note any funds with negative balances as at year end. – For CAC’s we performed substantive tests of details over related revenue recognized and review of the related agreements to ensure the appropriateness of amounts recognized. <p>There were no issues noted in our audit work.</p>
Contingencies	<p>The City was named as a defendant in a claim in April 2019 related to changes in a development permit.</p>	<p>Management and the City’s external legal counsel have determined that the outcome of this claim cannot be reasonably determined. Therefore, no further provision has been recorded.</p> <p>Audit findings</p> <ul style="list-style-type: none"> – We discussed legal claims with management as well as reviewed legal invoices and Council meeting minutes. – We obtain written confirmation from the City’s external legal counsel and noted that the claim is still in development. – Note disclosure with respect to third party claims has been included in the financial statements.

Areas of audit focus and results (continued)

Area of audit focus	Why is it significant?	Our response and significant findings
Water treatment plant development	In the previous fiscal year, the City entered into a cost sharing agreement with the Province of British Columbia (“the Province”), wherein the Province and the Federal Government of Canada (the “Federal Government”) are to provide assistance for the construction of an arsenic and manganese water treatment facility.	<p>Based on the cost sharing agreement, the maximum reimbursement for eligible expenditures are the lesser of 83% of total project costs or \$11,790,150. The Province will contribute 1/3 of the project costs, up to a maximum amount of \$4,687,650, and the Federal Government will contribute 1/2 of the project costs up to a maximum amount of \$7,102,500 for a total of 83% of the total maximum eligible expenditures. In relation to the Provincial contributions, \$3,750,120 was received upfront, with the remainder funded upon completion of the project and submission of eligible expenditures by the City. The Federal Government is to reimburse the City as costs are incurred and reimbursements are submitted. As at December 31, 2018 a total of \$11,774,868 (2017 - \$1,121,465) of eligible costs have been incurred for the project. Of total project costs incurred, 83% or \$9,773,140 (2017 - \$930,815) is the portion of the Federal and Provincial contributions which has been recognized to revenue.</p> <p>Audit Findings</p> <ul style="list-style-type: none"> - We reviewed the signed agreement and updated our assessment of the stipulations and accounting treatment associated with recognition of revenue of all payments received and receivable as at and up to December 31, 2018. As at the date of this report the City is in compliance with all stipulations of the agreement. - We vouched a sample of claims to the Province and Federal government and associated payments received throughout the year and found the amounts recognized to revenue to be appropriate. <p>There were no issues were noted in our audit work.</p>
New accounting standards	New accounting standards under Public Sector Accounting Standards are effective for the City’s 2018 financial statements: Related party disclosures, Inter-Entity transactions, Assets, Contingent assets, and Contractual rights.	<p>The City disclosed contractual rights of \$3,366,874 in the notes of the financial statements for the year ended December 31, 2018. There was no other financial statement impact of the new accounting standards.</p> <p>Audit findings</p> <ul style="list-style-type: none"> - We reviewed management’s assessment of the impact of adopting the new accounting standards. - We performed testing over the accuracy of the amounts recorded and/or disclosed. - We assessed the completeness of adjustments or disclosures that are required as a result of adopting the new accounting standards. <p>There were no issues noted in our audit work.</p>



Audit risks

Professional requirements

Fraud risk from management override of controls.

Why is it significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

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

- Testing of journal entries and other adjustments;
- Performing a retrospective review of significant estimates; and
- Evaluating the business rationale of significant unusual transactions.

There were no issues noted in our testing.

Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.

Areas of the audit where Technology and D&A routines were used	
Tool	Our results and insights
Journal Entry Analysis	<ul style="list-style-type: none">– Utilized application software to evaluate the completeness of the journal entry population through a roll-forward of 100% of the accounts– Utilized computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing– We did not note any misstatements or other matters to discuss with the Committee.
Data & Analytics – Duplicate Payment Analysis	<ul style="list-style-type: none">– During the current year audit, KPMG performed testing over payments utilizing KPMG's Data & Analytics software to identify if any duplicate payments were made to vendors for the same invoice number and amount.– We did not note any issues in the fiscal 2018 period tested based on our procedures performed.

Significant accounting policies and practices

The following items relate to the qualitative aspects of accounting practices of the City:



Significant accounting policies

- There were no changes to the critical accounting policies and practices.
- There were no changes in significant accounting policies.
- The City has appropriately implemented the new accounting standards for Related Party Disclosures, Inter-Entity Transactions, Assets, Contingent Assets and Contractual Rights.
- 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 are 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 transitions.



Significant accounting estimates

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



Significant disclosures

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

Control observations











As your auditors, we are required to obtain an understanding of internal control over financial reporting (“ICFR”) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing and extent of audit procedures performed, as well as other factors.

In accordance with professional standards, we are required to communicate to the Committee any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in internal control over financial reporting. No significant deficiencies have been identified.

Other control deficiencies may be identified during the audit that do not rise to the level of material weakness or significant deficiency.

Appendices

-  **Appendix 1: Required communications**
-  **Appendix 2: Management representation letter**
-  **Appendix 3: Management letter**
-  **Appendix 4: Other information**
-  **Appendix 5: Audit Quality and Risk Management**
-  **Appendix 6: British Columbia Municipality TCA Benchmarking**
-  **Appendix 7: 2019 BC Budget Summary**
-  **Appendix 8: 2019 Federal Budget Summary**

Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit.

These include:



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 provided to Committee in Appendix 2.



Independence

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



Management letter

A copy of our management letter has been provided to the Committee in Appendix 3.



Appendix 2: Management representation letter

KPMG LLP
777 Dunsmuir Street
P.O. Box 10426
Vancouver, B.C. V7Y 1K3

May 13, 2019

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the Corporation of the City of White Rock (“the City”):

- Financial statements as at and for the period ended December 31, 2018, and
- Home Owner Grant Treasurer/Auditor Certificate (hereinafter referred to as “financial information”) for the year ended December 31, 2018.

We also confirm our understanding that your engagement was for the purpose of forming an independent reasonable assurance conclusion on management’s statement of compliance with subsection 2 and 3 of section 124 of Part 8 of the School Act (hereinafter referred to as “subject matter information”) of the City for the year ended December 31, 2018.

AUDIT OF THE FINANCIAL STATEMENTS

GENERAL:

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

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

RESPONSIBILITIES:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 22, 2015, 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, 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.

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 other 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) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

GOING CONCERN:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern.

OTHER INFORMATION:

- 11) We confirm that the final version of the 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). 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.

EMPLOYEE FUTURE BENEFITS:

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

Audit of the financial information

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 22, 2015, including for:
 - a) the preparation of the financial information and believe that the financial information has been prepared in accordance with the relevant financial reporting framework.
Significant interpretations, if any, related to the financial provisions of the relevant financial reporting framework are appropriately disclosed in the financial information.
 - b) determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances.
 - c) providing you with all information of which we are aware that is relevant to the preparation of the financial 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 information. All significant actions are included in such summaries.

- d) providing you with unrestricted access to such relevant information.
 - e) providing you with complete responses to all enquiries made by you during the engagement
 - f) providing you with additional information that you may request from us for the purpose of the engagement.
 - g) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - h) such internal control as we determined is necessary to enable the preparation of financial information that is 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.
 - i) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial information.
- 2) We acknowledge that this financial information:
- i) is not general-purpose financial information.
 - ii) may not comply with, or may not satisfy, the City's incorporating or other governing legislation.
 - iii) is solely for the information and use of the addressee and is not intended to be, and should not be, used by anyone other than the specified users or for any other purpose.
 - iv) is not intended for distribution to anyone other than the specified users.
- 3) We acknowledge that should we extend the distribution beyond the specified users, you accept no responsibility for the distribution or use of the financial information and the report thereon.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

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

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 5) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial information 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 information.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial information, 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 information.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial information.

SUBSEQUENT EVENTS:

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

RELATED PARTIES:

- 7) We have disclosed to you the identity of the City's related parties.
- 8) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 9) All related party relationships and transactions/balances have been appropriately accounted for in the financial information and disclosed to you and disclosed in the financial information.

ESTIMATES:

- 10) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Reasonable assurance over compliance with School Act

We confirm that the representations we make in this letter are in accordance with the definitions as set out in 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:

- 11) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 25, 2015, for:
 - a) the preparation of the subject matter information. We believe that the subject matter information is appropriate.
 - b) evaluating or measuring the subject matter information against the applicable criteria, including that all relevant matters are reflected in the subject matter information. We believe the applicable criteria is suitable.
 - c) providing you with all relevant information of which we are aware that is relevant to the preparation of the subject matter information such as all records, and documentation and other matters, including 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 subject matter information, and access to such relevant information
 - d) providing you with additional information that you may request from us for the purpose of the engagement including, when applicable, any changes in the City's operations since the date of our last assurance report on the subject matter information
 - e) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain evidence
 - f) such internal control as we determined is necessary to enable the preparation of the subject matter information that is 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
 - g) ensuring that all transactions have been recorded and are reflected in the subject matter information
 - h) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined are necessary
 - i) informing you of any documents, prior to their release, that contained the subject matter information and your assurance report thereon as of the date of this letter.

INTERNAL CONTROL OVER SUBJECT MATTER INFORMATION

- 12) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over the subject matter information of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 13) We have disclosed to you:
- a) all information in relation to fraud or suspected fraud that we are aware of and that affects the subject matter information and involves; management, employees who have significant roles in internal control related to the preparation and presentation of the subject matter information, or others, where the fraud could have a material effect on the subject matter information
 - b) all information in relation to allegations of fraud, or suspected fraud, affecting the subject matter information communicated by employees, former employees, analysts, regulators, or others.
 - c) 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 the underlying subject matter information.
 - d) all known actual or possible litigation and claims whose effects should be considered when preparing the underlying subject matter information

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the subject matter information and for which the applicable criteria requires adjustment or disclosure to the subject matter information have been adjusted or disclosed.

ESTIMATES:

- 5) Measurement methods and significant assumptions used by us in making estimates included in the subject matter information are reasonable.

Yours very truly,

Dan Bottrill, Chief Administrative Officer

Sandra Kurylo, Director of Finance

cc: Council

ATTACHMENT I – DEFINITIONS

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, 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 the size or nature of a misstatement, or a combination of both.

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.

RELATED PARTIES

In accordance with Public Sector Accounting Standards, related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Public Sector Accounting Standards, a related party transaction is defined as a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties

ATTACHMENT II – SUMMARY OF AUDIT MISSTATEMENTS SCHEDULE(S)

SCHEDULE OF UNCORRECTED MISSTATEMENTS

There were no uncorrected misstatements noted.

SCHEDULE OF CORRECTED MISSTATEMENTS

There were no corrected misstatements noted.

Appendix 3: Management letter





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

MANAGEMENT LETTER

Ms. Sandra Kurylo
Director of Finance
The Corporation of the City of White Rock
15322 Buena Vista Avenue
White Rock, BC V4B 1Y6

May 3, 2019

Dear Ms. Kurylo:

In planning and performing our audit of the financial statements of the Corporation of the City of White Rock ("the City") for the year ended December 31, 2018, we obtained an understanding of internal control over financial reporting (ICFR) relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR. Accordingly, we do not express an opinion on the effectiveness of the Entity's ICFR.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies or other control deficiencies have been identified. As a result, any matters reported below are limited to those deficiencies in ICFR that we identified during the audit. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

Refer to the Appendices for the definitions of various control deficiencies.

Significant Deficiencies

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

Other control deficiencies

Refer to Appendix B for identified control deficiencies that we determined to be other control deficiencies in ICFR that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.



