

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



July 2, 2020

**ON TABLE see page 38**

A MEETING of the **FINANCE & AUDIT COMMITTEE** will be held in the **CITY HALL COUNCIL CHAMBERS** located at 15322 Buena Vista Avenue, White Rock, BC, on **THURSDAY, JULY 9, 2020** at **5:00 p.m.** for the transaction of business as listed below.

T. Arthur, Director of Corporate Administration

## **A G E N D A**

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**Chairperson, Councillor Kristjanson**

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

**RECOMMENDATION**

THAT the Finance & Audit Committee adopt the agenda for July 9, 2020 as circulated.

- 3. ADOPTION OF MINUTES**

**Page 3**

a) February 18, 2020

**RECOMMENDATION**

THAT the Finance & Audit Committee adopt the February 18, 2020 meeting minutes as circulated.

- 4. 2019 FINANCIAL STATEMENTS**

**Page 8**

Corporate report dated July 9, 2019 from the Director of Financial Services titled "2019 Financial Statements".

**RECOMMENDATION**

THAT the Finance and Audit Committee accept on behalf of City Council, the 2019 Financial Statements as presented in the July 9, 2020 corporate report from the Director of Financial Services, titled "2019 Financial Statements".

- 5. AUDIT FINDINGS REPORT FOR THE YEAR ENDED DECEMBER 31, 2019** **Page 38**

Carol Chiang, Partner - KPMG, and Aanu Adeleye, Senior 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 JULY 9, 2020 FINANCE & AUDIT COMMITTEE MEETING**

**PRESENT:** Councillor Kristjanson, Chairperson  
Mayor Walker  
Councillor Fathers  
Councillor Manning  
Councillor Trevelyan

**ABSENT:** Councillor Chesney  
Council Johanson

**STAFF:** S. Kurylo, Director of Financial Services  
T. Arthur, Director of Corporate Administration  
J. Gordon, Director of Engineering and Municipal Operations  
S. Johnston, Manager of Budget  
D. Kell, Manager of Communications and Government Relations

Press: 0  
Public: 2

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1. The Chairperson called the meeting to order at 6:00 p.m.

2. **AGENDA APPROVAL**

2020-F/A-028

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee adopts the agenda for the meeting scheduled for February 18, 2020 as amended to include the following information “On-Table” item:

- Consolidation of Funds for Economic Development Recommendation.

**CARRIED**

3. **ADOPTION OF MINUTES**

a) February 10, 2020

2020-F/A-029

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee adopts the February 10, 2020 meeting minutes as circulated.

**CARRIED**

4. **ECONOMIC DEVELOPMENT OFFICER/UPDATE OF THE 2009  
ECONOMIC DEVELOPMENT MASTER PLAN**

Mayor Walker requested this item be placed on the agenda for discussion purposes.

“On-Table” was a copy of a recommendation that will be coming forward by the City’s Economic Development Advisory Committee. The item was noted for the Committee’s information:

*THAT the Economic Development Advisory Committee request that Council direct staff to consolidate the funds for economic development services in order to activate and address the key strategies and key performance indicators from the 2009*

*Economic Development Strategic Master Plan, within the allocated time frame of one (1) year.*

It was noted that currently one (1) time funding is in place in relation to Economic Development as follows:

- \$60,000 to hire a consultant in relation to Economic Advisory Consultant; and
- \$50,000 (2019) to hire a consultant – Temporary Full Time Economic Development Officer.

It was further noted that the Economic Development Advisory Committee acknowledges that although sections of the 2009 Economic Strategic Plan are out of date by using the combination of the already allocated funds it would enable the City to hire an Economic Advisor at a part time level to review the plan and determine how it can be updated and implemented.

2020-F/A-030

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee authorizes the following funding:

- \$60,000 to hire a consultant in relation to Economic Advisory Consultant; and
- \$50,000 (2019) to hire a consultant – Temporary Full Time Economic Development Officer;

be allocated in the 2020 budget (\$110,000) as salary on a one (1) time basis where a portion of the funding will be to hire a Temporary Part Time Economic Advisor.

**CARRIED**

5.

**COMMUNICATIONS PERMANENT FULL-TIME POSITION (PFT)**

Mayor Walker requested this item be placed on the agenda for discussion.

The City currently has an employee staffed as a Digital Media and Communications Assistant temporarily until September 30, 2020.

Concern and consideration were noted that the Communications department is now staffed at a level in order to maintain current service levels (including this PFT position).

2020-F/A-031

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee authorizes the current Temporary Full Time position in the Communications Department (Digital Media and Communications Assistant) be amended to be a Permanent Full Time position.

**CARRIED**

Councillor Trevelyan voted in the negative

6.

**CITY HALL**

Staff inquired what the Committee wanted to do with funds that were currently in the budget in regard to City Hall. \$1.5M in both 2020 and 2021. Discussion on this topic was started at the February 10, 2020 Finance and Audit Committee meeting but final direction was not given.

It was clarified that removing these amounts from the 2020 and 2021 budget will not represent an automatic tax decrease. The money is currently funded by the capital works reserve.

It was clarified that the capital works reserve was set up to address city buildings only (not the pier). There are many City buildings, which repairs will have to be conducted.

The City has commissioned a Facility Master Plan to be done. It is anticipated that once this is done it will show that further repairs will need to be considered in the budget.

Currently the budget amounts for this fund is as follows:

- 2020, \$1,987,000 (\$1.5M for City Hall)
- 2021, \$2,860,000 (\$1.5M for City Hall)
- 2022, \$780,000
- 2023, \$884,000
- 2024, \$792,000

It was inquired as to what has been the spending pattern from the capital works reserve previously. Staff noted the following:

- 2014, \$1.2M
- 2015 \$700,000
- 2016, \$356,000
- 2017, \$312,000
- 2018, \$931,000

2020-F/A-032

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee authorizes that the Financial Plan be amended as follows:

- 2020 there be a reduction, in the amount of \$220,000, to be moved to the City Hall Capital Works Reserve and following that there be an increase in the amount going back to the Capital Works Reserve each year following in order to bring it back to the current level.

**CARRIED**

Councillor Manning and Mayor Walker voted in the negative

It was noted that following the amendment within motion 2020-F/A-032 the final tax increase for 2020 will be 3.64%.

2020-F/A-033

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee authorizes that the Financial Plan remain showing the \$1.5M expenditures for 2020 and 2021 for City Hall Capital Reserve.

**CARRIED**

Councillors Kristjanson and Trevelyan voted in the negative

**SUBSEQUENT MOTION DUE TO STAFF NOTING AN ERROR IN THE  
AMOUNT NOTED IN MOTION 2020-F/A-032**

2020-F/A-034

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee authorizes an amendment / correction to the requested amendment of motion 2020-F/A-032 as follows:

- 2020 there be a reduction, in the amount of \$222,000, to be moved to the City Hall Capital Works Reserve.

**CARRIED**

Councillor Manning and Mayor Walker voted in the negative

7.

**RUTH JOHNSON PARK**

Discussion regarding the evaluation and monitoring of movement with the Geotechnical Engineers. Item noted for information purposes.

The Director of Engineering and Municipal Operation noted the following:

- Due to the past few weeks of rainfall it has caused issues throughout the city especially in Ruth Johnson Park and Coldicutt Ravine. Coldicutt Ravine has now been closed off (there will need to be discussion with Council in future about further plans with this). Ruth Johnson Park, especially in the lower reaches and Duprez Ravine has also been closed and repairs are underway (west side). The main concern is with the central and east side as it is not stable (no public will be permitted). Staff have asked Geotechnical Consultants to give an approximate cost to address this in order to inform Council but also to apply to the Province for Disaster Financial Assistance (a rough number was given as \$4M – much due to difficulty there will be for access).

The following discussion points were noted:

- It is expected that the Disaster Financial Assistance will cover 80% of the costs / \$840,000 to be funded by the City through its infrastructure reserve. Staff will review if Community Amenity Contributions (CAC's) can be utilized for this (not sure if replacement qualifies)
- Financial Plan has been already adjusted for this (contingency budget will be used until those funds come in from the province)

8.

**OTHER BUSINESS, SECONDARY SUITES**

Prior to the meeting conclusion the Chairperson noted concern with information a resident noted in regard to illegal suites within the City. It was noted at this time due to possible budget implications. The Committee did not have a way to verify the information provided and the following motion was considered:

2020-F/A-035

**It was MOVED and SECONDED**

THAT the Finance and Audit Committee directs staff to report back to the City's Governance and Legislation Committee in regard to a public inquiry sent to Mayor and Council February 18, 2020 in relation to illegal secondary suites.

**CARRIED**

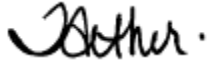
It was clarified that next steps in regard to the City's Budget Process are to be as follows:

- Financial Plan Bylaws, February 24, 2020 Regular Council meeting (along with other City fee bylaws) where Council will consider for the first three (3) readings
- Financial Plan Bylaws and other fee bylaws, March 9, 2020, Council will consider for final reading

9. **CONCLUSION OF THE FEBRUARY 18, 2019 FINANCE AND AUDIT COMMITTEE MEETING**

The Chairperson declared the meeting concluded at 7:30 p.m.

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Councillor Kristjanson, Chairperson

  
\_\_\_\_\_  
Tracey Arthur, Director of  
Corporate Administration

THE CORPORATION OF THE  
**CITY OF WHITE ROCK**  
CORPORATE REPORT



**DATE:** July 9, 2020  
**TO:** Finance and Audit Committee  
**FROM:** Colleen Ponzini, Director of Financial Services  
**SUBJECT:** 2019 Financial Statements

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**RECOMMENDATION**

THAT the Finance and Audit Committee accept, on behalf of City Council, the 2019 Financial Statements as presented in this report.

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**EXECUTIVE SUMMARY**

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. Due to the COVID-19 pandemic, the due date for the annual report has been extended from June 30 to August 31, 2020.

**PREVIOUS COUNCIL DIRECTION**

N/A

**INTRODUCTION/BACKGROUND**

The 2019 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.

An qualified audit report is expected to be issued by KPMG upon Council's acceptance of the 2019 Financial Statements.

