



Financial Statements

Year ended
December 31, 2005

The Corporation of the

City of White Rock

Director of Financial Services Report

Mayor and Council,

It is my pleasure to present the City of White Rock's Financial Statements for the fiscal year ended December 31, 2005 pursuant Section 167 of the Community Charter. The statements have been prepared in accordance with the Public Sector Accounting Board principles established by the Canadian Institute of Chartered Accountants.

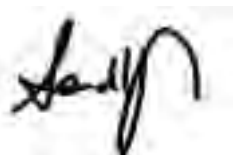
The preparation and presentation of the Financial Statements and related information are the responsibility of management of the City of White Rock. This involves the use of management's best estimates and careful judgement. The City maintains a system of internal accounting controls designed to provide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

KPMG LLP, the City's independent auditors, have audited the financial statements contained herein and their reports accompany the statements.

Financial activities during the year contributed to an increase of \$826,661 in the City's financial equity, which is a combination of reserves and surpluses. Total financial equity was \$12,780,691 as of December 31, 2005 and a significant portion of this amount will be used to fund capital projects in future years.

Debt outstanding as of December 31, 2005 was \$803,860, compared to \$1,209,117 on December 31, 2004. It is comprised of \$571,860 in long-term debenture debt and \$232,000 in short-term financing. Of the long-term debenture debt, \$361,203 will be fully repaid in 2007. Annual payments on the remaining long-term debt are being recovered from the residents of the local area served by a new sanitary sewer service. Short-term financing in the amount of \$232,000 relates to the 2003 acquisition of certain properties and will also be fully repaid in 2007.

In summary, the City ended the year 2005 in a sound financial position.



SANDRA KURYLO, B. Comm., C.M.A.

Director of Financial Services



Auditors' Report



KPMG LLP
Chartered Accountants
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To the Mayor and Council

We have audited the statement of financial position of The Corporation of the City of White Rock (the "City") as at December 31, 2005 and the statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2005 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada

March 29, 2006

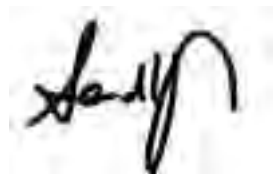
Statement of Financial Position

December 31, 2005

| | 2005 | 2004 |
|-----------------------------------------------------|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents (note 3) | \$ 23,678,072 | \$ 18,362,009 |
| Accounts receivable (note 5) | 1,188,007 | 1,603,984 |
| | <u>24,866,079</u> | <u>19,965,993</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 3,752,877 | 2,902,327 |
| Refundable performance deposits (notes 4 and 13(h)) | 3,545,538 | 1,054,234 |
| Capital lease obligation (note 7) | 24,213 | 30,504 |
| Debt, net of sinking fund deposits (note 8) | 803,860 | 1,209,117 |
| Deferred revenue (note 9) | 4,786,973 | 4,055,402 |
| | <u>12,913,461</u> | <u>9,251,584</u> |
| Net Financial Assets | 11,952,618 | 10,714,409 |
| Capital assets (note 10) | 82,077,376 | 77,755,822 |
| | <u>\$ 94,029,994</u> | <u>\$ 88,470,231</u> |
| Equity | | |
| Financial equity: | | |
| Reserves | \$ 10,679,291 | \$ 9,852,630 |
| Surplus (note 11) | 2,101,400 | 2,101,400 |
| | <u>12,780,691</u> | <u>11,954,030</u> |
| Capital equity (note 12) | 81,249,303 | 76,516,201 |
| | <u>\$ 94,029,994</u> | <u>\$ 88,470,231</u> |

Commitments and contingencies (note 13)

See accompanying notes to financial statements.