The Corporation of the City of White Rock
May 3, 2019

Management's responses

Management's responses have not been subjected to the audit procedures applied in the audit, and accordingly, we express no opinion on them.

Use of letter

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose or by anyone other than management and those charged with governance.

KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants



Appendix A

Terminology	Definition
Deficiency in Internal Control (“control deficiency”)	<p>A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.</p> <p>A deficiency in design exists when (a) a control necessary to prevent, or detect and correct, misstatements in the financial statements is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control is unable to prevent, or detect and correct, misstatements in the financial statements.</p> <p>A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.</p>
Significant Deficiency in Internal Control (“significant deficiency”)	<p>A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.</p>



Appendix B

OTHER CONTROL DEFICIENCIES IDENTIFIED IN THE CURRENT YEAR

Current Year Observations

None noted

Update on Prior Year Observations

1. Super User Access

Observation

During our review of the IT process we noted that both the Manager of Financial Reporting & Budgeting and the Director of Finance have administrator access to the Vadim GL system. By giving both members of the financial reporting department full access to the system there is increased risk of the creation of fictitious users and the ability to approve and pay out for potential personal expenditures.

Recommendation

While the best practice is that individuals within the business using the system should not also have the ability to change who has access to the system, we do understand that due to the small size of the City and inherent limitations of staff who understand the Vadim system functions and financial control framework, this segregation of duties is not feasible. We therefore recommend that compensating controls be put in place including possible periodic review by senior management of system access permissions by role and review transaction-level activity logs for each user on a quarterly basis to analyze whether each user has the appropriate access, as well as to determine whether any changes made during the period to access rights and functions were appropriate and authorized. Additional compensating controls include monthly detailed financial and account reviews for unauthorized transactions and adjustments which we understand is the current financial management practice exercised by the City.

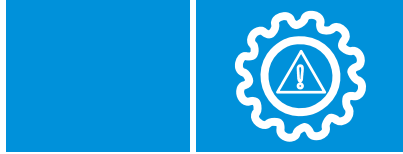
2017 Management Response

Management will explore options to review user access right changes.

2018 Update on Management Response

Management has reviewed the options. The City's current financial system does not provide a report on system access changes made. Therefore there is no feasible way to review changes made to user rights. This is one of the reporting features that management will be looking for in a new financial system

Appendix 4: Other information



Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 5: Audit Quality and Risk Management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



We do not offer services that would impair our independence.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

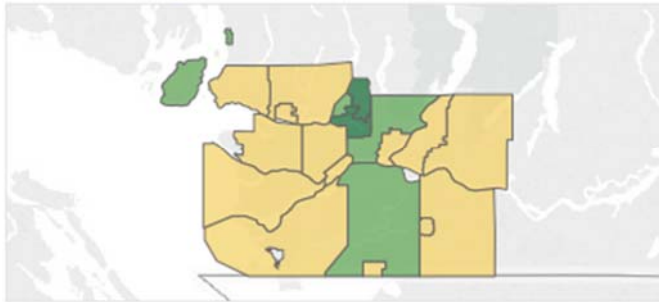
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



Regional District
Metro Vancouver
Population Range
All

Tangible Capital Assets per Capita



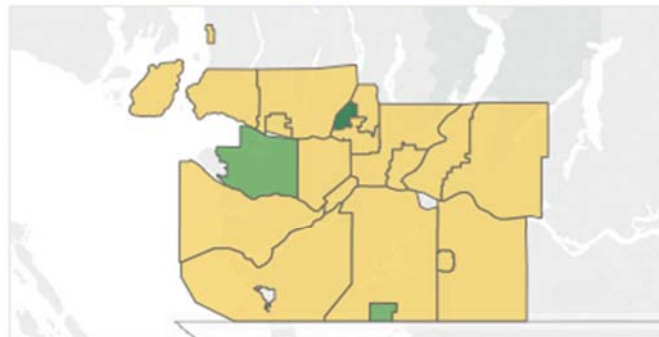
5,397 26,722

Additions per Capita



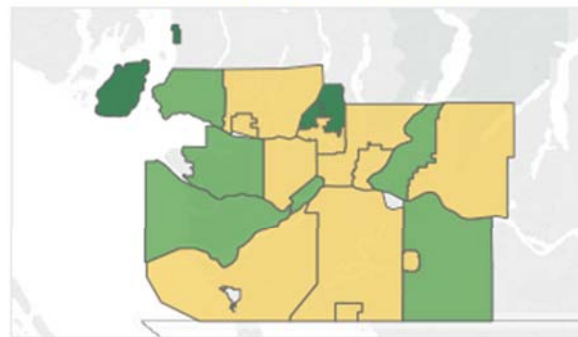
267 4,942

Debt to Tangible Capital Assets



0.0000 0.3408

Amortization per Capita

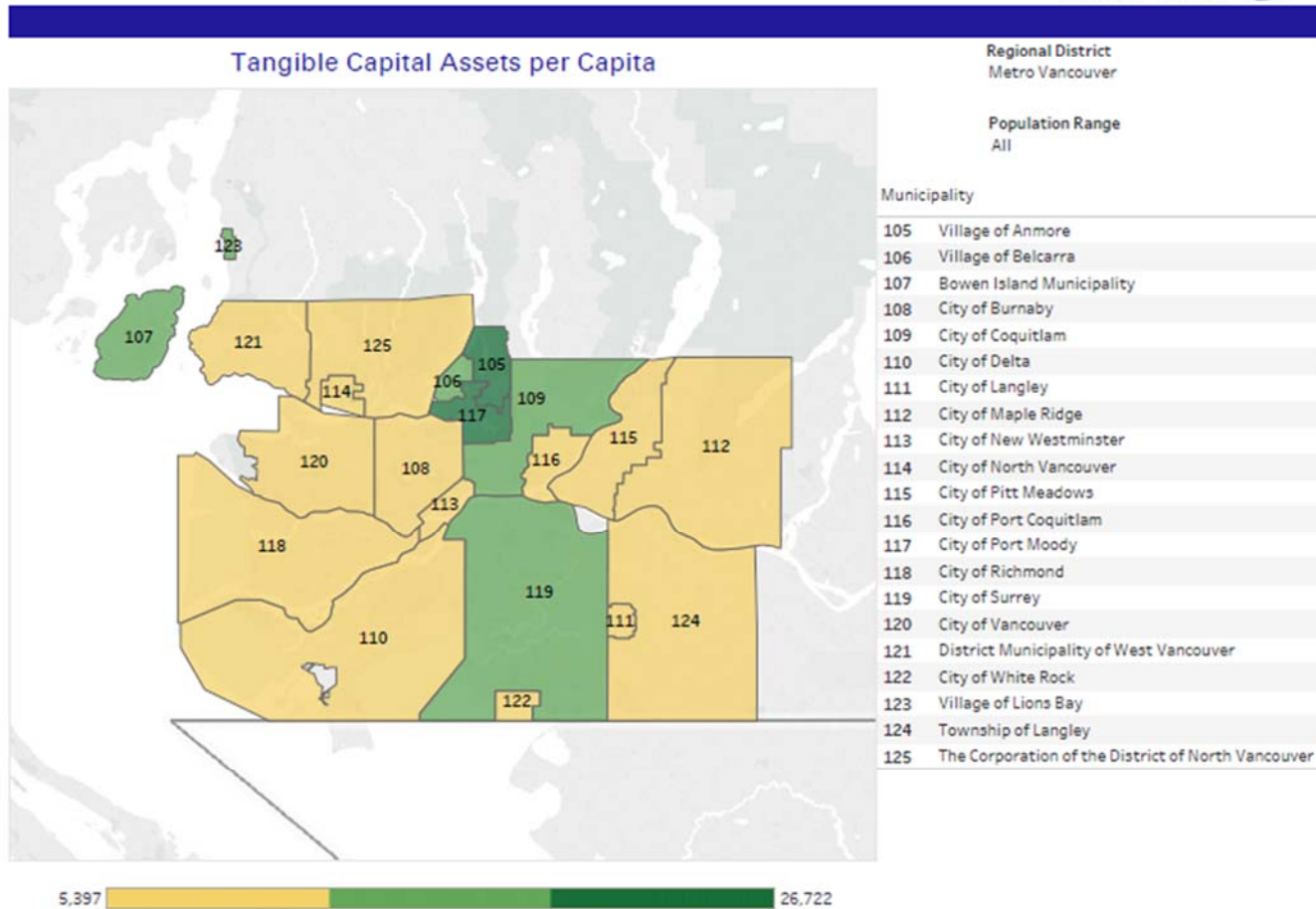


195.3 445.1



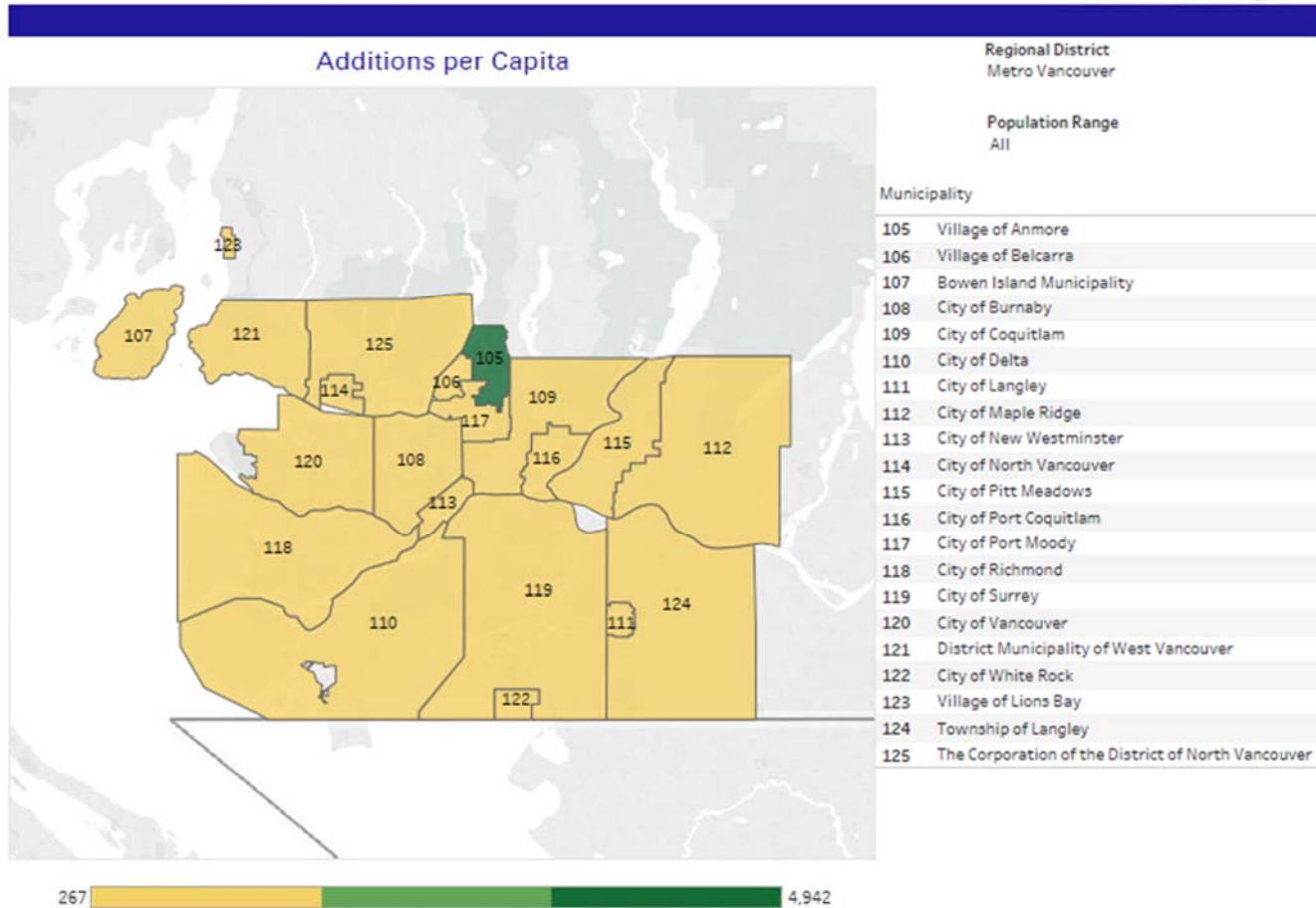
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