**FINANCIAL IMPLICATIONS**

N/A

**LEGAL IMPLICATIONS**

N/A

**COMMUNICATION AND COMMUNITY ENGAGEMENT IMPLICATIONS**

N/A



**INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS**

N/A

**CLIMATE CHANGE IMPLICATIONS**

N/A

**ALIGNMENT WITH STRATEGIC PRIORITIES**

N/A

**OPTIONS / RISKS / ALTERNATIVES**

N/A

**CONCLUSION**

It is recommended that the Finance and Audit Committee receive and accept the 2019 Financial Statements as presented.

Respectfully submitted,



Colleen Ponzini, CPA, CGA  
Director of Financial Services

**Comments from the Chief Administrative Officer**

I concur with the recommendation of this corporate report.



Guillermo Ferrero  
Chief Administrative Officer

Appendix A: 2019 Financial Statements

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019

## **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, 2019 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, 2019, 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 \$22,243,809. 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 \$205,296,055 as of December 31, 2019. Like most local governments, the largest component of accumulated surplus is the City's investment in tangible capital assets, which amounted to \$133,066,940 at the end of 2019. The remainder of accumulated surplus includes reserves and other surplus funds.

Net financial assets increased by \$9,122,818 to \$47,879,729 as of December 31, 2019. This is a positive indicator of the City's financial position.

Debt, net of sinking funds, outstanding as of December 31, 2019 was \$23,328,618, compared to \$24,008,890 on December 31, 2018. 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 2019 in a sound financial position.

Colleen Ponzini, CPA, CGA  
**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, 2019;
- 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, 2019, and its results of operations, its changes in net debt 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 2019 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 2019 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 organizations, 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  
July XX, 2020

# THE CORPORATION OF THE CITY OF WHITE ROCK

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets</b>		
Cash and cash equivalents (note 2)	\$ 111,400,431	\$ 99,870,023
Accounts receivable (note 3)	12,173,302	13,455,091
Loans receivable (note 4)	10,500	14,000
	<u>123,584,233</u>	<u>113,339,114</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	11,357,197	13,080,920
Refundable performance deposits (note 2(b))	12,584,597	13,220,076
Capital lease obligation	-	4,478
Debt (note 7)	23,328,618	24,008,890
Deferred revenue (note 8)	28,434,092	24,267,839
	<u>75,704,504</u>	<u>74,582,203</u>
Net Financial Assets	47,879,729	38,756,911
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	156,440,877	143,474,439
Prepaid expenses	742,851	609,061
Inventories of supplies	232,598	211,835
	<u>157,416,326</u>	<u>144,295,335</u>
Accumulated surplus (note 10)	<u>\$ 205,296,055</u>	<u>\$ 183,052,246</u>

Commitments and contingencies (note 13)  
Subsequent event (note 19)

See accompanying notes to financial statements.

**COLLEEN PONZINI, CPA, CGA**  
Director of Financial Services

**DRAFT – JUNE 30, 2020**

# THE CORPORATION OF THE CITY OF WHITE ROCK

## Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (Note 1(b))	2019	2018
<b>Revenue:</b>			
Property taxes:			
General purposes	\$ 22,444,700	\$ 22,578,634	\$ 21,638,551
Regional library levy	958,066	963,402	934,205
Business improvement levy	356,500	356,190	346,379
	<u>23,759,266</u>	<u>23,898,226</u>	<u>22,919,135</u>
Receipts in lieu of taxes	25,600	25,564	27,551
Development cost charges (note 8(a))	495,000	598,562	3,014,745
Sanitary sewer fees and parcel tax	3,426,106	3,444,316	3,523,309
Drainage user fees	2,531,200	2,531,498	2,413,036
Water user fees	4,842,800	4,772,497	4,635,515
Sales of services and other revenue (note 16)	27,908,734	25,882,629	27,315,659
Government grants (note 17)	5,774,000	4,571,934	9,786,203
Developers' contributions of tangible capital assets (note 9(b))	-	212,917	933,635
	<u>68,762,706</u>	<u>65,938,143</u>	<u>74,568,788</u>
<b>Expenses:</b>			
General government	8,296,955	7,409,060	6,931,555
Protection services	12,114,976	11,116,870	10,959,542
Transportation, engineering and operations	7,302,818	6,438,768	6,676,647
Parks, recreation and cultural services	10,500,017	10,752,082	8,677,384
Solid waste services	1,076,100	866,587	874,855
Sanitary sewer system	2,974,063	2,499,576	2,507,967
Drainage system	879,300	808,161	991,529
Water system	4,195,700	3,803,230	3,274,807
	<u>47,339,929</u>	<u>43,694,334</u>	<u>40,894,286</u>
Annual surplus	21,422,777	22,243,809	33,674,502
Accumulated surplus, beginning of year	183,052,246	183,052,246	149,377,744
Accumulated surplus, end of year	<u>\$ 204,475,023</u>	<u>\$ 205,296,055</u>	<u>\$ 183,052,246</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, 2019, with comparative information for 2018

	2019 Budget (Note 1(b))	2019	2018
Annual surplus	\$ 21,422,777	\$ 22,243,809	\$ 33,674,502
Acquisition of tangible capital assets	(35,268,000)	(19,568,528)	(40,110,852)
Contribution of tangible capital assets	-	(212,917)	(933,635)
Amortization of tangible capital assets	6,090,200	6,751,247	4,644,186
Loss on disposal of tangible capital assets	-	23,850	526,121
Proceeds on disposal of tangible capital assets	-	39,910	74,636
	(7,755,023)	9,277,371	(2,125,042)
Acquisition of prepaid expenses	-	(742,851)	(609,061)
Acquisition of inventories of supplies	-	(232,598)	(211,835)
Use of prepaid expenses	-	609,061	584,347
Consumption of inventories of supplies	-	211,835	192,374
Change in net financial assets	(7,755,023)	9,122,818	(2,169,217)
Net financial assets, beginning of year	38,756,911	38,756,911	40,926,128
Net financial assets, end of year	\$ 31,001,888	\$ 47,879,729	\$ 38,756,911

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF WHITE ROCK

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 22,243,809	\$ 33,674,502
Items not involving cash:		
Amortization	6,751,247	4,644,186
Loss on disposal of tangible capital assets	23,850	526,121
Developers' contributions of tangible capital assets	(212,917)	(933,635)
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	1,281,789	(7,453,445)
Increase in prepaid expenses	(133,790)	(24,714)
Increase in inventories of supplies	(20,763)	(19,461)
Decrease in loans receivable	3,500	3,500
(Decrease) increase in accounts payable and accrued liabilities	(1,723,723)	4,547,352
(Decrease) increase in refundable performance deposits	(635,479)	1,931,470
Increase in deferred revenue	4,166,253	4,389,322
Net change in cash from operating activities	31,743,776	41,285,198
Capital activities:		
Cash used to acquire tangible capital assets	(19,568,528)	(40,110,852)
Proceeds on disposal of tangible capital assets	39,910	74,636
Net change in cash from capital activities	(19,528,618)	(40,036,216)
Financing activities:		
New debt issued	-	2,274,850
Principal payments on debt	(680,272)	(612,387)
Principal payments on capital leases	(4,478)	(15,704)
Net change in cash from financing activities	(684,750)	1,646,759
Investing activities:		
Change in temporary investments	-	7,472,842
Net change in cash and cash equivalents	11,530,408	10,368,583
Cash and cash equivalents, beginning of year	99,870,023	89,501,440
Cash and cash equivalents, end of year	\$ 111,400,431	\$ 99,870,023

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF WHITE ROCK

## Notes to Financial Statements

Year ended December 31, 2019

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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 2019 component of Financial Plan (2019-2023) Bylaw, 2019, No. 2297 adopted by the City Council on April 29, 2019.

(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) 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.

(e) 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, 2019

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## 1. Significant accounting policies (continued):

(f) 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, 2019.

(g) 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.

(h) Debt:

Debt is recorded net of repayments and actuarial adjustments.

(i) 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	5 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	4 to 80

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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, 2019

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## 1. Significant accounting policies (continued):

### (i) 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.

### (j) 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.

### (k) 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.

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

(l) 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).

(m) 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.

## 2. Cash and cash equivalents:

	2019	2018
Cash balances	\$ 103,214,873	\$ 81,814,315
Cash equivalents:		
Money market securities and term deposits maturing within 90 days of inception	3,976,701	13,923,750
MFA Money Market Fund	4,208,857	4,131,958
	<u>\$ 111,400,431</u>	<u>\$ 99,870,023</u>

Cash equivalents including the MFA Money Market Fund, have annual yields that range from 1.86% to 2.35% (2018 - 1.64% to 2.40%).

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 2. Cash and cash equivalents (continued):

(a) Included in cash and cash equivalents is an amount of \$8,416,789 (2018 - \$4,859,325) that can only be used for the acquisition of tangible capital assets as provided for by the DCC Bylaw.

(b) Included in cash and cash equivalents is an amount of \$12,584,597 (2018 - \$13,220,076) which consists of refundable performance deposits.

## 3. Accounts receivable:

	2019	2018
Property taxes	\$ 1,768,832	\$ 2,278,679
Water user fees	1,293,864	1,233,318
Government grants	1,092,236	2,965,408
Amounts secured by letters of credit	4,625,743	4,674,175
Insurance proceeds	1,232,054	-
Other	2,160,573	2,303,511
	<u>\$ 12,173,302</u>	<u>\$ 13,455,091</u>

(a) Included in accounts receivable are letters of credit of \$4,625,743 (2018 - \$4,674,175) that can only be used for the acquisition of tangible capital assets as provided for by the DCC Bylaw (note 8(a)).

## 4. Loans receivable:

The City has a loan receivable in the amount of \$10,500 (2018 - \$14,000) 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 three equal annual instalments of \$3,500 each. The interest is paid semi-annually.

## 5. Accounts payable and accrued liabilities:

	2019	2018
Trade accounts payable and other	\$ 5,707,845	\$ 9,357,948
Due to governments and agencies	2,979,080	1,451,965
Post-employment benefits (note 6)	1,605,503	1,531,450
Other payroll liabilities	1,064,769	739,557
	<u>\$ 11,357,197</u>	<u>\$ 13,080,920</u>

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 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.