Director of Financial Services

Statement of Financial Activities

Year ended December 31, 2005

| | 2005 Budget (note 2(b)(vii)) | 2005 | 2004 |
|-------------------------------------------------------|---------------------------------|---------------|---------------|
| Revenue: | | | |
| Property taxes: | | | |
| General and debt purposes | \$ 13,038,032 | \$ 13,038,590 | \$ 12,948,932 |
| Regional library and fire protection levies | 870,076 | 870,124 | 755,802 |
| Business improvement levy | 180,000 | 180,001 | - |
| | 14,088,108 | 14,088,715 | 13,704,734 |
| Receipts in lieu of taxes | 13,651 | 13,652 | 12,657 |
| Development levies | 335,851 | 179,456 | 91,721 |
| Sanitary sewer fees and frontage tax | 2,250,400 | 2,271,648 | 2,250,017 |
| Drainage user fees | 1,087,200 | 1,087,675 | 696,140 |
| Sales of services and other revenue from own sources: | | | |
| Pay parking | 2,529,000 | 2,349,445 | 2,495,829 |
| Parks, leisure and cultural services | 768,270 | 872,957 | 852,999 |
| Licences and permits | 652,300 | 1,089,012 | 837,222 |
| Interest and penalties | 433,000 | 633,361 | 460,960 |
| Other | 732,659 | 1,040,538 | 1,446,478 |
| Government grants | 286,329 | 312,139 | 268,108 |
| Proceeds from disposal of capital assets | - | 24,200 | - |
| | 23,176,768 | 23,962,798 | 23,116,865 |
| Expenditures: | | | |
| General government | 3,223,911 | 2,876,805 | 2,493,181 |
| Protection services | 6,991,534 | 6,590,109 | 6,145,204 |
| Transportation, engineering and operations | 2,727,064 | 2,666,998 | 2,542,756 |
| Parks, leisure and cultural services | 3,525,320 | 3,530,229 | 3,240,276 |
| Solid waste services | 866,893 | 941,120 | 873,849 |
| Sanitary sewer system | 1,322,780 | 1,316,674 | 1,327,615 |
| Drainage system | 316,900 | 257,955 | 307,938 |
| Interest on debt | 134,784 | 134,145 | 137,665 |
| Capital expenditures | 6,477,089 | 4,410,554 | 2,215,177 |
| | 25,586,275 | 22,724,589 | 19,283,661 |
| Excess (deficiency) of revenue over expenditures | (2,409,507) | 1,238,209 | 3,833,204 |
| New debt issued | - | - | 114,320 |
| Principal payments on debt | (405,252) | (405,257) | (370,207) |
| Principal payments on capital leases | (6,590) | (6,291) | - |
| Capital lease proceeds | - | - | 30,504 |
| Increase (decrease) in financial equity | (2,821,349) | 826,661 | 3,607,821 |
| Financial equity, beginning of year | 11,954,030 | 11,954,030 | 8,346,209 |
| Financial equity, end of year | \$ 9,132,681 | \$ 12,780,691 | \$ 11,954,030 |

See accompanying notes to financial statements.

Statement of Changes in Financial Position

Year ended December 31, 2005

| | 2005 | 2004 |
|-----------------------------------------------------------------|---------------|---------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenditures | \$ 1,238,209 | \$ 3,833,204 |
| Changes in non-cash operating working capital: | | |
| Decrease (increase) in accounts receivable | 415,977 | (334,350) |
| Increase (decrease) in accounts payable and accrued liabilities | 850,550 | (100,523) |
| Increase in refundable performance deposits | 2,491,304 | 329,455 |
| Increase in deferred revenue | 731,571 | 425,413 |
| | 5,727,611 | 4,153,199 |
| Financing: | | |
| New debt issued | - | 114,320 |
| Principal payments on debt | (405,257) | (370,207) |
| Principal payments on capital leases | (6,291) | - |
| Capital lease proceeds | - | 30,504 |
| | (411,548) | (225,383) |
| Increase in cash and cash equivalents | 5,316,063 | 3,927,816 |
| Cash and cash equivalents, beginning of year | 18,362,009 | 14,434,193 |
| Cash and cash equivalents, end of year | \$ 23,678,072 | \$ 18,362,009 |

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2005

1. Operations:

The Corporation of the City of White Rock (the “City”) is incorporated under the Local Government Act of British Columbia.

2. Significant accounting policies:

The City follows Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, 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) Basis of accounting:

(i) Cash and cash equivalents:

Cash and cash equivalents include investments which are carried at the lower of cost and market value, and are comprised of money market fund investments and term deposits.

(ii) Capital assets:

Capital assets are recorded at cost, net of disposal of capital assets. Parkland contributed in lieu of paying Development Cost Charges (“DCCs”) is also capitalized. No provision has been made for the amortization of capital assets in the accounts.

(iii) Capital equity:

Capital equity reflects the accumulated historical cost of capital assets acquired, constructed or developed by the City for which no outstanding debt, including capital lease obligation, remains. Except for parkland contributed in lieu of DCCs, the value of infrastructure constructed by developers and transferred to the City at no cost is not included in equity. The costs for repairs and upgrading of capital assets, which do not materially add to the value or the life of the capital assets, are not included as capital assets or capital equity.

(iv) Revenue recognition:

Revenue is recorded on the accrual basis and is recognized when it is earned. Revenue, relating to future periods, including prepaid property taxes, is reported on the statement of financial position as deferred revenue.

(v) Development cost charges:

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 the related development costs are incurred.

Notes to Financial Statements

Year ended December 31, 2005

(vi) Expenditures:

Expenditures are generally recognized as they are incurred as a result of the receipt of goods and services or the creation of an obligation to pay. Interest expense on debenture and other debt is accrued to December 31, 2005.

(vii) Budget reporting:

The unaudited budget figures reported in the statement of financial activities represent the 2005 component of the Financial Plan Bylaw adopted by the City Council on April 25, 2005.