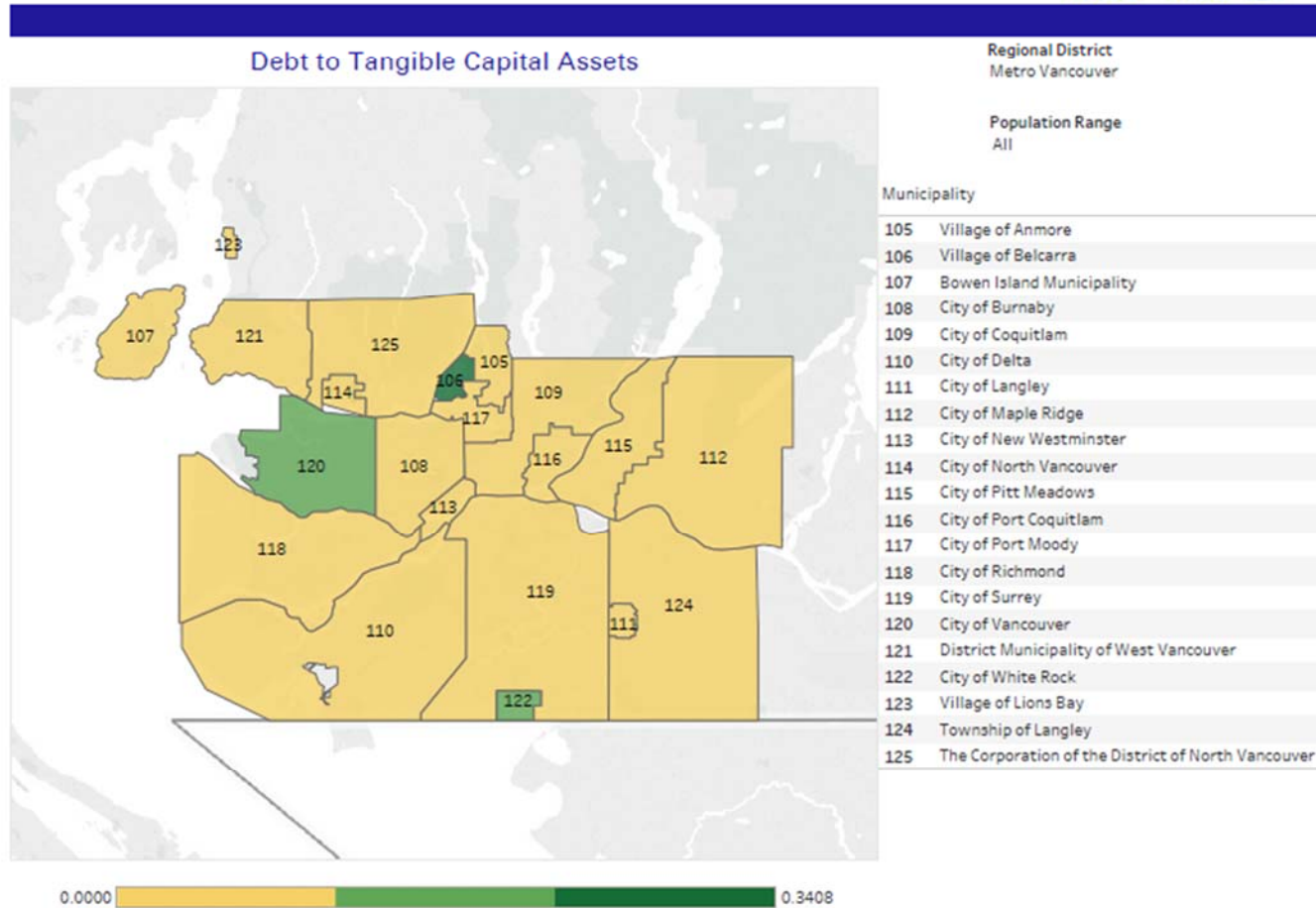
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



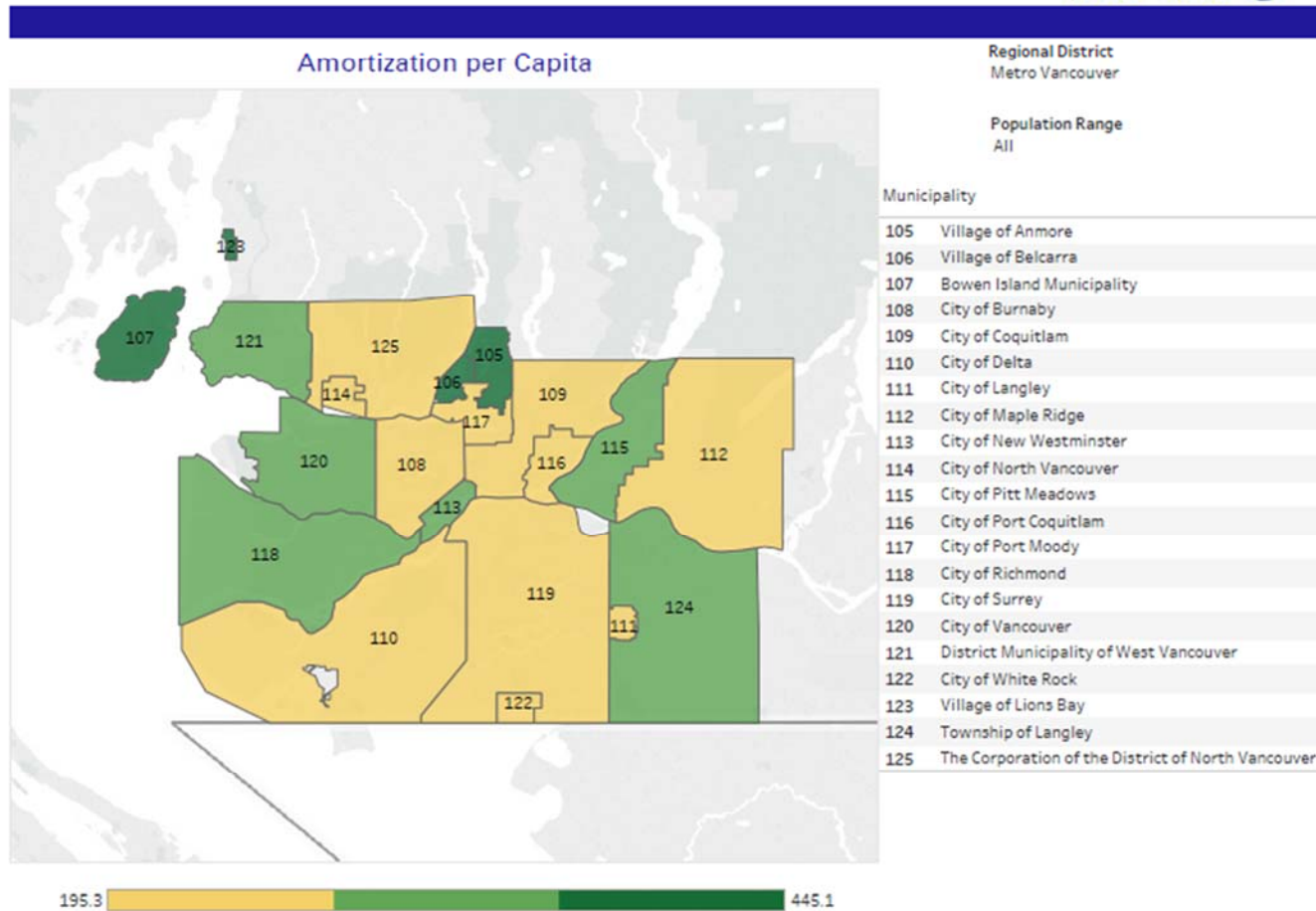
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



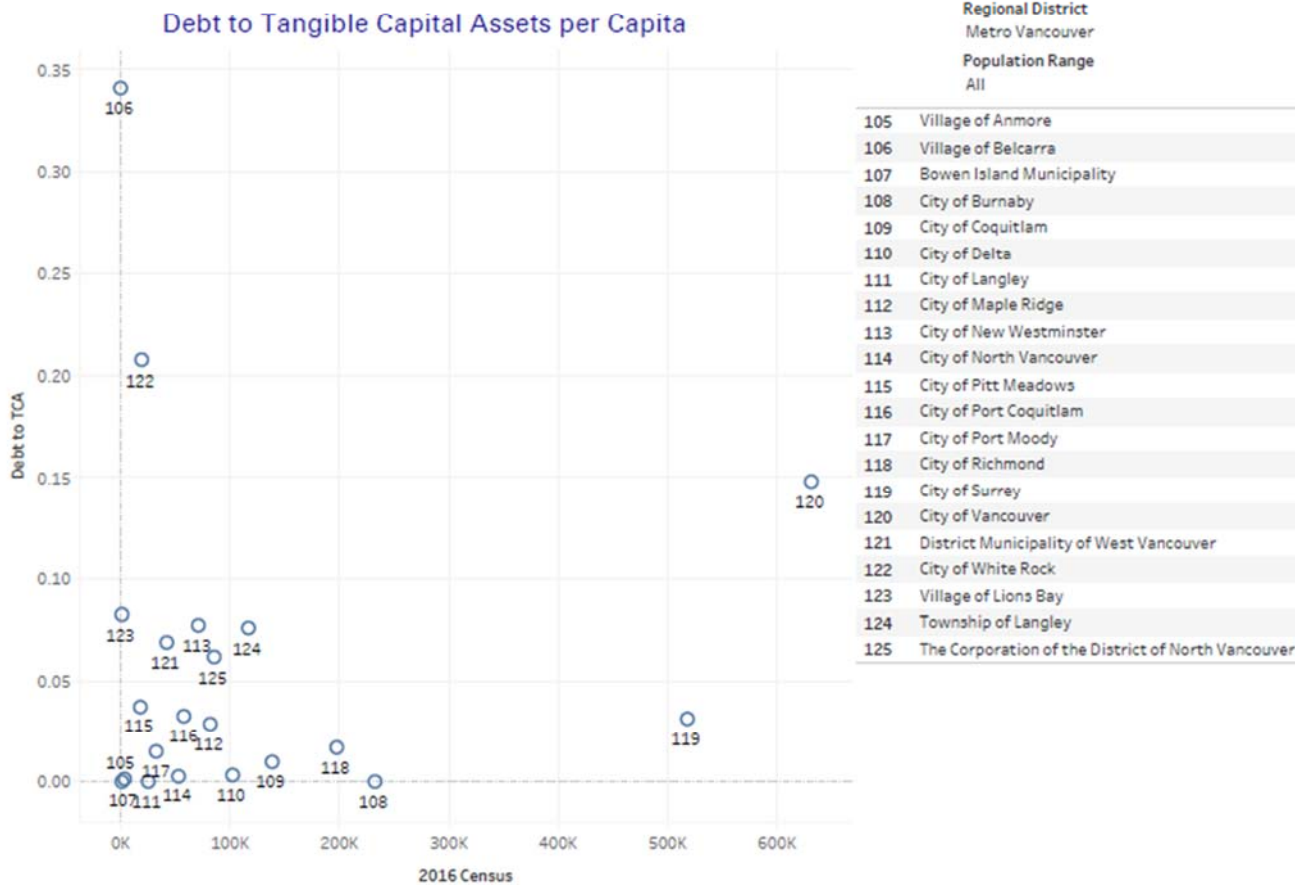
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