	2019	2018
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,582,900	\$ 1,756,000
Immediate recognition (settlement) of Work Safe BC benefits liability	-	(244,900)
Current service cost	138,600	139,100
Interest cost	53,000	46,700
Benefits paid	(113,285)	(18,900)
Actuarial loss (gain)	94,762	(95,100)
<b>Balance, end of year</b>	<b>\$ 1,755,977</b>	<b>\$ 1,582,900</b>

	2019	2018
Accrued benefit obligation, end of year	\$ 1,755,977	\$ 1,582,900
Unamortized net actuarial loss	(150,474)	(51,450)
<b>Accrued benefit liability, end of year</b>	<b>\$ 1,605,503</b>	<b>\$ 1,531,450</b>

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 2019 the expected average remaining service period of the related employee group is 11 years (2018 - 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:

	2019	2018
Discount rates	2.60%	3.20%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.58% - 5.90%	2.58% - 4.63%



# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 7. Debt:

	2019	2018
Debentures, net of repayments and actuarial adjustments	\$ 23,328,618	\$ 24,008,890

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		
						2019	2018	
1667	Sanitary Sewers-Local Improvement	2023	5.95%	n/a	\$ 224,580	\$ 160,680	\$ 63,900	\$ 78,020
2098	Water Utility Acquisition Advance Payment	2046	2.60%	2026	14,250,000	857,446	13,392,554	13,688,256
2163	Water System Infrastructure Construction	2027	2.80%	n/a	440,000	77,914	362,086	401,619
2163	Water System Infrastructure Construction	2047	2.80%	2027	5,779,000	246,584	5,532,416	5,657,530
2178	Water System Infrastructure Construction	2027	3.15%	n/a	1,662,000	294,304	1,367,696	1,517,023
2178	Water System Infrastructure Construction	2047	3.15%	2027	400,000	17,068	382,932	391,592
2179	Water Treatment Facilities Construction	2048	3.15%	2028	2,274,850	47,816	2,227,034	2,274,850
<b>\$ 25,030,430</b>						<b>\$ 1,701,812</b>	<b>\$ 23,328,618</b>	<b>\$ 24,008,890</b>

\* 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 \$694,606 (2018 - \$672,280).

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 Sewers – Local Improvement	\$ 2,246
2098	Water Utility Acquisition Advance Payment	142,500
2163	Water System Infrastructure Construction	62,190
2178	Water System Infrastructure Construction	20,620
2179	Water Treatment Facilities Construction	22,749
<b>\$</b>		<b>250,305</b>

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

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 7. Debt (continued):

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

2020	\$ 702,441
2021	725,341
2022	748,996
2023	773,431
2024	780,652
Thereafter	19,597,757
	\$ 23,328,618

## 8. Deferred revenue:

	2019	2018
Property taxes	\$ 3,383,933	\$ 3,300,393
Contributions for future capital works	3,098,841	2,352,127
Development cost charges (a)	13,042,532	9,533,500
Utility service connections	1,434,950	1,169,950
Deferred revenue - facility upgrades	471,096	514,071
Deferred revenue - building permits	5,873,470	6,400,210
Other	1,129,270	997,588
	\$ 28,434,092	\$ 24,267,839

### (a) Development cost charges:

	Highways	Drainage	Parkland	Sanitary	Water	Total
Balance, beginning of year	\$ 2,033,790	\$ 2,037,624	\$ 4,346,578	\$ 470,778	\$ 644,730	\$ 9,533,500
Add:						
Amounts received	978,060	673,587	1,564,736	296,062	423,916	3,936,361
Investment income	37,342	39,546	75,992	7,910	10,443	171,233
Deduct:						
Acquisition of tangible capital assets	-	18,272	560,290	20,000	-	598,562
Balance, end of year	\$ 3,049,192	\$ 2,732,485	\$ 5,427,016	\$ 754,750	\$ 1,079,089	\$ 13,042,532

The balance as of December 31, 2019 includes \$4,625,743 (2018 - \$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, 2019

## 9. Tangible capital assets:

	Land	Land improvements	Buildings and facilities	Machinery and equipment	Roads and sidewalks	Sanitary sewer infrastructure	Storm sewer infrastructure	Water system infrastructure	Assets under construction	Total
<b>Cost:</b>										
Balance, beginning 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
Additions	1,631,900	9,866,198	4,021,366	750,804	440,638	2,428	-	2,181,127	886,984	19,781,445
Transfers	-	4,077,966	7,641,777	366,514	74,258	150,972	-	12,673,575	(24,985,062)	-
Disposals	-	(76,596)	(100,361)	(1,179,775)	(87,615)	-	-	(33,546)	-	(1,477,893)
<b>Balance, end of year</b>	<b>\$ 17,312,185</b>	<b>\$ 24,216,491</b>	<b>\$ 42,436,153</b>	<b>\$14,003,181</b>	<b>\$ 45,533,121</b>	<b>\$ 21,090,317</b>	<b>\$ 23,380,339</b>	<b>\$ 36,333,615</b>	<b>\$ 2,568,985</b>	<b>\$226,874,387</b>
<b>Accumulated Amortization:</b>										
Balance, beginning 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
Amortization expense	-	1,640,875	1,431,158	1,050,275	1,069,136	319,321	355,897	884,585	-	6,751,247
Disposals	-	(76,596)	(100,361)	(1,142,740)	(67,781)	-	-	(26,655)	-	(1,414,133)
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 6,805,942</b>	<b>\$ 15,970,784</b>	<b>\$ 7,034,108</b>	<b>\$ 21,425,130</b>	<b>\$ 7,197,157</b>	<b>\$ 9,570,777</b>	<b>\$ 2,429,612</b>	<b>\$ -</b>	<b>\$ 70,433,510</b>
Net book value, end of year	\$ 17,312,185	\$ 17,410,549	\$ 26,465,369	\$ 6,969,073	\$ 24,107,991	\$ 13,893,160	\$ 13,809,562	\$ 33,904,003	\$ 2,568,985	\$156,440,877
Net book value, beginning 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

DRAFT – JUNE 30, 2020

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 9. Tangible capital assets (continued):

### (a) Assets under construction:

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

### (b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year was comprised of:

	2019	2018
Roads and sidewalks	\$ 120,283	\$ 325,214
Sanitary sewers	-	250,844
Storm sewers	-	357,577
Water system	92,634	-
<b>Developers' contributions of tangible capital assets</b>	<b>\$ 212,917</b>	<b>\$ 933,635</b>

### (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.

## 10. Accumulated surplus:

	Reserves established by bylaw (note 12(a))	Other reserves (note 12(b))	Other surplus funds	Investment in tangible capital assets (note 11)	Total
General Fund	\$ 20,804,694	\$ 17,604,724	\$ 5,497,635	\$ 92,344,500	\$ 136,251,553
Sanitary Sewer Fund	-	13,330,586	1,107,116	13,986,698	28,424,400
Drainage Fund	-	8,448,403	698,117	14,786,084	23,932,604
Water Fund	-	3,938,139	799,701	11,949,658	16,687,498
<b>Total for 2019</b>	<b>\$ 20,804,694</b>	<b>\$ 43,321,852</b>	<b>\$ 8,102,569</b>	<b>\$ 133,066,940</b>	<b>\$ 205,296,055</b>
<b>Total for 2018</b>	<b>\$ 17,460,992</b>	<b>\$ 37,671,463</b>	<b>\$ 7,600,521</b>	<b>\$ 120,319,270</b>	<b>\$ 183,052,246</b>

**DRAFT – JUNE 30, 2020**

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 10. Accumulated surplus (continued):

Included in the water fund investment in tangible capital assets is an adjustment in the amount of \$425,777 (2018 - \$\$1,372,270) for unspent debt proceeds which have been earmarked for use in future years.

## 11. Investment in tangible capital assets:

	2019	2018
Tangible capital assets (note 9)	\$ 156,440,877	\$ 143,474,439
Deduct:		
Capital lease obligation	-	(4,478)
Debt (note 7)	(23,328,618)	(24,008,890)
Deferred revenue - facility upgrades (note 8)	(471,096)	(514,071)
Add:		
Unspent debt proceeds (note 10)	425,777	1,372,270
	<u>\$ 133,066,940</u>	<u>\$ 120,319,270</u>

## 12. Reserves:

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

	2019	2018
General Fund:		
Land sale reserve	\$ 101,846	\$ 424,393
Equipment replacement reserve	4,724,133	4,131,576
Capital works, machinery and equipment reserve	5,609,236	5,174,746
Local improvement reserve	33,110	32,353
Community amenity reserve	10,336,369	7,697,924
	<u>\$ 20,804,694</u>	<u>\$ 17,460,992</u>

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 12. Reserves (continued):

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

	2019	2019
General Fund:		
Infrastructure reserve	\$ 4,209,679	\$ 4,248,791
Roadworks reserve	3,644,835	3,019,242
Secondary suite service fee reserve	909,601	918,545
Density bonus/amenity contribution reserve	236,483	261,177
Incomplete asset improvement projects	3,009,800	2,329,200
<u>Other reserves</u>	<u>5,594,326</u>	<u>4,804,374</u>
	17,604,724	15,581,329
Sanitary Sewer Fund:		
Infrastructure reserve	12,209,702	11,704,346
Terry Road local improvement reserve	52,184	64,918
<u>Incomplete asset improvement projects</u>	<u>1,068,700</u>	<u>536,500</u>
	13,330,586	12,305,764
Drainage Fund:		
Infrastructure reserve	5,905,003	5,069,971
Operating reserve	25,000	25,000
<u>Incomplete asset improvement projects</u>	<u>2,518,400</u>	<u>1,703,600</u>
	8,448,403	6,798,571
Water Fund:		
Infrastructure reserve	3,419,468	2,704,197
Debt retirement reserve	18,571	12,502
<u>Operating reserve</u>	<u>500,100</u>	<u>269,100</u>
	3,938,139	2,985,799
	<u>\$ 43,321,852</u>	<u>\$ 37,671,463</u>

## 13. 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.

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 13. Commitments and contingencies (continued):

(b) Third party claims:

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

(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 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:

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2020	\$	26,490
2021		18,192
2022		15,380
2023		14,721
2024		5,454
	\$	80,237

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# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 13. Commitments and contingencies (continued):

### (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
Oxford water facility security installation	\$ 251,460	\$ 95,499
Sewer CCTV inspection and smoke testing program	297,115	151,779
Sanitary and storm sewer rehabilitation	565,857	378,967
Roper inlet modifications	316,813	258,133
Pedestrian railway crossings	3,224,032	37,373
Janitorial services	1,240,481	620,240

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.