(viii) Employee future benefits:

The City and its employees make contributions to the Municipal Pension Plan. The City's contributions are expensed as paid.

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 benefits plans are accrued based on projected benefits prorated as employees render services necessary to earn the future benefits.

(ix) 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 expenditures during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits, allowance for doubtful accounts 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.

Notes to Financial Statements

Year ended December 31, 2005

3. Cash and cash equivalents:

| | 2005 | 2004 |
|-----------------------------------------------------------------------------------|----------------------|----------------------|
| Cash balances | \$ 2,323,660 | \$ 1,445,592 |
| Money market securities and term deposits maturing within 90 days of inception | 18,355,762 | 13,917,767 |
| MFA Money Market Fund | 2,998,650 | 2,998,650 |
| | \$ 23,678,072 | \$ 18,362,009 |

Short-term investments, including the MFA Money Market Fund, have annual yields that range from 3.0% to 3.6%.

4. Restricted assets:

Included in the assets are cash and cash equivalents of \$1,321,711 (2004 - \$925,364) and accounts receivable of nil (2004 - \$29,060) that can only be used for expenditures as provided for by the DCC Bylaw (note 9).

Also included in cash and cash equivalents is an amount of \$3,545,538 (2004 - \$1,054,234) which consists of refundable performance deposits.

5. Accounts receivable:

| | 2005 | 2004 |
|-------------------------------------|---------------------|---------------------|
| Property taxes | \$ 667,062 | \$ 636,326 |
| Amount secured by letters of credit | - | 29,060 |
| Other | 520,945 | 938,598 |
| | \$ 1,188,007 | \$ 1,603,984 |

Notes to Financial Statements

Year ended December 31, 2005

6. Post-employment obligations:

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

| | 2005 | 2004 |
|---------------------------------|-------------------|-------------------|
| Accrued benefit liability: | | |
| Balance, beginning of year | \$ 734,409 | \$ 743,794 |
| Adoption of actuarial valuation | - | (67,294) |
| Plan amendment | 91,300 | - |
| Current service cost | 56,200 | 51,300 |
| Interest cost | 35,600 | 35,600 |
| Benefits paid | (105,831) | (28,991) |
| Balance, end of year | \$ 811,678 | \$ 734,409 |

| | 2005 | 2004 |
|-----------------------------|-------------------|-------------------|
| Accrued benefit obligation: | | |
| Liability, end of year | \$ 811,678 | \$ 734,409 |
| Unamortized loss | 50,000 | - |
| Balance, end of year | \$ 861,678 | \$ 734,409 |

Starting in 2006, this actuarial loss will be amortized over a period of 11 years which is equal to the employees' average remaining service lifetime. Post-employment obligations are included in accounts payable and accrued liabilities.

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

| | 2005 | 2004 |
|------------------------------------|-------|-------|
| Discount rates | 4.50% | 4.75% |
| Expected future inflation rates | 2.50% | 2.50% |
| Expected wage and salary increases | 2.50% | 2.50% |

7. Capital lease obligation:

The City has the following capital lease obligations as of December 31, 2005:

| Year ending December 31: | |
|------------------------------------|------------------|
| 2006 | \$ 17,833 |
| 2007 | 6,942 |
| Minimum capital lease payments | 24,775 |
| Less amounts representing interest | 562 |
| | \$ 24,213 |

Notes to Financial Statements

Year ended December 31, 2005

8. Debt, net of sinking fund deposits:

The following debt is outstanding as of December 31, 2005:

| | 2005 | 2004 |
|------------------------------------------|-------------------|---------------------|
| Debentures, net of sinking fund deposits | \$ 571,860 | \$ 746,797 |
| Short-term financing | 232,000 | 462,320 |
| | <u>\$ 803,860</u> | <u>\$ 1,209,117</u> |

(a) Debentures:

The City obtains debt instruments through the Municipal Finance Authority (the "Authority") to finance certain capital expenditures. Sinking fund balances, managed through the Authority, are netted against related long-term debts. Details are as follows:

| Bylaw number | Purpose | Maturity date | Interest rate | Authorized amount | Sinking Fund Assets | | |
|----------------------|-----------------|---------------|---------------|-------------------|---------------------|-------------------|-------------------|
| | | | | | | 2005 | 2004 |
| General Fund: | | | | | | | |
| 1407 | Roads | 2007 | 6.90% | \$ 1,500,000 | \$ 1,138,797 | \$ 361,203 | \$ 529,009 |
| Sanitary Sewer Fund: | | | | | | | |
| 1667 | Sanitary Sewers | 2023 | 5.95% | 224,580 | 13,923 | 210,657 | 217,788 |
| | | | | | | <u>\$ 571,860</u> | <u>\$ 746,797</u> |

Total interest on debt is \$116,863 in 2005 (2004 - \$116,863).