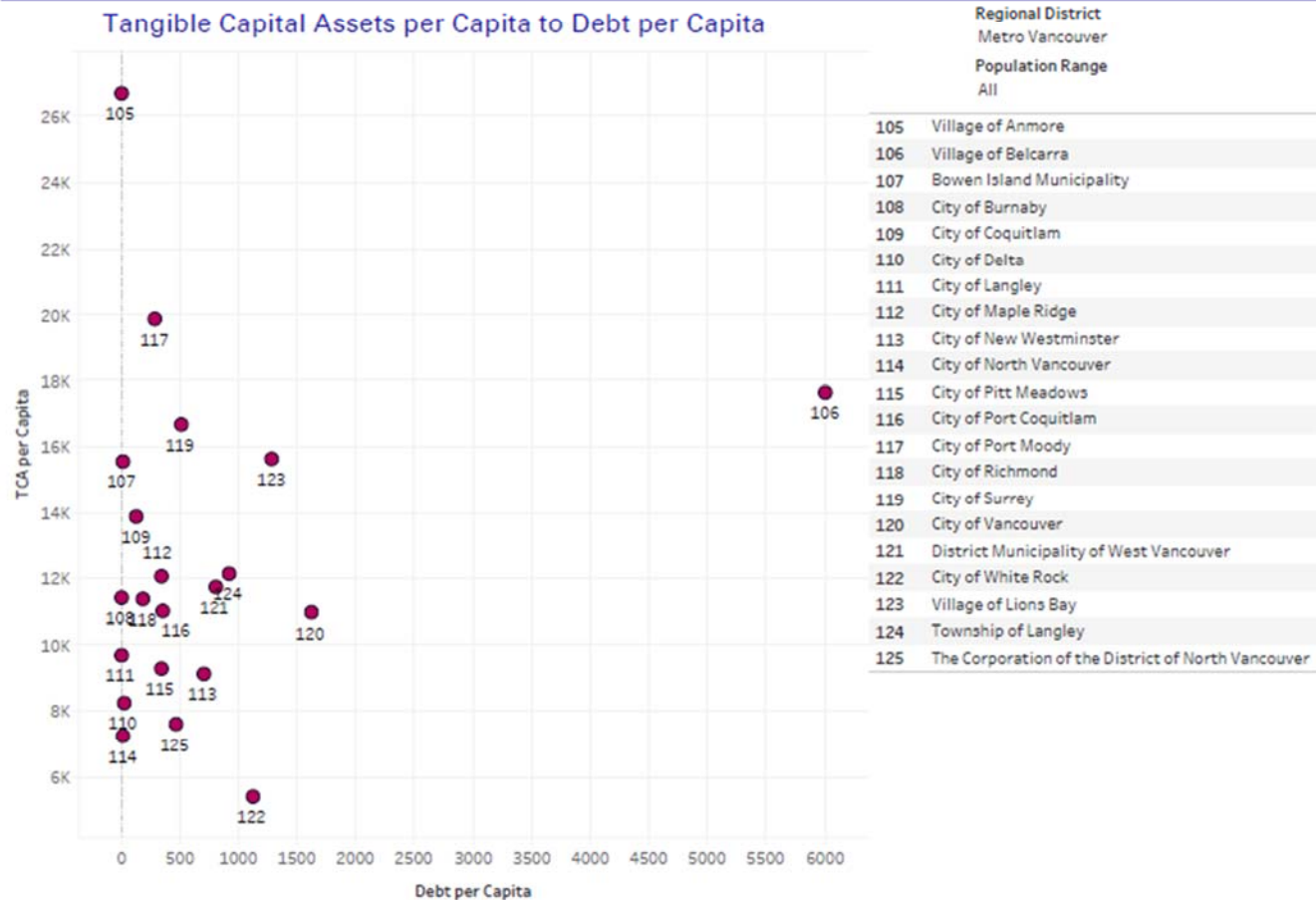
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



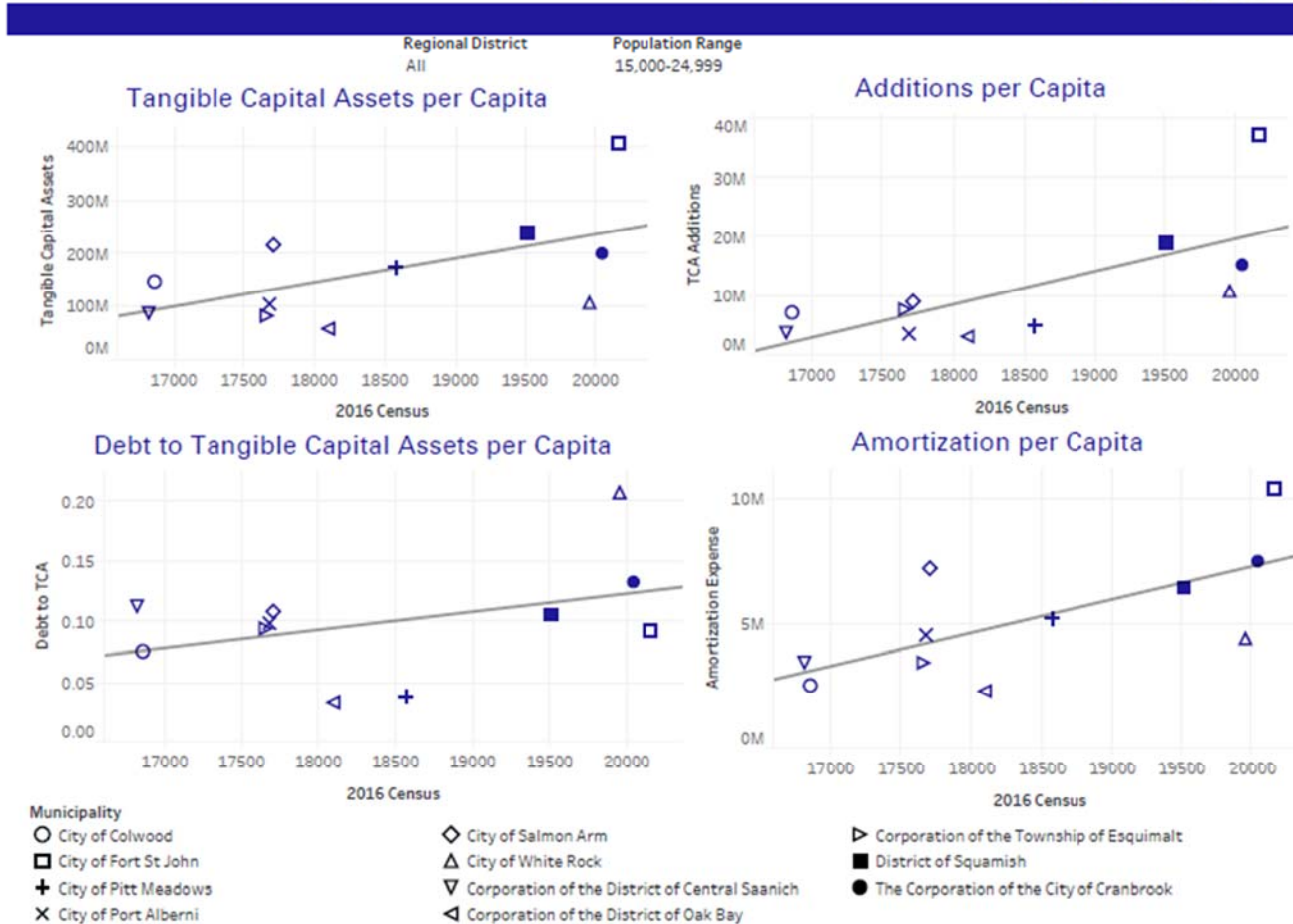
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



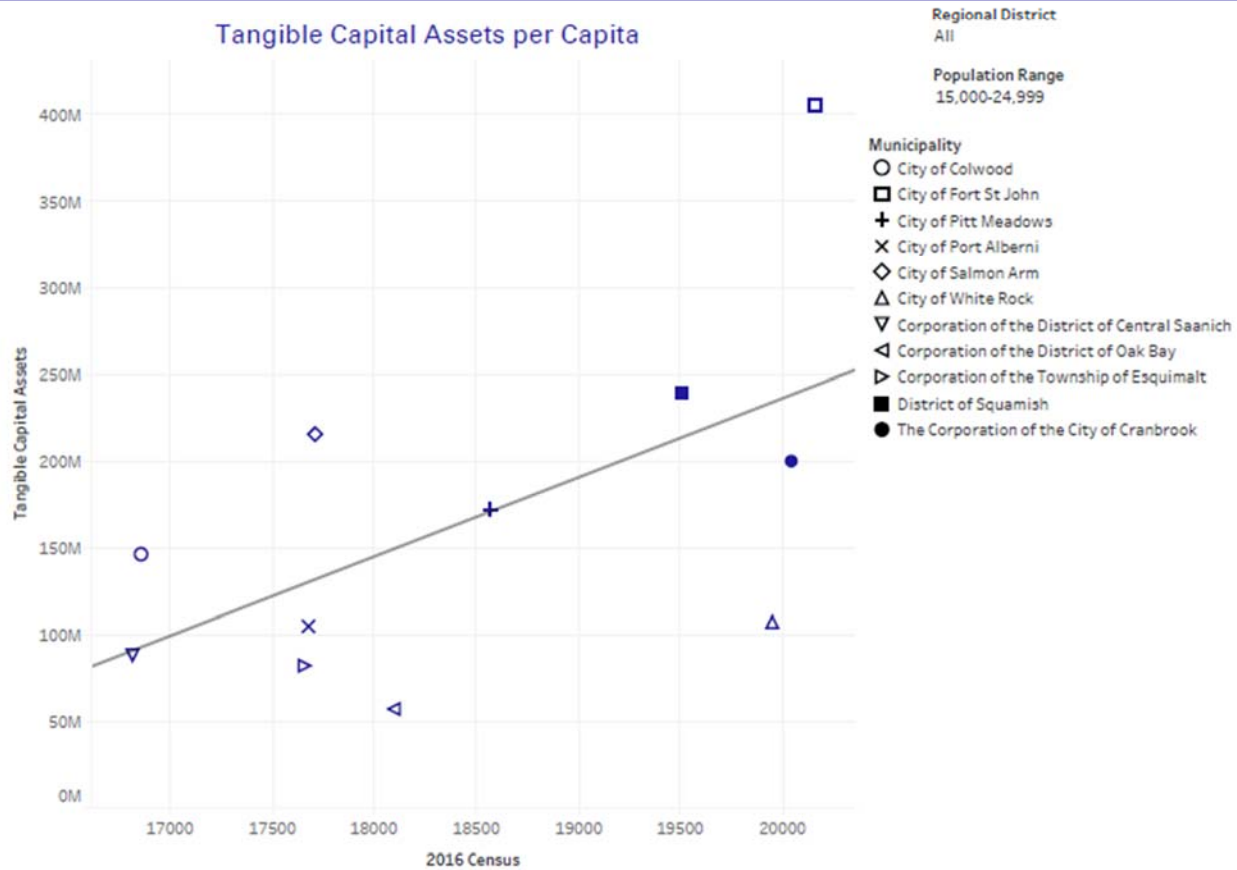
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