### (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	2019	2018
1667	Sanitary Sewers - Local Improvement	\$ 7,364	\$ 7,364
2098	Water Utility Acquisition Advance Payment	180,771	180,771
2163	Water System Infrastructure Construction	104,802	104,802
2178	Water System Infrastructure Construction	88,549	88,549
2179	Water Treatment Facilities Construction	36,988	36,988
		\$ 418,474	\$ 418,474

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

**DRAFT – JUNE 30, 2020**



# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 13. Commitments and contingencies (continued):

- (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 34 Class A and 20 Class B shares issued and outstanding as at December 31, 2019). 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.

## 14. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The board of trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local government and 150 contributors from the City.

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

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

The City paid \$1,224,200 (2018 - \$1,196,300) for employer contributions to the Plan in fiscal 2019.

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 15. Collections for other governments:

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

	2019	2018
Province of British Columbia - school tax	\$ 12,644,936	\$ 12,089,695
South Coast BC Transportation Authority - Translink tax	2,418,125	2,243,642
Other regional bodies	864,395	857,923
	<u>\$ 15,927,456</u>	<u>\$ 15,191,260</u>

## 16. Sales of services and other revenue:

	2019	2018
Parking	\$ 2,590,243	\$ 3,001,058
Parks, recreation and cultural services	1,725,394	1,671,573
Licences and permits	2,441,300	2,033,426
Solid waste services	1,547,475	1,544,582
Utility service connection fees	567,315	773,129
Community amenity contributions	8,430,000	12,914,101
Interest and penalties	2,586,756	2,203,927
Contributions toward tangible capital asset improvements	4,254,141	1,202,672
Other	1,740,005	1,971,191
	<u>\$ 25,882,629</u>	<u>\$ 27,315,659</u>

## 17. Government transfers:

Government grant revenue is comprised of the following government transfers:

	2019	2018
Federal	\$ 2,453,684	\$ 5,815,527
Provincial	2,118,250	3,970,676
	<u>\$ 4,571,934</u>	<u>\$ 9,786,203</u>

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 18. Contractual rights:

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

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2019	\$ 322,465
2020	299,329
2021	295,370
2022	259,426
2023	267,870
Thereafter	6,000
	<hr/>
	\$ 1,450,460

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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.

## 19. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the City's future cash flows, and may have an impact on the City's future operations. Potential impacts on the City's business could include future decreases in revenue and expenses that coincide with the closure of parking, facilities, and programs. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the City is not practicable at this time.

## 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.

# THE CORPORATION OF THE CITY OF WHITE ROCK

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 20. Segmented information (continued):

### **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, 2019

## 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	2019	2018
<b>Revenue:</b>											
<b>Property taxes:</b>											
General purposes	\$ 22,578,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,578,634	\$ 21,638,551
Regional library levy	-	-	-	963,402	-	-	-	-	-	963,402	934,205
Business improvement levy	356,190	-	-	-	-	-	-	-	-	356,190	346,379
	22,934,824	-	-	963,402	-	-	-	-	-	23,898,226	22,919,135
Receipts in lieu of taxes	25,564	-	-	-	-	-	-	-	-	25,564	27,551
Development cost charges	-	-	-	560,290	-	20,000	18,272	-	-	598,562	3,014,745
Sanitary sewer fees and parcel tax	-	-	-	-	-	3,471,889	-	-	(27,573)	3,444,316	3,523,309
Drainage user fees	-	-	-	-	-	-	2,531,498	-	-	2,531,498	2,413,036
Water user fees	-	-	-	-	-	-	-	4,945,865	(173,368)	4,772,497	4,635,515
<b>Sales of services and other revenue:</b>											
Parking	-	-	2,590,243	-	-	-	-	-	-	2,590,243	3,001,058
Parks, recreation, and cultural services	-	-	-	1,725,394	-	-	-	-	-	1,725,394	1,671,573
Licences and permits	45,200	2,396,100	-	-	-	-	-	-	-	2,441,300	2,033,426
Solid waste services	-	-	-	-	1,547,475	-	-	-	-	1,547,475	1,544,582
Utility service connection fees	-	-	-	-	-	160,680	177,680	228,955	-	567,315	773,129
Community amenity contributions	8,430,000	-	-	-	-	-	-	-	-	8,430,000	12,914,101
Interest and penalties	2,481,155	-	-	-	-	52,214	20,000	33,387	-	2,586,756	2,203,927
Contributions toward tangible capital asset improvements	-	-	5,320	4,247,892	-	94	365	470	-	4,254,141	1,202,672
Other	2,690,032	132,139	562,395	42,975	30,610	7,328	46,896	85,399	(1,857,769)	1,740,005	1,971,191
Government grants	2,673,443	253,406	23,337	108,614	-	-	-	1,513,134	-	4,571,934	9,786,203
Developers' contributions of tangible capital assets	-	-	120,283	-	-	-	-	92,634	-	212,917	933,635
	39,280,218	2,781,645	3,301,578	7,648,567	1,578,085	3,712,205	2,794,711	6,899,844	(2,058,710)	65,938,143	74,568,788
<b>Expenses:</b>											
Salaries, wages and benefits	4,643,757	5,727,802	2,430,242	2,995,175	595,114	278,919	350,057	1,396,237	(997,636)	17,419,667	16,171,235
Contracted services	1,405,229	4,784,265	1,739,349	4,209,433	519,977	2,195,560	508,112	892,769	(532,644)	15,722,050	15,901,432
Supplies and other	1,126,036	285,297	589,738	936,904	149,159	82,678	87,360	377,961	(528,430)	3,106,703	3,504,629
Amortization	273,796	327,979	1,695,818	2,777,449	91,454	319,321	355,897	909,533	-	6,751,247	4,644,186
Interest on debt	61	-	-	-	-	13,363	-	681,243	-	694,667	672,804
	7,448,879	11,125,343	6,455,147	10,918,961	1,355,704	2,889,841	1,301,426	4,257,743	(2,058,710)	43,694,334	40,894,286
Annual surplus (deficit)	\$ 31,831,339	\$ (8,343,698)	\$ (3,153,569)	\$ (3,270,394)	\$ 222,381	\$ 822,364	\$ 1,493,285	\$ 2,642,101	\$ -	\$ 22,243,809	\$ 33,674,502

DRAFT – JUNE 30, 2020



# The Corporation of the City of White Rock

Audit Findings Report for the year ended  
December 31, 2019

*KPMG LLP*

Dated June 30, 2020 for the Finance and Audit  
Committee meeting on July 6, 2020

[kpmg.ca/audit](http://kpmg.ca/audit)

2020-07-09 Finance and  
Audit Committee  
ON TABLE  
Re: Item 5



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At the end of the day, we measure our success from the **only perspective that matters – yours**.



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# Executive summary

## 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, 2019.

This Audit Findings Report builds on the Audit Planning Report presented to the Committee on February 3, 2020.

We appreciate the assistance of management and staff in conducting our audit. We hope this audit findings report is of assistance to you for the purpose above and we look forward to discussing our findings and answering your questions.

### Changes from the Audit Plan

Due to the COVID-19 pandemic and related physical distancing protocols implemented by KPMG and the City, the year-end audit work was performed remotely, with all information required to complete the audit provided in electronic format by management. At the request of the City, the initially planned audit schedule was changed. However, all audit procedures were subsequently completed as planned. Further, there was no change to our initial risk assessment as a result of COVID-19.

We also considered the impact of the COVID-19 pandemic on the financial statements. See page 3 for further details.

### 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 amongst others:

- Completing our discussions with the Committee;
- Obtaining management’s signed representation letter;
- Obtaining evidence of Council’s acceptance of the financial statements; and
- Completion of subsequent events procedures to the date of the approval of the financial statements.

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.

### Areas of audit focus and results

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. The following are the key areas of focus of our audit:

- Subsequent event - impact of COVID-19 on the financial statements and operations;
- Tangible capital assets (“TCA”);
- Revenue recognition and deferred revenue;
- Expenses, including payroll;
- Valuation of post-employment benefits;
- Water treatment plan development;
- Contingencies; and
- Fraud risk from management override of controls.

See pages 3 to 8 for results.



# Executive summary (continued)

## Significant accounting policies and practices

There was no financial reporting impact from the new accounting standard PS 3430, *Restructuring Transactions* effective for the City's 2019 fiscal year end. 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 presentation items are in the management representation letter.

See page 9 for further details.

## 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, 2019 to the date of this report.

## Control and other observations

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

See page 10 for further details.

## Adjustments and differences

### Corrected misstatements

We identified an adjustment that was communicated to Management and subsequently corrected in the financial statements.

### Uncorrected misstatements

We did not identify any differences that remain uncorrected.

See page 5 and Appendix 2 for further details.

## Current developments and audit trends

There have been no current accounting development updates since those presented to you in our Audit Planning Report. Please refer to pages 12 to 13 for audit and industry information, and COVID-19 resources that may be of interest to you.

# Areas of audit focus

We highlight our findings in respect of areas of audit focus, including the impact of COVID-19 on the financial statements and operations.

Area of audit focus	Background	Our response and significant findings
Subsequent events - impact of COVID-19 on the financial statements and operations	<p>Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market impact. As such enhanced subsequent events procedures are warranted.</p> <p>There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:</p> <ul style="list-style-type: none"><li>– Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.</li><li>– Events that are indicative of conditions that rose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made.</li></ul>	<ul style="list-style-type: none"><li>– As the COVID-19 outbreak occurred subsequent to December 31, 2019, we discussed with management the impact and the subsequent event disclosure. Management has included additional disclosure in the notes to the financial statements (note 19) with respect to the COVID-19 event and nature of any potential impact to the City.</li><li>– We obtained an understanding of the temporary changes to process activities and controls that have been implemented due to remote working arrangements. We noted that there were no significant changes to processes or controls of the City with respect to financial reporting.</li><li>– We reviewed management’s assessment of the implications of COVID-19 to operations and the financial effects, and assessed its appropriateness. We noted there are no adjusting impacts to the fiscal 2019 financial statements.</li><li>– Actions undertaken by the City as of the date of this report and potential future financial implications are as follows:<ul style="list-style-type: none"><li>▪ Closure of several City facilities based on public health recommendations to slow the transmission;</li><li>▪ Mandatory working from home requirements for those able to do so;</li><li>▪ Potential impact to working arrangements; and</li><li>▪ Potential future decreases in revenue and expenses that coincide with the closure of parking, facilities, and programs.</li></ul></li><li>– See page 13 for further details on KPMG COVID-19 resources available.</li></ul>