The above sanitary sewer fund debt was borrowed under a Local Improvement Construction Bylaw to finance an expansion of sanitary sewer services. Annual principal and interest payments on this debt are being fully recovered from the local area residents.

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

| | General | Sanitary | Total |
|------------|-------------------|-------------------|-------------------|
| 2006 | \$ 176,198 | \$ 7,488 | \$ 183,686 |
| 2007 | 185,005 | 7,862 | 192,867 |
| 2008 | - | 8,256 | 8,256 |
| 2009 | - | 8,668 | 8,668 |
| 2010 | - | 9,102 | 9,102 |
| Thereafter | - | 169,281 | 169,281 |
| | <u>\$ 361,203</u> | <u>\$ 210,657</u> | <u>\$ 571,860</u> |

(b) Short-term financing:

In 2003, the City entered into two contracts for the acquisition of certain lands and premises. These contracts require annual principal payments to 2007. The outstanding debt balance relating to these agreements totals \$232,000 as of December 31, 2005.

Notes to Financial Statements

Year ended December 31, 2005

9. Deferred revenue:

Included in deferred revenue are DCCs (see schedule 8) in the amount of \$1,321,711 (2004 - \$954,424) (note 4).

10. Capital assets:

| | General | Sanitary Sewer | Drainage | 2005 Total | 2004 Total |
|--------------------|---------------|-------------------|--------------|---------------|---------------|
| General Government | \$ 7,594,116 | \$ - | \$ - | \$ 7,594,116 | \$ 6,865,933 |
| Fire Protection | 3,431,754 | - | - | 3,431,754 | 3,435,045 |
| Police Protection | 1,881,361 | - | - | 1,881,361 | 1,876,730 |
| Public Works | 31,330,415 | 10,910,967 | 9,486,053 | 51,727,435 | 48,547,899 |
| Recreation | 14,363,496 | - | - | 14,363,496 | 14,054,727 |
| Parks Development | 3,079,214 | - | - | 3,079,214 | 2,975,488 |
| | \$ 61,680,356 | \$ 10,910,967 | \$ 9,486,053 | \$ 82,077,376 | \$ 77,755,822 |

11. Surplus – Operating Funds:

| | General | Sanitary Sewer | Total |
|----------------------------|--------------|-------------------|--------------|
| Balance, beginning of year | \$ 1,000,000 | \$ 1,101,400 | \$ 2,101,400 |
| Surplus for the year | - | - | - |
| Balance, end of year | \$ 1,000,000 | \$ 1,101,400 | \$ 2,101,400 |

12. Capital equity:

| | 2005 | 2004 |
|--------------------------------------|---------------|---------------|
| Balance, beginning of year | \$ 76,516,201 | \$ 74,075,641 |
| Capital expenditures | 4,410,554 | 2,215,177 |
| Principal payments on debt | 405,257 | 370,207 |
| Principal payments on capital leases | 6,291 | - |
| New debt issued | - | (114,320) |
| Increase in capital lease obligation | - | (30,504) |
| Disposal of capital assets | (89,000) | - |
| Balance, end of year | \$ 81,249,303 | \$ 76,516,201 |

Notes to Financial Statements

Year ended December 31, 2005

13. Commitments and contingencies:

(a) Agreements and contractual commitments:

The City has entered into various agreements and contracts for services and construction with periods ranging from one to five years. These commitments are in the normal course of operations and are not individually material.

(b) Borrowing liability:

The City has a contingent liability with respect to debentures of the Greater Vancouver Sewerage and Drainage District and Greater Vancouver Regional District, to the extent provided for in their respective Enabling Acts, Acts of Incorporation and Amending Acts.

(c) Pension liability:

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 overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 130,000 active members and approximately 48,000 retired members. Active members include approximately 30,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The Joint Trust Agreement specifies how surplus assets can be used. The actuary does not attribute portions of the unfunded liability to individual employers. The City paid \$535,820 (2004 - \$480,726) for employer contributions to the Plan in fiscal 2005.

(d) Third party claims:

- (i) A claim in the amount of \$1.5 million was issued against the City and fourteen other parties relating to leaky condo damages. Management is currently unable to determine how this matter will be resolved and no accrual for potential liability has been recorded.
- (ii) A claim in the amount of \$2.0 million is anticipated against the City and unidentified other parties relating to leaky condo damages. Management is currently unable to determine how this matter will be resolved and no accrual for potential liability has been recorded.
- (iii) There are various other 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.

Notes to Financial Statements

Year ended December 31, 2005

(e) Lease commitment:

The City entered into a five-year agreement ending July 31, 2008 to lease certain parcels of real property from The Burlington Northern and Santa Fe Railway Company. Under the terms of this agreement, the City is committed to annual rent payments of \$300,000 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.