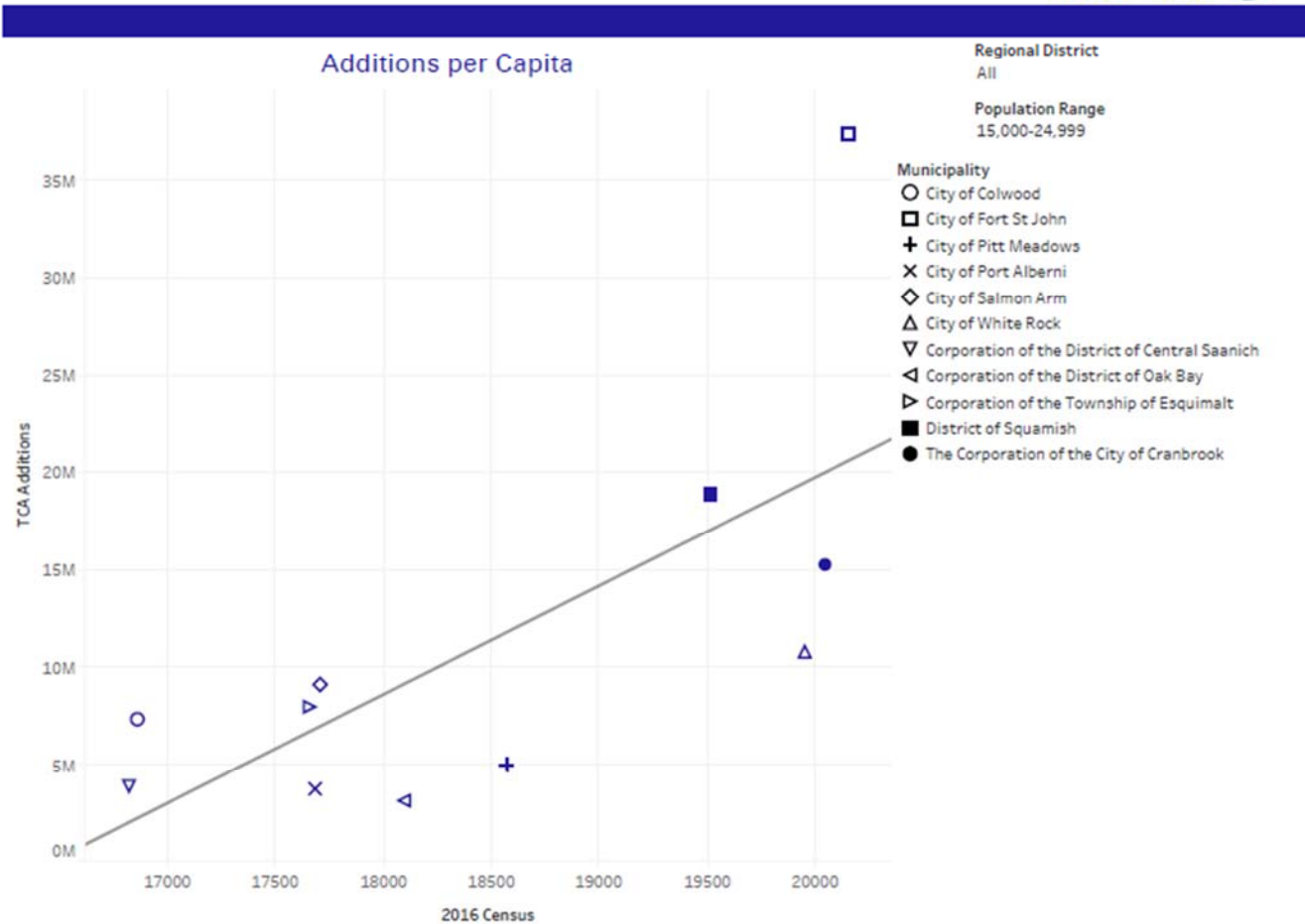
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



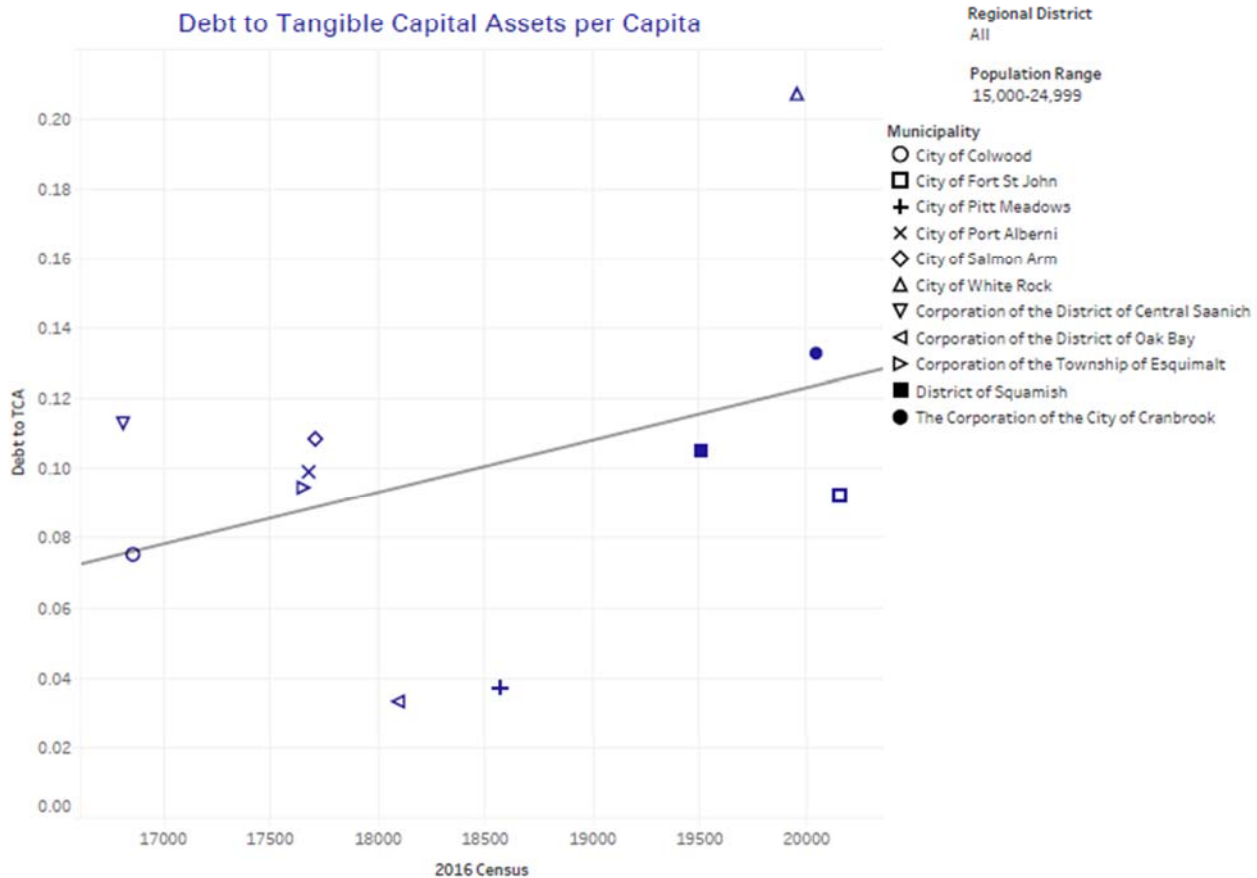
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



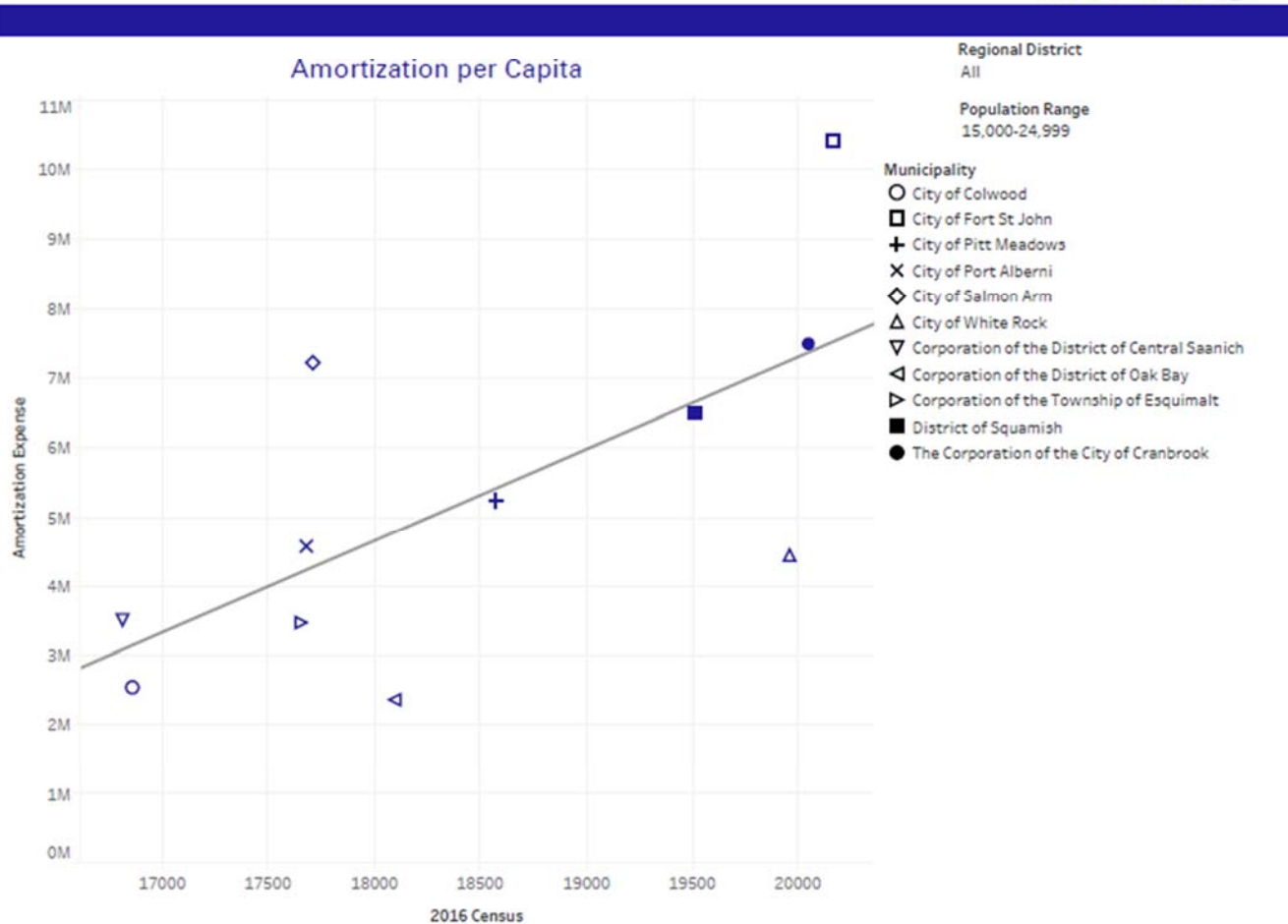
Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