# Areas of audit focus (continued)

Area of audit focus	Background	Our response and significant findings
Tangible capital assets ("TCA")	<p>As tangible capital assets are a significant part of the City's financial statements, there is a need to ensure that the assets have been properly capitalized, amortized, and retired (when applicable), and contributed assets are appropriately recorded.</p> <p>In 2019, the City incurred \$19,568,528 (2018 - \$40,110,852) of capital expenditures and received \$212,917 (2018 - \$933,635) of contributed tangible capital assets from developers. As at December 31, 2019, the City has recorded TCA totaling \$156,440,877 (2018 - \$143,474,439).</p>	<ul style="list-style-type: none"> <li>- We updated our understanding of the process activities and controls over tangible capital assets.</li> <li>- We obtained the tangible capital assets continuity schedule, verified its mathematical accuracy, and performed substantive procedures over additions, disposals, transfers, and other adjustments.</li> <li>- We tested asset additions including inspection of supporting documentation to determine if additions are capital in nature and amounts recorded are accurate.</li> <li>- We selected a sample of contributed assets and agreed the fair value on the date the assets were received to supporting documentation.</li> <li>- We tested asset dispositions including inspection of supporting documentation and assessed appropriateness of the gain or loss recorded.</li> <li>- We reviewed the reasonableness of estimated useful lives and amortization recognized.</li> <li>- We assessed management's assessment of impairment for TCA and noted there were no factors affecting the carrying value of the City's asset.</li> <li>- We reviewed the financial statement note disclosure to ensure it is complete and accurate.</li> </ul> <p>Based on the audit procedures performed, no significant issues and no audit adjustments were noted.</p>

# Areas of audit focus (continued)

Area of audit focus	Background	Our response and significant findings
<p>Revenue recognition and deferred revenue</p>	<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 DCCs total \$13,042,532 (2018 - \$9,533,500) as at December 31, 2019. The City’s revenues total \$65,938,143 (2018 - \$74,568,788) for the year ended December 31, 2019.</p>	<ul style="list-style-type: none"> <li>– We updated our understanding of the process activities over revenues and contributions received, amounts spent as well as deferral of unspent amounts.</li> <li>– We evaluated the design and implementation of controls over contributions received and expenditures incurred, as well as management’s review of related balances.</li> <li>– 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.</li> <li>– 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.</li> <li>– For DCC’s we reviewed the year-end fund balances and assessed whether any funds had negative balances. During our review of DCC expenditures and the related fund balances, we noted a land purchase was funded through the DCC parkland fund in excess of the approved bylaw maximum amount by \$364,310. As a result of this, an adjustment has been made to properly record the funding of the land purchase from the community amenity reserve. We have included the adjustment in the Summary of Corrected Misstatements in Appendix 2.</li> <li>– 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.</li> </ul> <p>Except as noted above, no significant issues and no other adjustments were noted.</p>

# Areas of audit focus (continued)

Area of audit focus	Background	Our response and significant findings
Expenses, including payroll	The City's expenses are closely monitored against Council approved budgets.	<ul style="list-style-type: none"> <li>– We updated our understanding of the process activities and controls for expenses, including payroll.</li> <li>– We analyzed the change in expenses relative to the prior year based on changes in operations.</li> <li>– We analyzed the change in payroll expense relative to the prior year based on changes in head count and pay rates. We also performed testing over head counts and pay rates changes.</li> <li>– We performed a search for unrecorded liabilities and ensured expenses were recorded in the appropriate fiscal year.</li> </ul> <p>Based on the audit procedures performed, no significant issues and no audit adjustments were noted.</p>
Valuation of Post – Employment Benefits	The City provides post-employment benefits to its employees, creating a liability. Due to the variety of factors involved in calculating the estimate, a high degree of estimation uncertainty exists. The City engages George & Bell Consulting Inc. as an external expert to perform the actuarial valuation of its post-employment benefits.	<ul style="list-style-type: none"> <li>– We obtained the report prepared by George &amp; Bell Consulting Inc. and agreed the amount recorded in the general ledger to the report.</li> <li>– We performed an analytical review over the amounts recorded.</li> <li>– We assessed the reasonableness of the significant assumptions used in the valuation, including changes in assumptions from the prior year.</li> <li>– We performed testing over the data provided by the City to George &amp; Bell Consulting Inc. for completeness and accuracy.</li> <li>– We reviewed the financial statement note disclosure for accuracy and completeness.</li> </ul> <p>Based on the audit procedures performed, no significant issues and no audit adjustments were noted.</p>

# Areas of audit focus (continued)

Area of audit focus	Background	Our response and significant findings
<p>Water treatment plant development</p>	<p>In 2017, 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> <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.</p> <p>As at December 31, 2019 a total of \$ 13,600,866 (2018 - \$11,774,868) of eligible costs have been incurred for the project. Of total project costs incurred, 83% or \$11,288,719 (2018 - \$9,773,140) is the portion of the Federal and Provincial contributions which has been recognized to revenue. Subsequent to year end, the City and the Province entered into a modification agreement to extend the contract end date to October 1, 2020.</p>	<ul style="list-style-type: none"> <li>- We reviewed the agreement and the modification 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, 2019. As at the date of this report, the City is in compliance with all stipulations of the agreement.</li> <li>- We vouched a sample of claims to the Province and Federal government and associated payments received through the year and found the amounts recognized to revenue to be appropriate.</li> </ul> <p>Based on the audit procedures performed, no significant issues and no audit adjustments were noted.</p>
<p>Contingencies</p>	<p>There are various lawsuits or claims pending against and by the City. Management and the City’s external legal counsel assess the outcome of such claims and any impact on the financial statements.</p>	<ul style="list-style-type: none"> <li>- We discussed legal claims with management as well as reviewed legal invoices and Council meeting minutes.</li> <li>- We obtained written confirmation from the City’s external legal counsel and noted that amounts have been accrued for outcomes which are likely and the contingent loss amount is estimable at year end.</li> <li>- Note disclosure with respect to third party claims has been included in the financial statements.</li> </ul>

# Audit risks

## Professional requirements

Fraud risk from management override of controls.

## Why Significant

This is a presumed fraud risk under professional audit standards.

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.

Based on our audit work performed, there were no issues noted.

# Significant accounting policies and practices



## Significant accounting policies

### Significant accounting policies

- Significant accounting policies and practices are disclosed in Note 1 to the financial statements.
- There were no changes to the critical or significant accounting policies and practices during fiscal 2019.
- Section 3430, *Restructuring Transactions* is effective for the City's 2019 fiscal year. There was no impact on the financial statements from the adoption of the new accounting standard.
- There are 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 transactions.

### Critical accounting estimates

- There were no issues 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.

### Critical disclosures and financial statement presentation

- There were no issues noted with the judgements 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.
- There is a note disclosure describing the nature and impact of COVID-19 included in the financial statements.



# Control and other 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 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 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.

# Technology in the audit

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
<b>Journal Entry Analysis</b>	<ul style="list-style-type: none"><li>- Utilized application software to evaluate the completeness of the journal entry population through a roll-forward of 100% of the accounts.</li><li>- Utilized computer-assisted audit techniques (“CAATs”) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.</li><li>- We did not note any misstatements or other matters to discuss with the Committee.</li></ul>

# Current developments - Thought Leadership

Our discussions with you, our audit opinion, and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
<b>2019 Audit Quality and Transparency Report</b>	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	<a href="#">Link to report</a>
<b>Put your data to work to gain competitive advantage</b>	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	<a href="#">Link to report</a>
<b>Predictive analytics, it works</b>	CEOs recognize the value that predictive analytics delivers to their decision-making process.	<a href="#">Link to report</a>
<b>Creating the workforce of the future</b>	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	<a href="#">Link to report</a>
<b>Accelerate</b>	Introducing the new 2019/2020 Accelerate report, a KPMG report and video series offering insight into the key issues driving the Finance and Audit Committee agenda, including: <ul style="list-style-type: none"><li>– Digital disruption of the finance function;</li><li>– Digital business brings increased cyber risk;</li><li>– Taking the lead on data privacy;</li><li>– Boards bracing for climate change; AND</li><li>– Future-proofing your ERM.</li></ul>	<a href="#">Link to report</a>

# Current developments - Response to COVID-19 Pandemic

Resources	Summary	Links
<b>Resources for Management, Council, and Committee members</b>	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by Federal, Provincial and Municipal news releases.</p> <ul style="list-style-type: none"><li>• Business continuity guide;</li><li>• Immediate actions to take;</li><li>• Medium to long-term actions;</li><li>• Tax considerations and a summary of Federal and Provincial programs;</li><li>• Legal considerations;</li><li>• Financial reporting and audit considerations; and</li><li>• Global perspectives.</li></ul>	<a href="#">COVID-19 Alerts (Live Link)</a>
<b>Return to the workplace</b>	<p>As all levels of government begin to take steps toward re-opening the country and restarting our economy, planning for the return to a physical workplace is quickly becoming a top priority for many organizations. With the guidelines for the pandemic continuing to evolve daily, there are many considerations, stages and factors employers need to assess in order to properly develop a robust action plan which can ensure the health and safety of their workforce.</p> <p>We have put together a <i>KPMG Return to the Workplace</i> guide to support an organization's planning efforts in preparing to return to physical workplace. Our guide includes a list of considerations, stages and factors that can help establish a robust action plan for your organization to safely return to work. The guide is supported by a dynamic playbook, which our team has developed to outline a comprehensive list of actions an organization can take, based on their unique situation and immediate needs.</p>	<a href="#">Website link</a>  <a href="#">Link to guide</a>



**Appendix 1: Required communications**



**Appendix 2: Management representation letter**

# 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, copies of the management representation letter are provided to the Committee. The management representation letter is attached in Appendix 2.



## Independence

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

# Appendix 2: Management Representation Letter

## MANAGEMENT REPRESENTATION LETTER

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

July \_\_\_\_, 2020

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 financial statements of the City of White Rock (the "City") as at and for the period ended December 31, 2019.

*General:*

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

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

*Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 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 ("relevant information"), such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
  - c) providing you with unrestricted access to such relevant information.



- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

*Internal control over financial reporting:*

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

*Fraud & non-compliance with laws and regulations:*

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of that involves management, employees who have significant roles in internal control over financial reporting or others where such fraud or suspected fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

*Subsequent events:*

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

*Related parties:*

- 5) We have disclosed to you the identity of the City's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

*Estimates:*

- 8) 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.