(f) Debt agreement with the Authority:

The City obtains debt instruments through the Authority. 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 Authority. The debt agreement with the Authority provides that if at anytime the scheduled payments provided for in the agreement are not sufficient to meet the Authority'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 Authority. The City is similarly liable on a contingent basis for the debt of other municipalities secured through the Authority. Details of the contingent demand notes at December 31, 2005 are as follows:

| | 2005 | 2004 |
|------------------|------------|------------|
| Operating funds: | | |
| General | \$ 96,378 | \$ 96,378 |
| Sanitary sewer | 7,364 | 7,364 |
| | \$ 103,742 | \$ 103,742 |

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

The City owns two class A shares of E-Comm. In accordance with Section 1.1 of the members' agreement, upon withdrawal from E-Comm, class A shareholders shall be obligated to pay to the withdrawal date as requested by E-Comm their share of the class A shareholders' obligation to any long-term capital obligations, including any lease obligations. This includes any lease obligations or repayments thereof committed to by E-Comm up to the withdrawal date.

(h) Town centre property:

In 2005, the City entered into an agreement to sell its one acre town centre property with the closing date of the sale in 2006. The City also entered into an agreement for the purchaser to provide certain offsite works to support their planned development of the town centre land. A \$2.1 million security deposit has been received from the purchaser and is shown as refundable performance deposits on the Statement of Financial Position.

Notes to Financial Statements

Year ended December 31, 2005

14. 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:

| | 2005 | 2004 |
|-------------------------------------------|----------------------|---------------------|
| Province of British Columbia - school tax | \$ 8,796,868 | \$ 8,542,279 |
| Other regional bodies | 2,166,716 | 1,407,340 |
| | <u>\$ 10,963,584</u> | <u>\$ 9,949,619</u> |

15. Expenditures by object:

| | 2005 | 2004 |
|------------------------------|----------------------|----------------------|
| Salaries, wages and benefits | \$ 8,503,453 | \$ 8,010,551 |
| Contracted services | 7,534,530 | 7,107,680 |
| Supplies and other | 2,276,052 | 1,950,253 |
| Total operating expenses | 18,314,035 | 17,068,484 |
| Capital expenditures | 4,410,554 | 2,215,177 |
| | <u>\$ 22,724,589</u> | <u>\$ 19,283,661</u> |

16. Comparative figures:

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Auditors' Report on Supplementary Information



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To the Mayor and Council

We have audited and reported separately herein on the financial statements of The Corporation of the City of White Rock as at and for the year ended December 31, 2005.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are slanted and written in a cursive-like style.

Chartered Accountants

Burnaby, Canada

March 29, 2006

General Fund - Statement of Financial Position

Schedule 1

December 31, 2005

| | 2005 | 2004 |
|------------------------------------------|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 20,262,435 | \$ 14,942,879 |
| Accounts receivable | 1,185,468 | 1,594,188 |
| | <u>21,447,903</u> | <u>16,537,067</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 3,805,924 | 2,902,831 |
| Refundable performance deposits | 3,545,538 | 1,054,234 |
| Capital lease obligation | 24,213 | 30,504 |
| Debt | 593,203 | 991,329 |
| Deferred revenue | 4,431,346 | 3,755,609 |
| | <u>12,400,224</u> | <u>8,734,507</u> |
| Net Financial Assets | 9,047,679 | 7,802,560 |
| Capital assets (schedule 7) | 61,680,356 | 59,272,957 |
| | <u>\$ 70,728,035</u> | <u>\$ 67,075,517</u> |
| Financial Equity | | |
| Reserves | \$ 8,665,095 | \$ 7,824,393 |
| Surplus | 1,000,000 | 1,000,000 |
| | <u>9,665,095</u> | <u>8,824,393</u> |
| Capital equity | 61,062,940 | 58,251,124 |
| | <u>\$ 70,728,035</u> | <u>\$ 67,075,517</u> |