Appendix 6: British Columbia Municipality TCA Benchmarking

British Columbia Municipality TCA Benchmarking



Appendix 7: 2019 BC Budget Summary

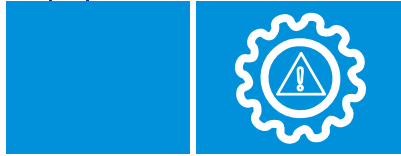


On February 19, 2019, Finance Minister Carole James presented Budget 2019 - Making Life Better - a budget building on commitments made in 2018 and introducing new investments that may result in additional access to funding, new priorities, grant and economic development opportunities for local governments. A summary of the potentially most impactful elements of Budget 2019 to local governments in BC follows:

- 1) Commitment to CleanBC – potential operating and capital grants and bylaw activity to implement and monitor new requirements**
 - a) \$902M investment over 3 years in numerous areas including cleaner transportation options, charging and hydrogen fueling stations, energy efficiency in homes and buildings, a net-zero building code, reduction in carbon emissions, increasing carbon tax relief, solid waste management programs and providing indigenous and remote locations with access to clean energy sources.
- 2) Full elimination of MSP premiums – implications to budgeting, funding and payment of employer health tax (EHT) beginning in 2019**
 - a) EHT revenue is projected to rise from \$0.5 billion in 2018/19 to \$1.9 billion in 2019/20 reflecting the full year impact of the January 1, 2019 effective date. Over the next two years, revenue growth is expected to average 4.0% annually consistent with employee compensation income growth.
- 3) Housing and Homelessness – potential cost implications to local governments, potential funding through or expected by Housing Corporations**
 - a) Building on Budget 2018's 30 point housing plan, additional measures announced include:
 - i) \$76M investment in land acquisition and services to enhance modular homes for people in need
 - ii) \$38M investment to accelerate grants to housing providers to reduce borrowing costs
 - iii) \$10M investment in supported rent banks to provide housing security for renters who need an immediate, short-term loan to prevent unnecessary eviction during financial crisis
 - iv) Province-wide homeless count in 2020.
- 4) Health Care – partnership opportunities and related cost implications; potential funding requests through Hospital Districts**
 - a) \$1.3B investment to improve health services and patient outcomes by building, renovating and expanding hospitals.
 - b) \$74M investment to improve access to mental health care for children and youth.
 - c) \$30M investment to help tackle BC's drug overdose crisis.

- d) New integrated mental health and addictions services including programs in schools, family care and day treatment.
- 5) Wildfire management – grant availability, along with potential new requirements to be implemented in order to be eligible**
 - a) \$111M investment over three years to increase wildfire response and control capacity.
 - b) \$60M investment in Community Resiliency Investment Program to reduce wildfire risk.
 - c) \$13M investment in forest reforestation funding in areas damaged by disease and wildfire.
- 6) LNG Communities – capital grant availability**
 - a) \$100M investment for Northern Capital and Planning Grant to help local governments along LNG corridor meet current and future infrastructure needs.
- 7) Reconciliation – ongoing relationship-building opportunities**
 - a) Revenue sharing of \$3B over 25 years shared with BC First Nations, resulting in \$250k-\$2M available annually from gaming activities. Funding will be developed by the First Nations Gaming Commission distributed based on base funding, population and geography.
 - b) Pledge to implement the UN Declaration on the Rights of Indigenous Peoples.
- 8) Transportation – potential implications to cost sharing, route planning, affordability, and related bylaw requirements**
 - a) \$21M investment to expand handyDART services to support commuters in BC.
 - b) \$9M investment over three years to modernize the taxi industry to enable ride-hailing in BC.
- 9) Resort Municipality Initiative – capital grant availability for certain local governments**
 - a) \$39M investment over three years to fund infrastructure projects.
- 10) Cannabis Excise Tax – no budgeted transfers to local government**
 - a) On March 1, 2019, the Province will receive its first transfer of the federal excise tax from the federal government. There is no estimate of federal transfers to the Province for 2019/20, nor any budget of transfers to local governments.

Appendix 8: 2019 Federal Budget Summary



The 2019 federal budget was delivered by Finance Minister Bill Morneau on March 19, 2019. The budget anticipates a \$14.9 billion deficit for 2019, and forecasts deficits of \$19.8 billion for 2020 and \$19.7 billion for 2021. Budget 2019 – Investing in the Middle Class introduced a number of proposals which are of interest to local governments in BC.

One-time Gas Tax Fund transfer

The Government is continuing to invest in infrastructure and announced a one-time transfer of \$2.2 billion through the federal Gas Tax Fund to provide infrastructure funds to municipalities and First Nation Communities. This results in gas tax funding in 2019 being doubled, with BC's allocation being approximately \$278.6 million. In BC, the federal Gas Tax Fund is administered by the Union of British Columbia Municipalities through the Administrative Agreement on the Federal Gas.

The top-up funds are earmarked for three project categories – Productivity and Economic Growth; Clean Environment; and Strong Cities and Communities. In a post-budget interview on March 20th, Minister Morneau explained that this one-time top-up will not become an annual item.

Federation of Canadian Municipalities (FCM)

There were a number of proposed investments that will be delivered through FCM:

- \$350 million for Collaboration on Community Climate Action to provide financing to retrofit and improve energy efficiency of large community buildings and to fund pilot and demonstration projects.
- \$300 million for Community EcoEfficiency Acceleration to provide financing for local government initiatives to support home energy efficiency retrofits, such as replacing furnaces or installing renewable energy technologies.
- \$300 million for Sustainable Affordable Housing Innovation to provide financing for energy efficiency in affordable housing developments.
- \$60 million in 2018-19 for Municipal Asset Management Capacity Fund to help support skills training in small communities relating to infrastructure asset management.

High-Speed Internet Connectivity

Up to \$1.7 billion over 13 years, starting in 2019-20, will be invested into the Universal Broadband Fund to help support initiatives for high-speed internet in rural, remote and northern communities. The Government has also partnered with Canada Infrastructure Bank (Bank) to finance the high-speed internet infrastructure. The Bank will invest \$1 billion over 10 years and seek to find an additional \$2 billion in private sector investments.

Housing Affordability

Housing affordability was a focal point in the 2019 federal budget with a number of measures proposed to increase housing affordability.

These include support for first-time home buyers:

- Implementing a First-Time Home Buyer Incentive (Incentive) which is a shared equity mortgage program with Canada Mortgage and Housing Corporation (CMHC) funding 5 per cent (for purchase of an existing home) or 10 per cent (for purchase of a newly constructed home) of the home purchase price. CMHC will provide up to \$1.25 billion over 3 years under the program. The Incentive is only available to first-time home buyers with less than \$120,000 annual household income. With a limit of four times annual household income, the amount of the CMHC insured mortgage and Incentive is capped at \$480,000.
- Increasing the Home Buyers' Plan (HBP) withdrawal limit to \$35,000. The HBP allows a first-time buyer to withdraw funds from their Registered Retirement Savings Plan to purchase or build a home without taxes payable on the withdrawal.

The Government also launched a new \$300 million Housing Supply Challenge. Local governments and other stakeholders can apply for funding on proposals of new ways to break down barriers that limit the creation of new housing. Applications will be evaluated based on merits.

Skills Training

More than \$1.7 billion over five years, and \$586.5 million per year, is proposed to establish a new Canada Training Benefit to help Canadians get skills and training. The Canada Training Benefit will consist of

- A new non-taxable Canada Training Credit that accumulates a credit balance of \$250 per year, up to a lifetime limit of \$5,000, for eligible workers between the ages of 25 and 64 to help with the cost of training fees. The accumulation of the credit is available for workers with earnings between \$10,000 and \$150,000 per year.
- A new Employment Insurance Training Support Benefit to provide income support when an individual requires time to take off work, expected to be launched in late 2020. The benefit will provide up to four weeks of income support, every four years, paid at 55 per cent of a person's average weekly earnings.

Reconciliation

Advancing reconciliation and taking the next step in the ongoing path toward a better future for Indigenous Peoples was a major component of the budget. Highlights include:

- \$1.4 billion over 7 years to forgive all outstanding comprehensive claim negotiation loans and to reimburse Indigenous governments that have already repaid these loans
- \$78.9 million over 7 years, starting in 2019-20, and \$13.7 million per year ongoing to fund Indigenous surveys.
- \$48.0 million over 2 years, starting in 2019-20, to build governance capacity by directly supporting First Nations communities in greatest need obtain the expertise, advice and tools required to govern their communities and deliver critical programs and services.
- \$126.5 million in 2020–21 to establish a National Council for Reconciliation and endow it with initial operating capital

Other Items

- \$672 million over five years and \$34.7 million per year ongoing provided to the RCMP to support policing operations, including amounts for specific measures including law enforcement at the border, enhanced federal policing capacity, money laundering, transportation security, and national economic security.
- \$1.18 billion over five years to support implementation of the Border Enforcement Strategy.
- \$151.23 million over five years and \$9.28 million per year ongoing provided to strengthen Canada's ability to respond to emergencies and natural disasters and improve emergency management in Canada, including in Indigenous communities,

For other 2019 federal budget and tax-related highlights, check out KPMG's TaxNewsFlash at <https://home.kpmg/ca/en/home/insights/2019/03/2019-federal-budget-highlights.html>

The Government's 2019 federal budget website is <https://www.budget.gc.ca/2019/home-accueil-en.html>



kpmg.ca/audit



KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative (“KPMG International”).

KPMG member firms around the world have 174,000 professionals, in 155 countries.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss Entity. Each KPMG firm is a legally distinct and separate Entity, and describes itself as such.

© 2019 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss Entity. All rights reserved.



City of White Rock Financial Statements for the Year Ended December 31, 2018

- Prepared in accordance with Canadian Public Sector Accounting Standards, as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada
- Must be submitted to the Province by May 15, 2019
- Integral component of the City's 2018 Annual Report