*Misstatements:*

- 11) We approve the corrected misstatement identified by you during the audit described in **Attachment II**.

*Non-SEC registrants or non-reporting issuers:*

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

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

Yours very truly,

---

Colleen Ponzini, Director, Financial Services

---

Shannon Johnston, Manager, Budgets & Accounting

cc:

Council

DRAFT

## ***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.

DRAFT

**Attachment II – Summary of Audit Misstatements Schedules**

**Summary of Uncorrected Audit Misstatements**

There were no uncorrected audit misstatements noted.

**Summary of Corrected Audit Misstatements**

	<b>Current Year Uncorrected Misstatements</b>	<b>Annual Surplus (Increase) / Decrease</b>	<b>Asset Increase / (Decrease)</b>	<b>Liability (Increase) / Decrease</b>	<b>Accumulated Surplus (Increase) / Decrease</b>
1	Dr. Development cost charges (“DCC”) revenue Cr. Deferred Parkland DCC <i>To reverse amounts funded through Parkland DCC in excess of maximum approved per bylaw.</i>	364,310 -	- -	- (364,310)	- -
	<b>Total</b>	<b>364,310</b>	<b>-</b>	<b>(364,310)</b>	<b>-</b>

DRAFT

[kpmg.ca/audit](https://kpmg.ca/audit)



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The image features a dark blue background with white, wavy, abstract shapes on the left side. On the right, a photograph shows a long wooden pier extending into the ocean at dusk. The pier is illuminated by a series of streetlights with arched tops, and the lights reflect on the water's surface. The sky is a deep twilight blue.

# WHITE ROCK

*My City by the Sea!*

# City of White Rock Financial Statements for the Year Ended December 31, 2019

- 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 Aug 31, 2020
- Integral component of the City's 2019 Annual Report



# City of White Rock Financial Statements for the Year Ended December 31, 2019

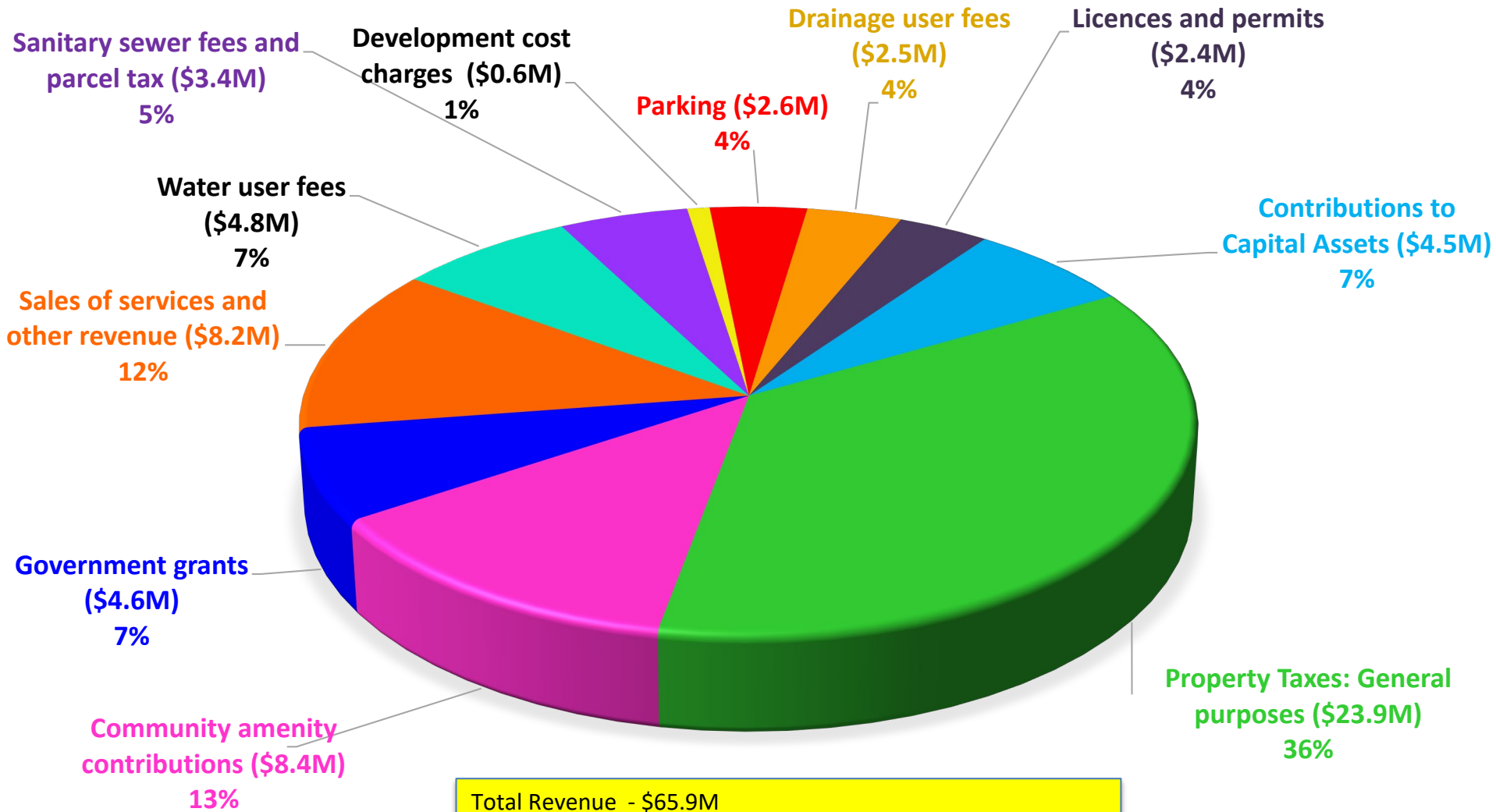
- **Consist of:**
  - **Statement of Financial Position**
  - **Statement of Operations**
  - **Statement of Changes in Net Financial Assets**
  - **Statement of Changes in Cash Flows**
  - **Notes to Financial Statements**
  - **Independent Auditor's Report**

# Statement of Operations

## Year-ended December 31, 2019

(000's)	2019 Actual	2019 Budget (April 2019)	Variance
Revenue	\$65,938	\$68,763	(\$2,825)
Less Expenses	43,694	47,340	<b>3,646</b>
<b>Annual Surplus</b>	<b>\$22,244</b>	<b>\$21,423</b>	<b>\$821</b>
<b>Accumulated Surplus, beginning of year</b>	<b>\$183,052</b>	<b>\$183,052</b>	–
<b>Accumulated Surplus, end of year</b>	<b>\$205,296</b>	<b>\$204,475</b>	<b>\$821</b>