General Fund - Statement of Financial Activities

Schedule 2

Year ended December 31, 2005

| | 2005 Budget | 2005 | 2004 |
|----------------------------------------------------------|---------------|---------------|---------------|
| Revenue: | | | |
| Property taxes: | | | |
| General and debt purposes | \$ 13,038,032 | \$ 13,038,590 | \$ 12,948,932 |
| Regional library and fire protection levies | 870,076 | 870,124 | 755,802 |
| Business improvement area levy | 180,000 | 180,001 | - |
| | 14,088,108 | 14,088,715 | 13,704,734 |
| Grants in lieu of taxes | 13,651 | 13,652 | 12,657 |
| Development levies | 87,400 | 11,619 | - |
| Sales of services and other revenue from own sources: | | | |
| Pay parking | 2,529,000 | 2,349,445 | 2,495,829 |
| Parks, leisure and cultural services | 768,270 | 872,957 | 852,999 |
| Licences and permits | 652,300 | 1,089,012 | 837,222 |
| Interest on investments | 308,000 | 490,162 | 334,731 |
| Penalties and interest on taxes | 125,000 | 143,199 | 126,229 |
| Other | 1,054,750 | 1,304,646 | 1,318,721 |
| Government grants | 286,329 | 312,139 | 258,108 |
| Proceeds from disposal of capital assets | - | 24,200 | - |
| | 19,912,808 | 20,699,746 | 19,941,230 |
| Expenditures: | | | |
| General government | 3,223,911 | 2,876,805 | 2,493,181 |
| Police protection | 3,639,946 | 3,297,840 | 2,993,844 |
| Fire protection | 2,807,487 | 2,761,092 | 2,625,221 |
| Other protection services | 544,101 | 531,177 | 526,139 |
| Transportation, engineering and operations | 2,727,064 | 2,666,998 | 2,542,756 |
| Parks, leisure and cultural services | 3,525,320 | 3,530,229 | 3,240,276 |
| Solid waste services | 866,893 | 941,120 | 873,849 |
| Interest on debt | 121,421 | 120,782 | 124,302 |
| Capital expenditures | 3,310,164 | 2,496,399 | 1,323,650 |
| | 20,766,307 | 19,222,442 | 16,743,218 |
| Excess (deficiency) of revenue over expenditures | (853,499) | 1,477,304 | 3,198,012 |
| New debt issued | - | - | 114,320 |
| Principal payments on short-term debt | (230,320) | (230,320) | (203,600) |
| Principal payments on long-term debt | (167,800) | (167,806) | (159,816) |
| Principal payments on capital leases | (6,590) | (6,291) | - |
| Capital lease proceeds | - | - | 30,504 |
| Transfer to other funds | - | (46,500) | (84,941) |
| Increase (decrease) in financial equity | (1,258,209) | 1,026,387 | 2,894,479 |
| Financial equity, beginning of year | 8,824,393 | 8,824,393 | 6,315,184 |
| Financial equity, transferred to Drainage Fund January 1 | (284,700) | (185,685) | (385,270) |
| Financial equity, end of year | \$ 7,281,484 | \$ 9,665,095 | \$ 8,824,393 |

Sanitary Sewer Fund - Statement of Financial Position Schedule 3

December 31, 2005

| | 2005 | 2004 |
|------------------------------------------|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 2,898,093 | \$ 2,912,741 |
| Accounts receivable | 2,539 | 9,796 |
| | <u>2,900,632</u> | <u>2,922,537</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 12,314 | 31,317 |
| Debt | 210,657 | 217,788 |
| Deferred revenue | 158,691 | 181,796 |
| | <u>381,662</u> | <u>430,901</u> |
| Net Financial Assets | 2,518,970 | 2,491,636 |
| Capital assets (schedule 7) | 10,910,967 | 10,109,327 |
| | <u>\$ 13,429,937</u> | <u>\$ 12,600,963</u> |
| Financial Equity | | |
| Reserves | \$ 1,628,227 | \$ 1,608,024 |
| Surplus | 1,101,400 | 1,101,400 |
| | <u>2,729,627</u> | <u>2,709,424</u> |
| Capital equity | 10,700,310 | 9,891,539 |
| | <u>\$ 13,429,937</u> | <u>\$ 12,600,963</u> |

Sanitary Sewer Fund - Statement of Financial Activities

Schedule 4

Year ended December 31, 2005

| | 2005 Budget | 2005 | 2004 |
|--------------------------------------------------------------|--------------|--------------|--------------|
| Revenue: | | | |
| Sewer user charges | \$ 2,097,000 | \$ 2,115,544 | \$ 2,097,037 |
| Frontage tax | 153,400 | 156,104 | 152,980 |
| Local improvement parcel tax | 20,155 | 20,154 | 20,154 |
| Sewer connection fees and other | 50,340 | 86,786 | 67,025 |
| Development levies | 84,252 | 22,375 | - |
| | 2,405,147 | 2,400,963 | 2,337,196 |
| Expenditures: | | | |
| Greater Vancouver Sewerage & Drainage District Assessment | 1,067,440 | 1,067,439 | 1,061,462 |
| Sewer system maintenance and connections | 500,640 | 491,187 | 502,605 |
| Interest on debt | 13,363 | 13,363 | 13,363 |
| Capital expenditures | 1,745,747 | 801,640 | 74,575 |
| | 3,327,190 | 2,373,629 | 1,652,005 |
| Excess (deficiency) of revenue over expenditures | (922,043) | 27,334 | 685,191 |
| Principal payments on long-term debt | (7,132) | (7,131) | (6,792) |
| Increase (decrease) in financial equity | (929,175) | 20,203 | 678,399 |
| Financial equity, beginning of year | 2,709,424 | 2,709,424 | 2,031,025 |
| Financial equity, end of year | \$ 1,780,249 | \$ 2,729,627 | \$ 2,709,424 |