City of White Rock Financial Statements for the Year Ended December 31, 2018

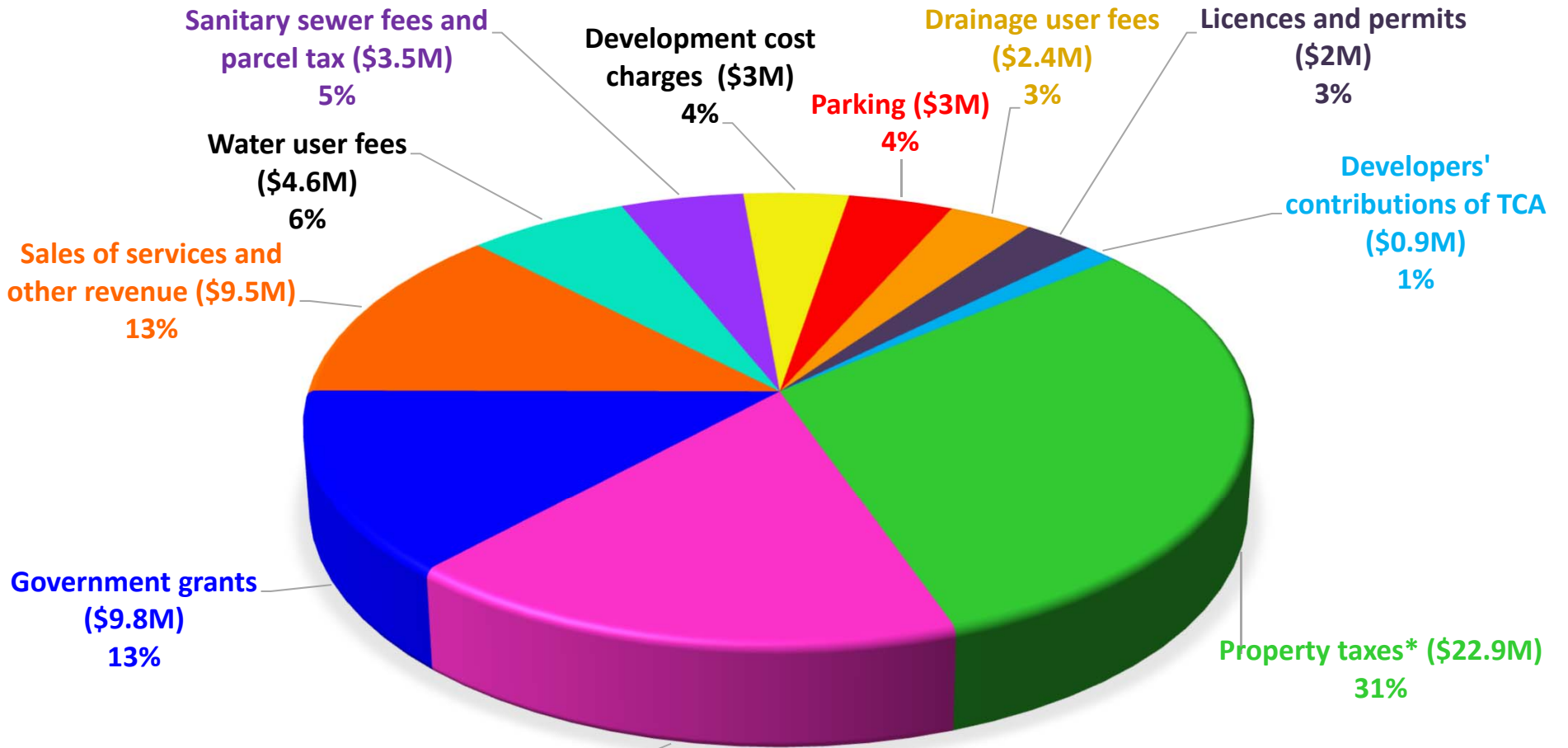
- **Consist of:**
 - **Statement of Financial Position**
 - **Statement of Operations**
 - **Statement of Changes in Net Financial Assets**
 - **Statement of Changes in Cash Flows**
 - **Notes to Financial Statements**
 - **Independent Auditor's Report**

Statement of Operations

Year-ended December 31, 2018

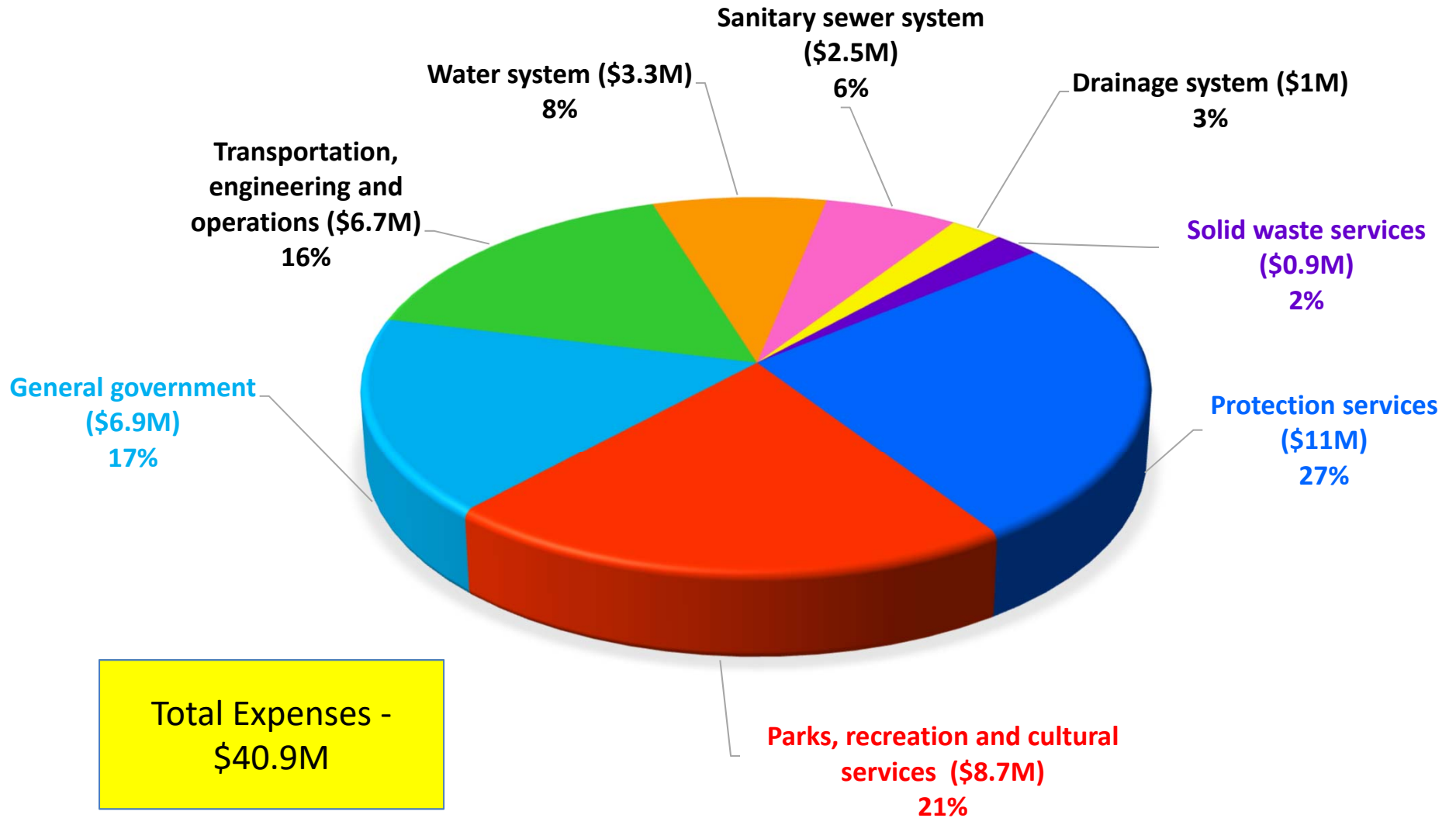
(000's)	2018 Actual	2018 Budget (April 2018)	Variance
Revenue	\$74,568	\$81,477	(\$6,909)
Less Expenses	40,894	44,614	3,720
Annual Surplus	\$33,674	\$36,863	(\$3,189)
Accumulated Surplus, beginning of year	\$149,378	\$149,378	–
Accumulated Surplus, end of year	\$183,052	\$186,241	(\$3,189)

2018 REVENUE

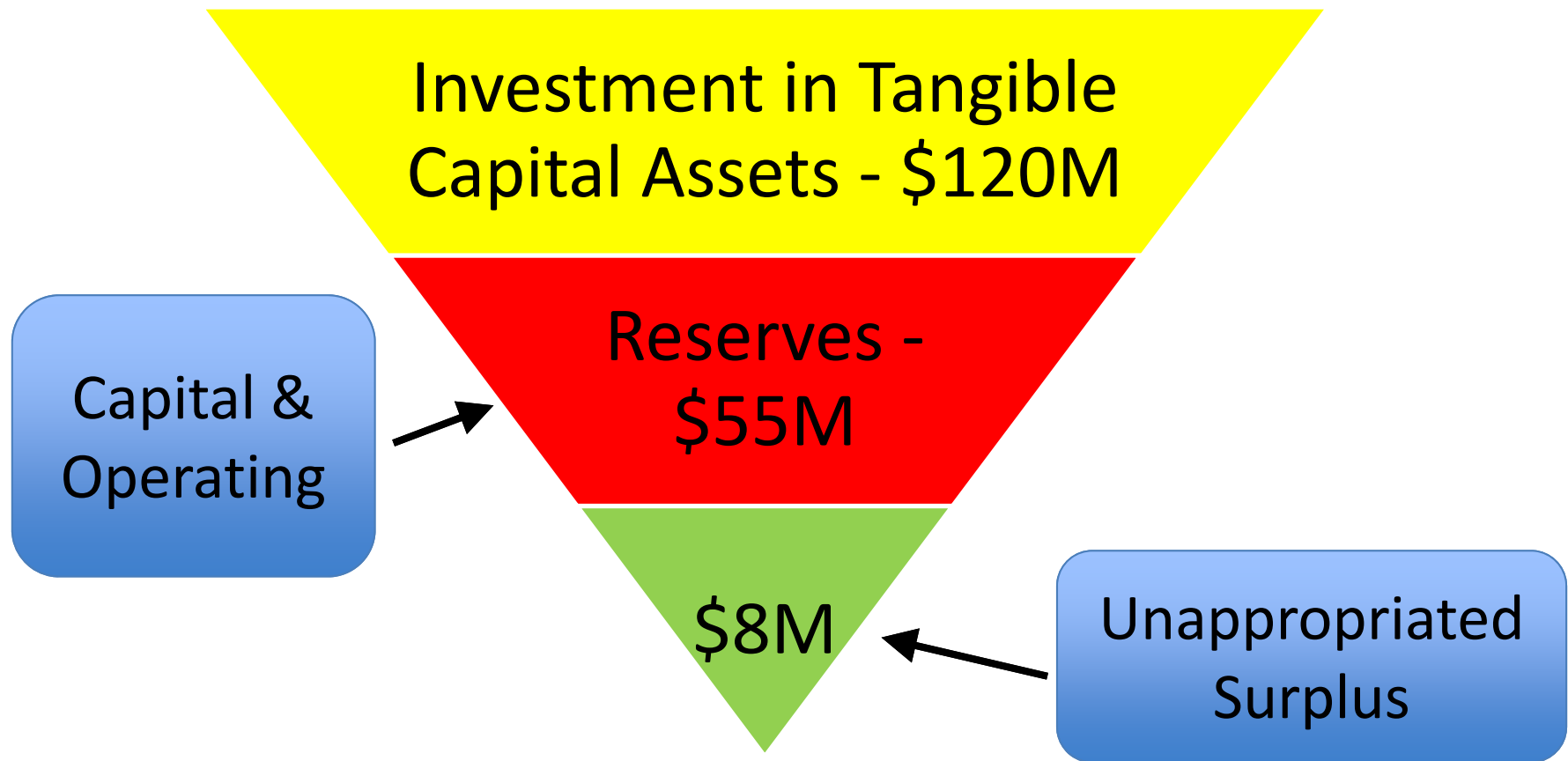


Total Revenue - \$74.5M
*Property Taxes include general municipal, FVRL & BIA Levies