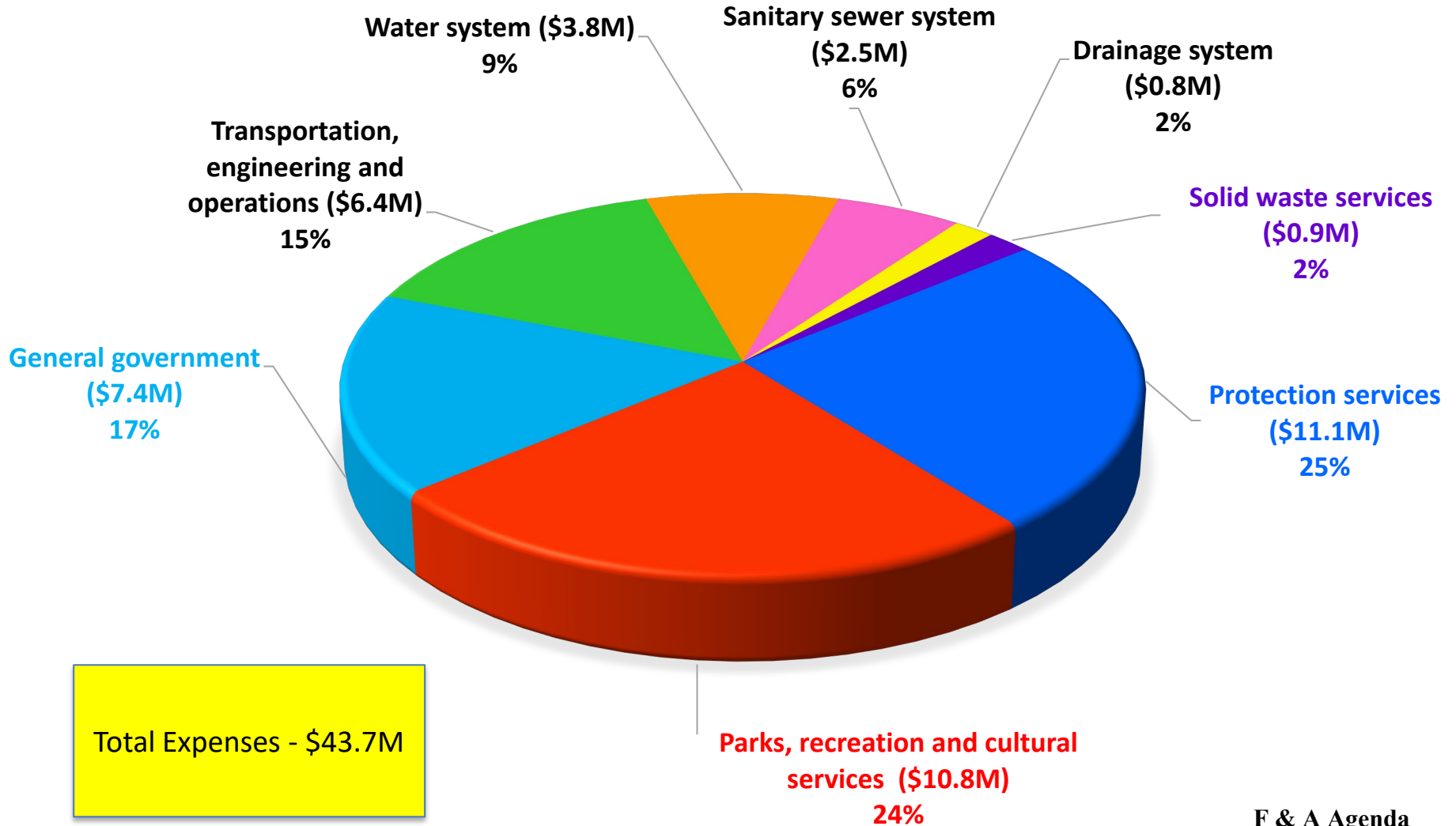
# 2019 REVENUES



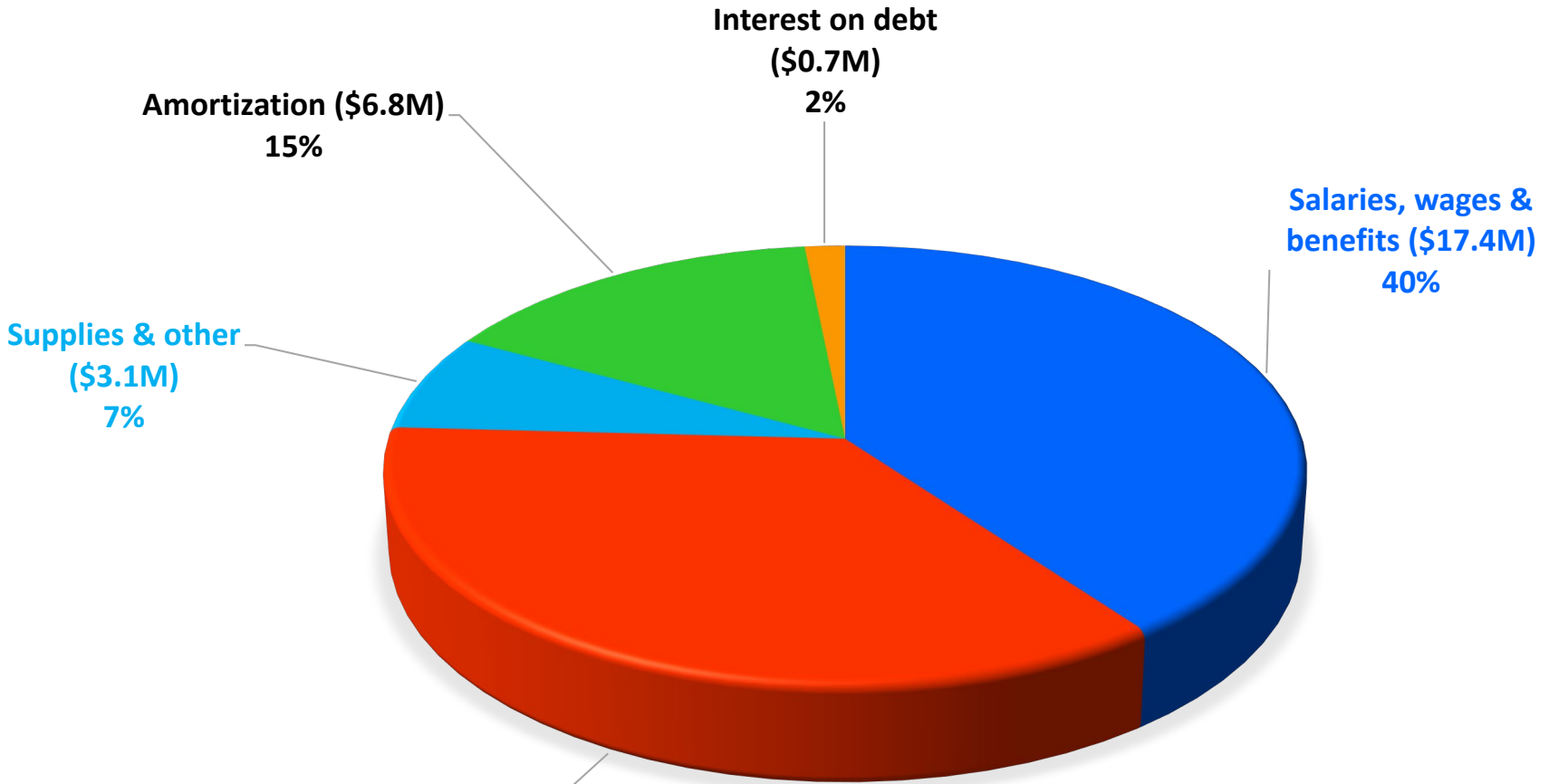
Total Revenue - \$65.9M

\*Property Taxes include general municipal, FVRL & BIA Levies

# 2019 EXPENSES

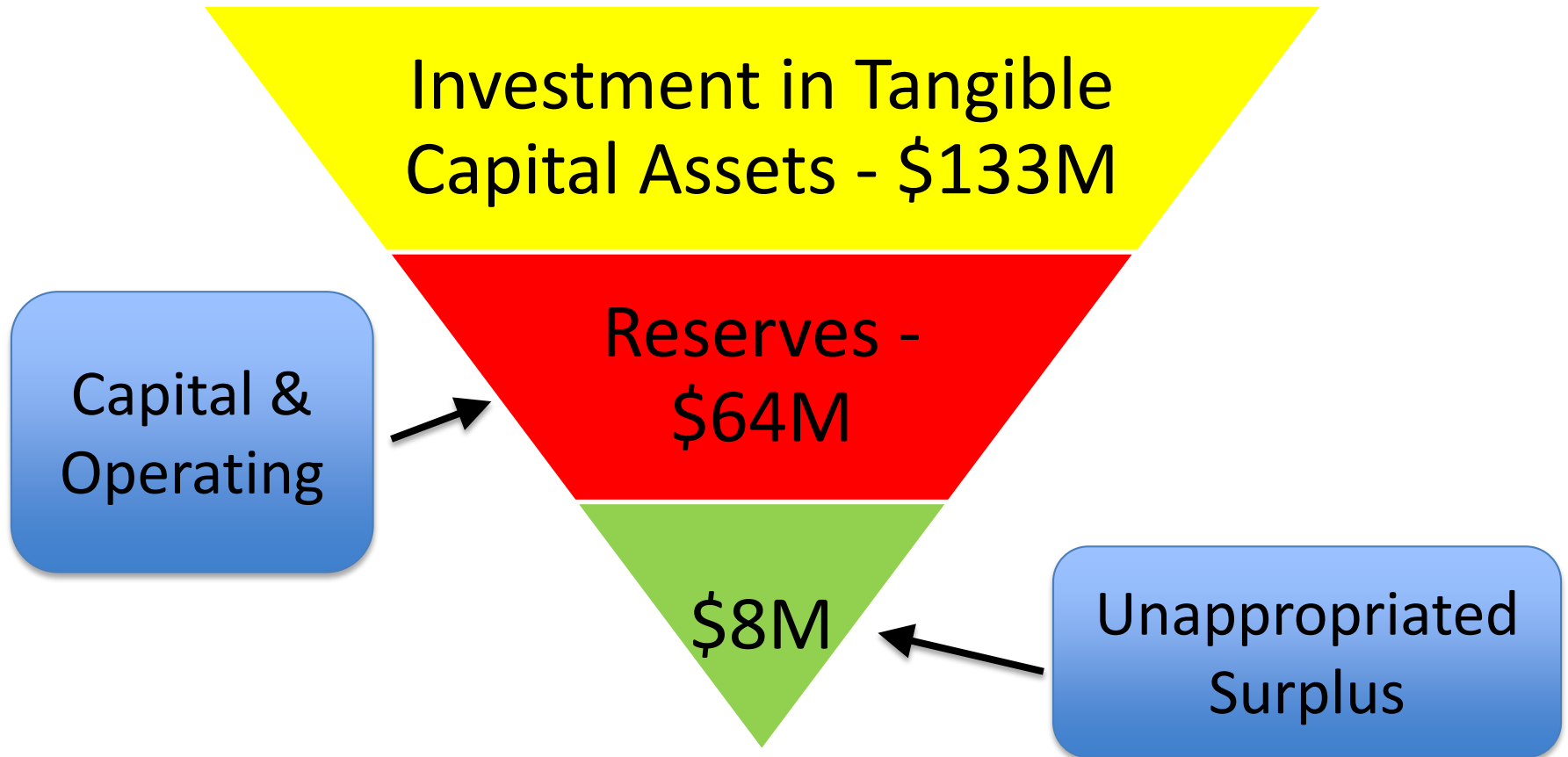


# 2019 EXPENSES BY CATEGORY

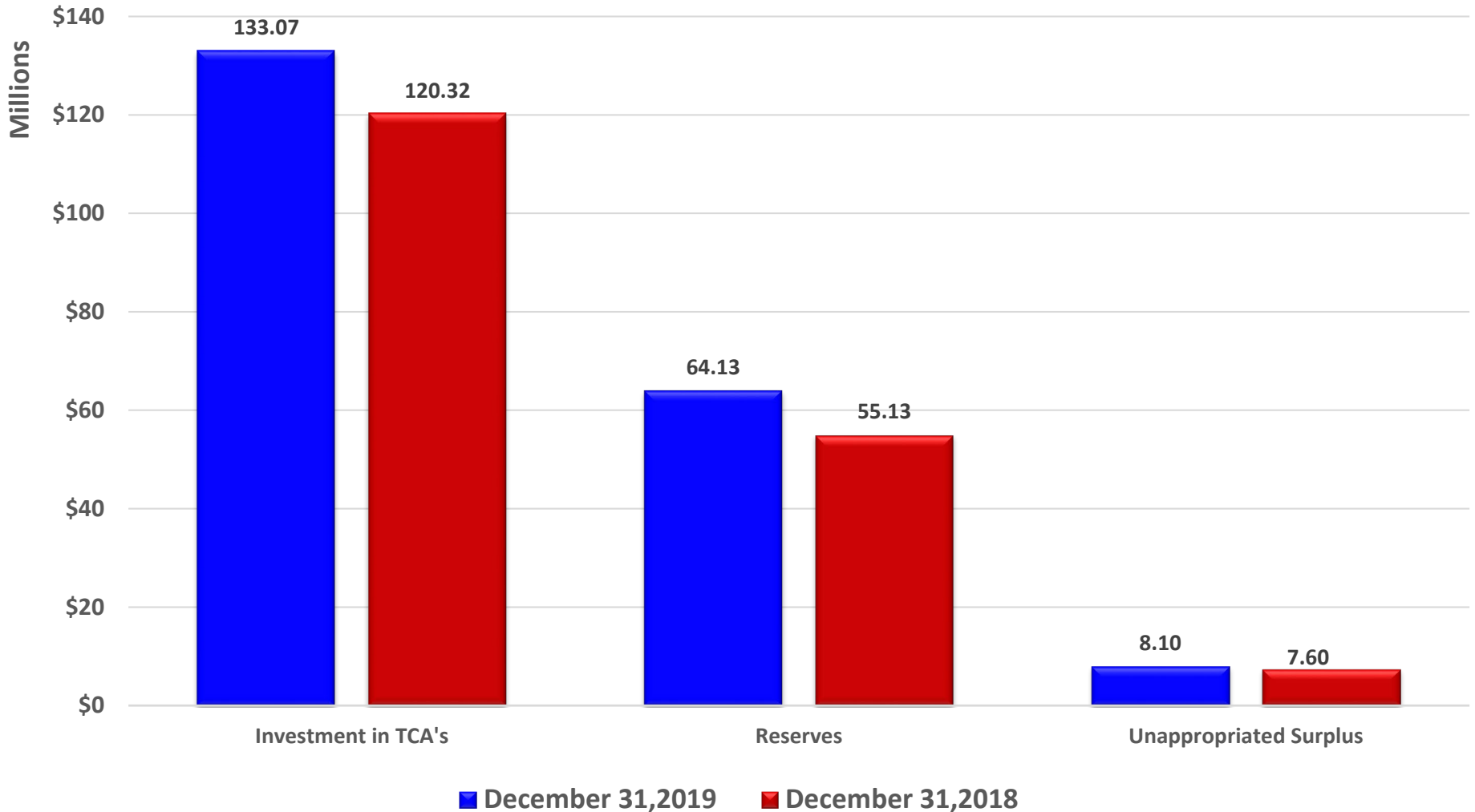


Total Expenses - \$43.7M

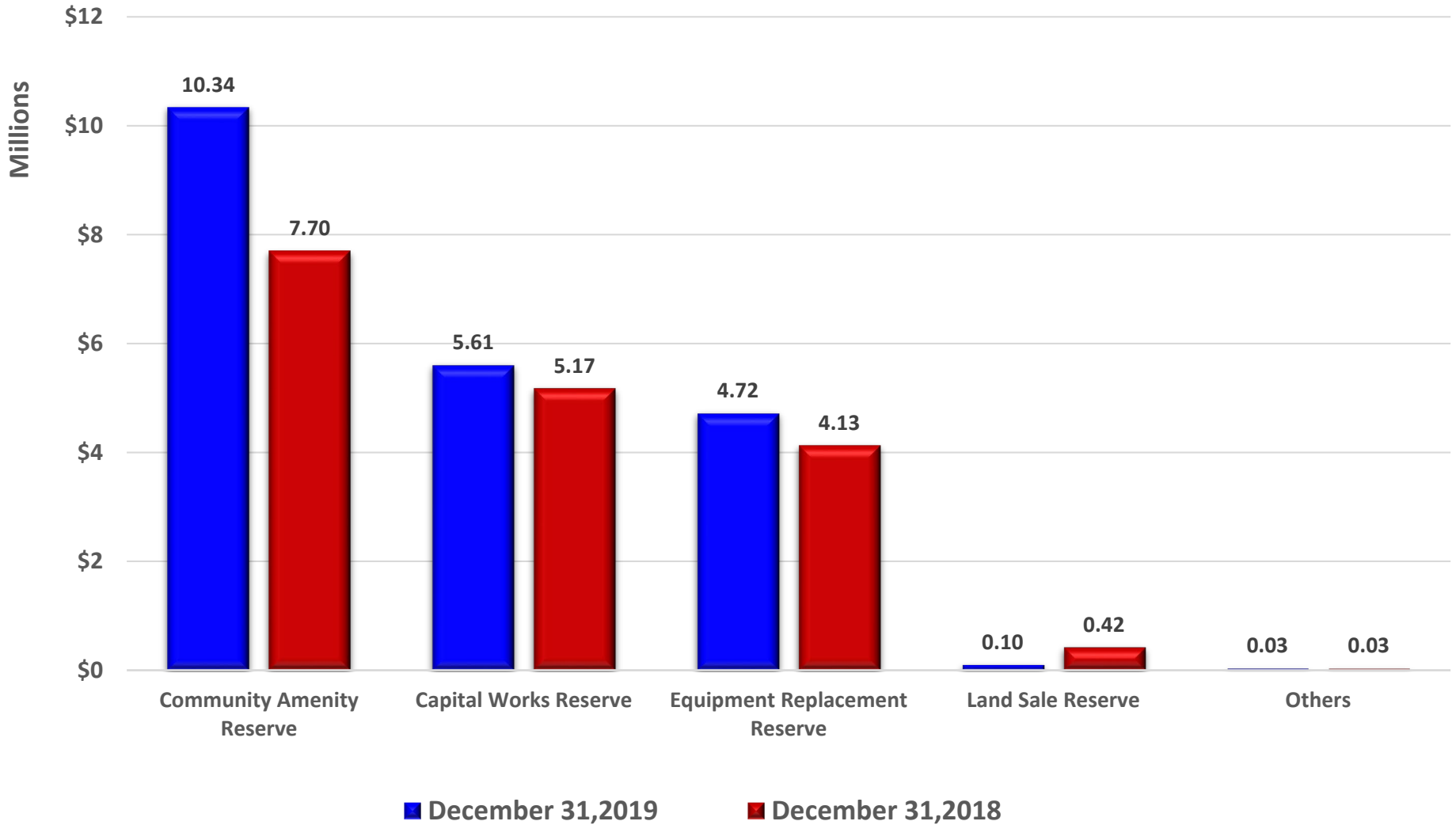
# ACCUMULATED SURPLUS (ALL FUNDS) DECEMBER 31, 2019 - \$205M



# Accumulated Surplus

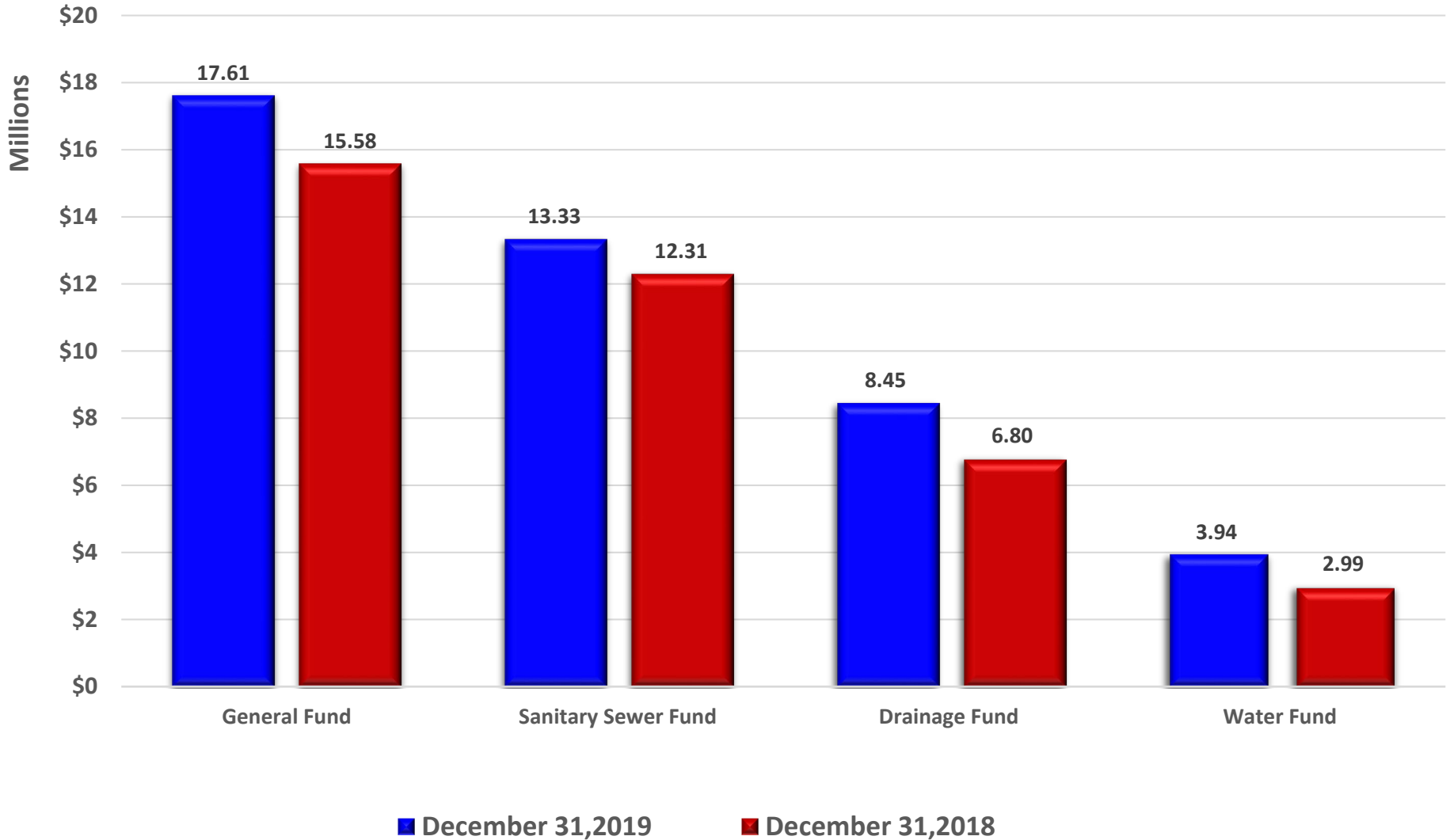


# Reserves Established by Bylaw





# Other Reserves



# Debt as of December 31, 2019 (000's)

Year*	Purpose	Amount Borrowed	Amount Outstanding as of Dec 31, 2019
2003	Terry Road Local Improvement – Sanitary Sewer Service	\$225	\$64
2016	Water Utility Acquisition Advance Payment	\$14,250	\$13,393
2017	Water System Infrastructure	\$8,281	\$7,645
2018	Water System Infrastructure	<u>\$2,275</u>	<u>\$2,227</u>
		<u>\$25,031</u>	<u>\$23,329</u>

\*Year financing was locked in

# Status of Internal Borrowing as of December 31, 2019

## Internal Loan from General Fund Accumulated Surplus:

### 2015 Loan to Water Fund

Balance as at Dec. 31, 2018: **\$245,000**

Less annual repayment **35,000**

Balance as at Dec. 31, 2019 **\$210,000**

# City of White Rock Financial Statements for the Year Ended December 31, 2019

**It is recommended that Finance and Audit Committee  
accept, on behalf of City Council,  
the 2019 Financial Statements as presented**