Drainage Fund - Statement of Financial Position

Schedule 5

December 31, 2005

| | 2005 | 2004 |
|------------------------------------------|--------------|--------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 592,905 | \$ 556,260 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 10,000 | 18,050 |
| Deferred revenue | 196,936 | 117,997 |
| | 206,936 | 136,047 |
| Net Financial Assets | 385,969 | 420,213 |
| Capital assets (schedule 7) | 9,486,053 | 8,373,538 |
| | \$ 9,872,022 | \$ 8,793,751 |
| Financial Equity | | |
| Reserves | \$ 385,969 | \$ 420,213 |
| Capital equity | 9,486,053 | 8,373,538 |
| | \$ 9,872,022 | \$ 8,793,751 |

Drainage Fund - Statement of Financial Activities

Schedule 6

Year ended December 31, 2005

| | 2005 Budget | 2005 | 2004 |
|----------------------------------------------------------|------------------|------------------|------------------|
| Revenue: | | | |
| Drainage user charges | \$ 1,087,200 | \$ 1,087,675 | \$ 696,140 |
| Drainage connection fees and other | 50,000 | 90,102 | 85,775 |
| Contributions | 28,414 | 5,965 | 408,476 |
| Development levies | 164,199 | 145,462 | 91,721 |
| Government grants | - | - | 10,000 |
| | <u>1,329,813</u> | <u>1,329,204</u> | <u>1,292,112</u> |
| Expenditures: | | | |
| Drainage system maintenance and connections | 542,600 | 483,118 | 525,158 |
| Capital expenditures | 1,421,178 | 1,112,515 | 816,952 |
| | <u>1,963,778</u> | <u>1,595,633</u> | <u>1,342,110</u> |
| Excess (deficiency) of revenue over expenditures | (633,965) | (266,429) | (49,998) |
| Transfer from other funds | - | 46,500 | 84,941 |
| Increase (decrease) in financial equity | (633,965) | (219,929) | 34,943 |
| Financial equity, beginning of year | 420,213 | 420,213 | - |
| Financial equity transferred from General Fund January 1 | 284,700 | 185,685 | 385,270 |
| Financial equity, end of year | \$ 70,948 | \$ 385,969 | \$ 420,213 |

Capital Assets

December 31, 2005

Schedule 7

| | 2005 | 2004 |
|----------------------------|---------------|---------------|
| General Fund | | |
| Buildings and facilities | \$ 13,937,538 | \$ 13,418,457 |
| Engineering structures | 3,948,504 | 3,778,828 |
| Land | 6,420,906 | 6,420,906 |
| Machinery and equipment | 9,621,266 | 9,092,618 |
| Parks development | 4,509,764 | 4,415,473 |
| Roads and sidewalks | 23,242,378 | 22,146,675 |
| | 61,680,356 | 59,272,957 |
| Sanitary Sewer Fund | | |
| Sanitary sewer | 10,910,967 | 10,109,327 |
| Drainage Fund | | |
| Storm sewer | 9,486,053 | 8,373,538 |
| | \$ 82,077,376 | \$ 77,755,822 |

Development Cost Charges

Schedule 8

Year ended December 31, 2005

| | Highways | Drainage | Parkland | Sanitary | Total |
|----------------------------|------------|------------|------------|-----------|--------------|
| Balance, beginning of year | \$ 132,852 | \$ 117,998 | \$ 618,999 | \$ 84,575 | \$ 954,424 |
| Add: | | | | | |
| Amounts received | 103,624 | 120,958 | 291,904 | - | 516,486 |
| Investment income | 4,991 | 4,642 | 18,513 | 2,111 | 30,257 |
| Deduct: | | | | | |
| Capital expenditures | 11,619 | 46,662 | 98,800 | 22,375 | 179,456 |
| Balance, end of year | \$ 229,848 | \$ 196,936 | \$ 830,616 | \$ 64,311 | \$ 1,321,711 |

General Fund - Statutory Reserve Fund Balances

Schedule 9

Year ended December 31, 2005

| | Land Sale Reserve | Equipment Replacement Reserve | Capital Works Machinery & Equipment Reserve | Off-Street Parking Facilities Reserve | Local Improvement Reserve | Total |
|------------------------------------------|-------------------------|-------------------------------------|------------------------------------------------------|------------------------------------------------|---------------------------------|--------------|
| Balance, beginning of year | \$ 2,182,611 | \$ 1,410,770 | \$ 438,028 | \$ 6,074 | \$ 21,848 | \$ 4,059,331 |
| Add: | | | | | | |
| Transfers from general operating fund | - | - | 497,441 | - | - | 497,441 |
| Appropriation for vehicle replacement | - | 371,993 | - | - | - | 371,993 |
| Amounts received | - | 24,200 | 1,689 | - | 2,348 | 28,237 |
| Investment income | 56,032 | 40,704 | 16,358 | 156 | - | 113,250 |
| Deduct: | | | | | | |
| Capital Expenditures | 10,520 | 98,535 | 200,566 | - | - | 309,621 |
| Balance, end of year | \$ 2,228,123 | \$ 1,749,132 | \$ 752,950 | \$ 6,230 | \$ 24,196 | \$ 4,760,631 |