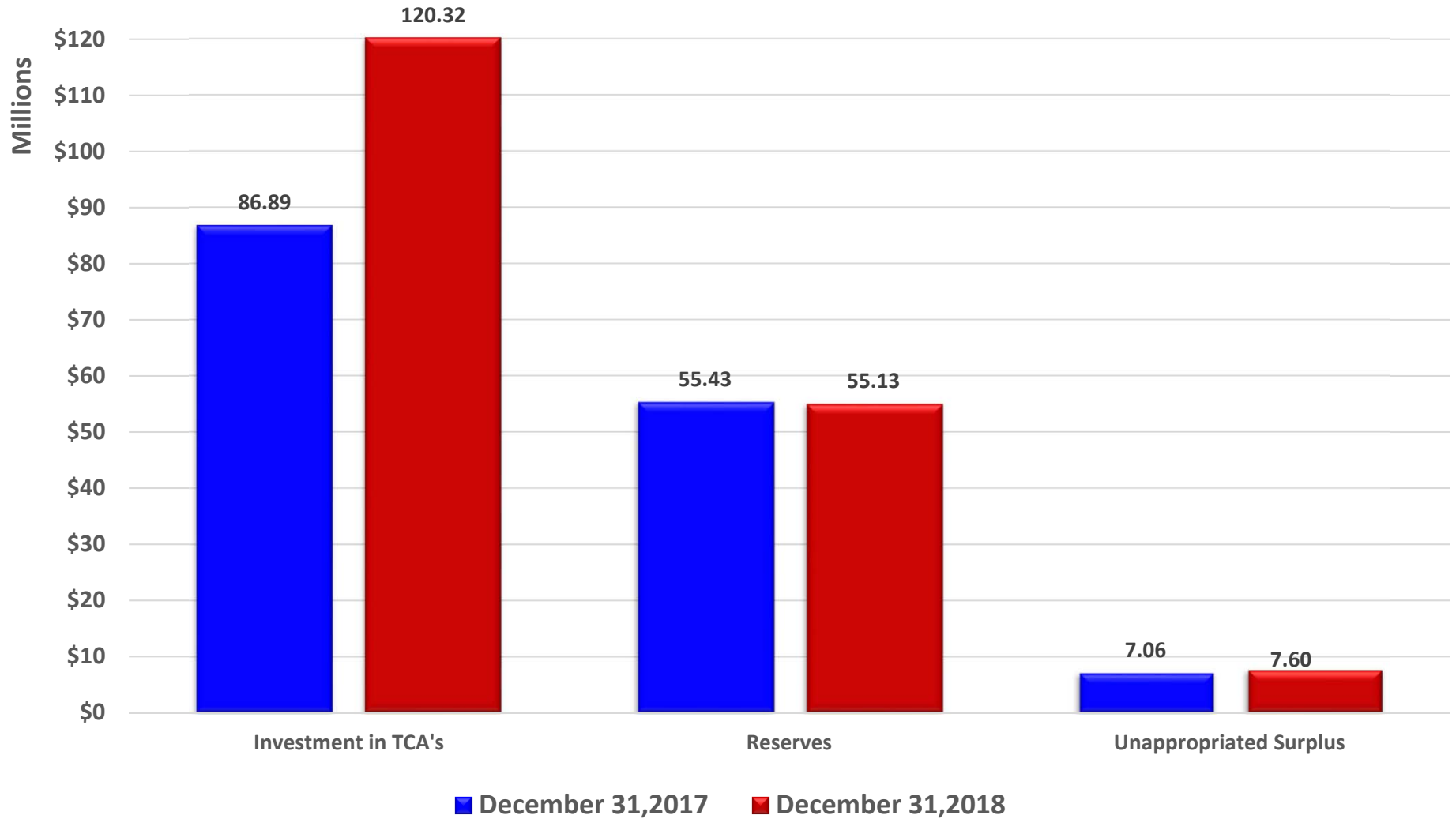
2018 EXPENSES



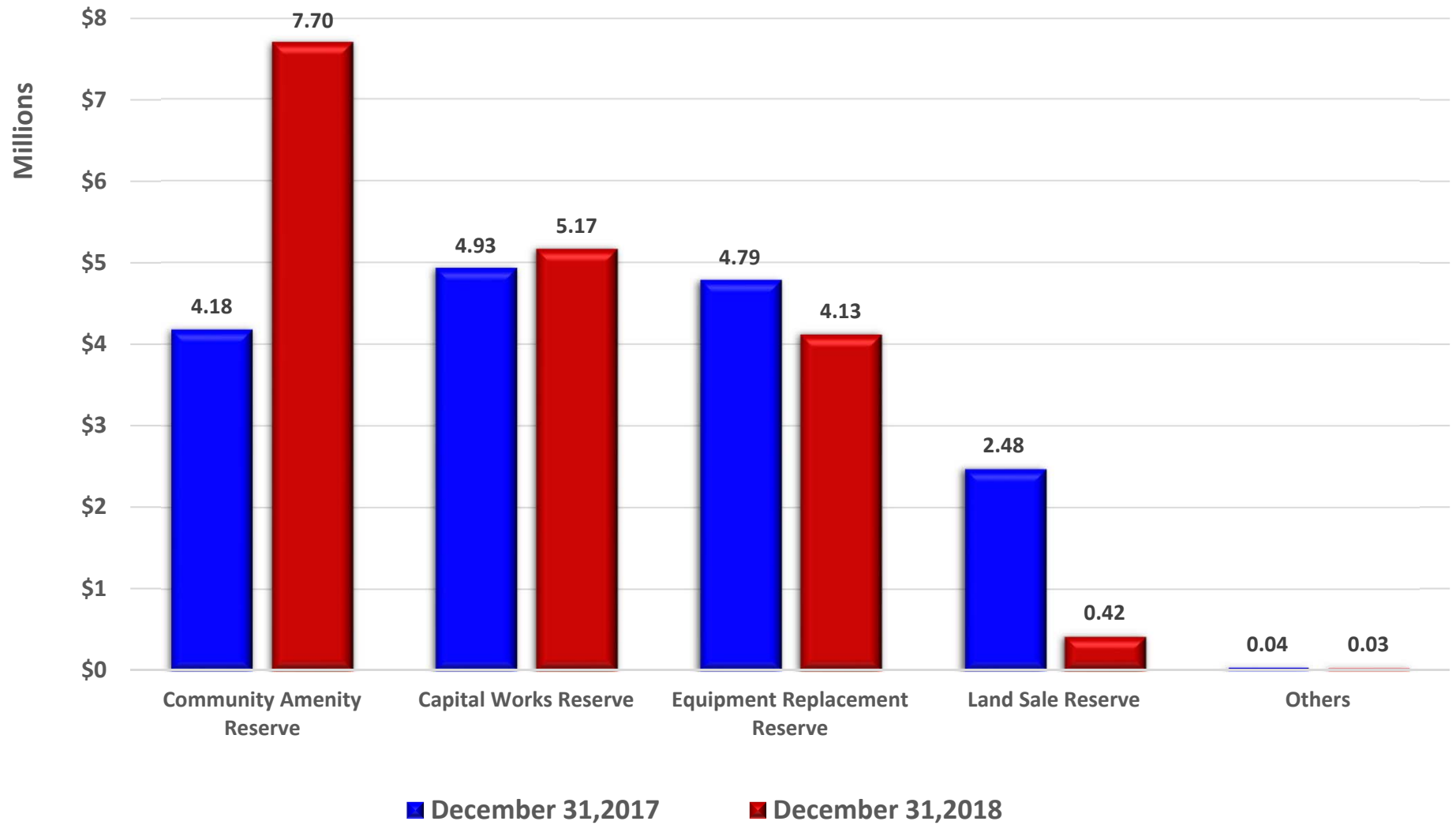
ACCUMULATED SURPLUS (ALL FUNDS) DECEMBER 31, 2018 - \$183M



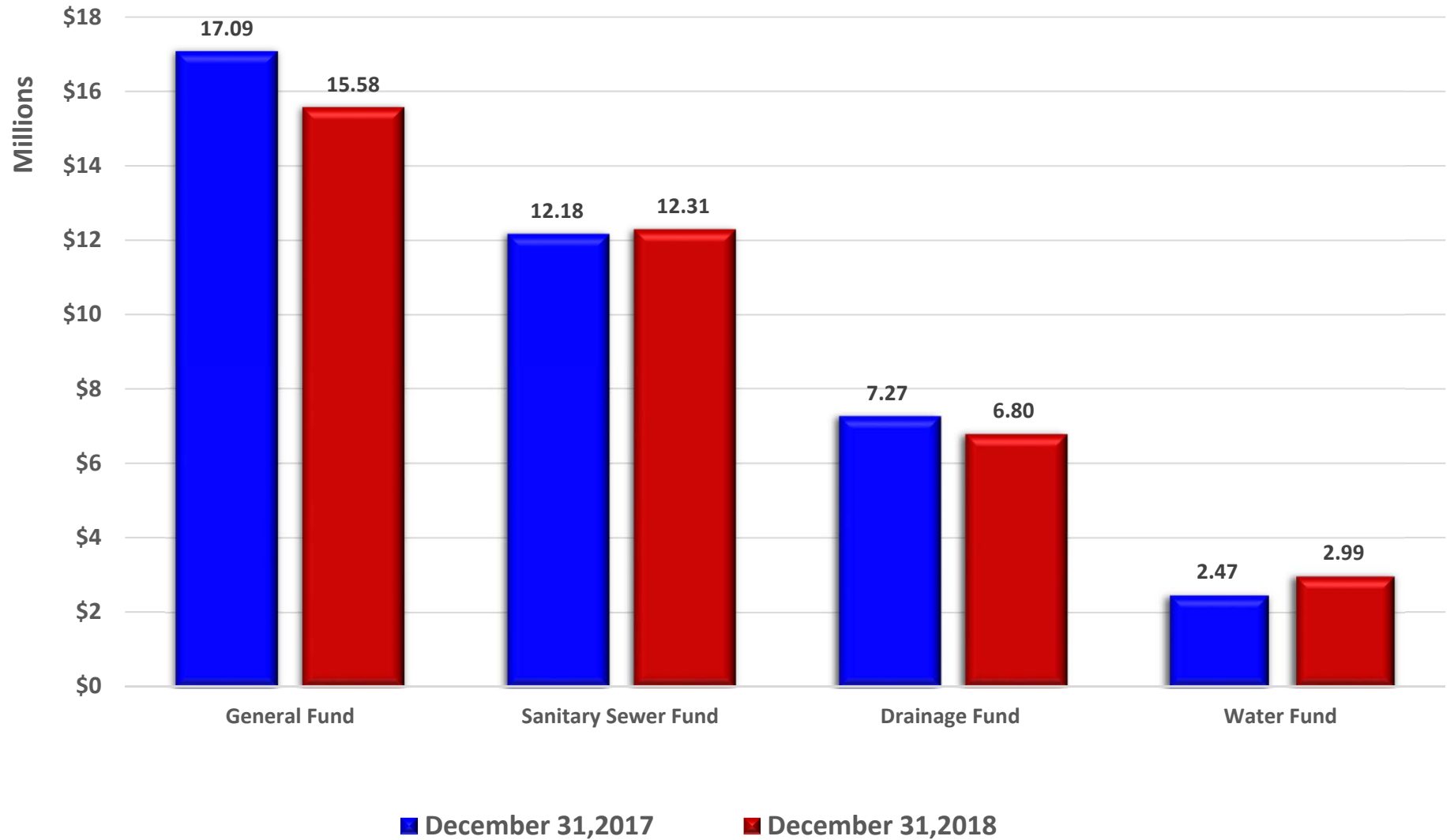
Accumulated Surplus



Reserves Established by Bylaw



Other Reserves



Debt as of December 31, 2018 (000's)

Year*	Purpose	Amount Borrowed	Amount Outstanding as of Dec 31, 2018
2003	Terry Road Local Improvement – Sanitary Sewer Service	\$225	\$78
2016	Water Utility Acquisition Advance Payment	\$14,250	\$13,688
2017	Water System Infrastructure	\$8,281	\$7,968
2018	Water System Infrastructure	<u>\$2,275</u>	<u>\$2,275</u>
		<u>\$25,031</u>	<u>\$24,009</u>

*Year financing was locked in

Status of Internal Borrowing as of December 31, 2018

- Internal Loans from General Fund Accumulated Surplus:

2015 Loan to Water Fund: \$245,000

2017 Temporary Financing of BIA
Levies Returned to Property
Owners:

\$23,724

Amount Outstanding

\$268,724

City of White Rock Financial Statements for the Year Ended December 31, 2018

It is recommended that Finance and Audit Committee:

- 1. Receive for information to May 13, 2019 corporate report from the Director of Financial Services, titled “2018 Financial Statements;” and**
- 2. Accept, on behalf of City Council, the 2018 Financial Statements as presented**