General Fund - Operating Reserve Fund Balances

Schedule 10

Year ended December 31, 2005

| | Balance, beginning of year | Transfers from General Fund | Transfers to General Fund | Balance, end of year |
|------------------------------|----------------------------------|-----------------------------------|---------------------------------|-------------------------|
| Capital project reserve | \$ 612,949 | \$ 664,159 | \$ (478,283) | \$ 798,825 |
| Computer replacement reserve | 54,096 | 60,000 | (67,481) | 46,615 |
| Damage claim reserve | 25,800 | - | - | 25,800 |
| Debt retirement reserve | 491,183 | - | (245,161) | 246,022 |
| Development works reserve | 151,047 | 141,690 | - | 292,737 |
| Economic development reserve | 26,173 | 4,340 | - | 30,513 |
| Goggs park reserve | 37,255 | 8,700 | - | 45,955 |
| Pier preservation reserve | 139,815 | 52,500 | (122,737) | 69,578 |
| Police equipment reserve | 114,000 | 15,000 | - | 129,000 |
| Roadworks reserve | 677,473 | 145,550 | (200,531) | 622,492 |
| Density bonus policy reserve | 133,632 | - | (130,000) | 3,632 |
| Other operating reserve | 279,253 | 678,257 | (118,016) | 839,494 |
| Incomplete capital projects | 1,022,386 | 587,979 | (856,564) | 753,801 |
| Total | \$ 3,765,062 | \$ 2,358,175 | \$ (2,218,773) | \$ 3,904,464 |

Leisure and Cultural Services

Schedule 11

Year ended December 31, 2005

| | Revenue | Expenditures | 2005 Net subsidy | 2004 Net subsidy |
|---------------------------------|-------------------|---------------------|-----------------------|-----------------------|
| Leisure Services administration | \$ - | \$ 125,197 | \$ (125,197) | \$ (143,110) |
| Recreation | 331,322 | 574,092 | (242,770) | (239,372) |
| Kent Street Activity Centre | 123,236 | 306,210 | (182,974) | (161,053) |
| Centennial Arena | 403,078 | 604,678 | (201,600) | (179,238) |
| White Rock Library | 2,382 | 683,270 | (680,888) | (538,219) |
| White Rock Museum | - | 126,446 | (126,446) | (114,412) |
| | \$ 860,018 | \$ 2,419,893 | \$ (1,559,875) | \$ (1,375,404) |

Comparative General Statistics

(Unaudited)

Year ended December 31

Date of incorporation - April 15, 1957

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|---------------|---------------|---------------|
| Population (2001 Census) | 18,250 | 18,250 | 18,250 | 18,250 | 18,250 |
| Area in hectares | | | | | |
| Land | 505 | 505 | 505 | 505 | 505 |
| Water | 897 | 897 | 897 | 897 | 897 |
| Taxable hectares | | | | | |
| Land | 335 | 335 | 335 | 335 | 335 |
| Water | 8 | 8 | 8 | 8 | 8 |
| Kilometers of road | | | | | |
| Paved | 80.8 | 80.1 | 81.7 | 81.7 | 81.5 |
| Gravelled | 2.0 | 2.0 | 2.2 | 2.2 | 2.4 |
| Building permits | | | | | |
| Number | 170 | 169 | 139 | 168 | 120 |
| Value | \$ 89,520,611 | \$ 33,845,110 | \$ 59,370,473 | \$ 33,121,882 | \$ 10,327,000 |
| Comparative debt statistics: | | | | | |
| Debenture and other debt | \$ 803,860 | \$ 1,209,117 | \$ 1,465,005 | \$ 1,200,610 | \$ 985,988 |
| Debt per capita | \$44 | \$66 | \$80 | \$66 | \$54 |
| Tax rates for municipal purposes, includes General, Debt, Fire Protection and Fraser Valley Regional Library Levies: (stated in dollars per \$1,000 of assessed taxable value) | | | | | |
| Residential | 4.56382 | 5.34388 | 6.26686 | 6.51599 | 6.39552 |
| Utility | 29.5481 | 34.4966 | 38.73681 | 40.00000 | 40.00000 |
| Business & other | 11.15732 | 11.85822 | 12.54421 | 12.83633 | 12.56828 |
| Recreational/nonprofit | 3.59682 | 3.89921 | 4.0347 | 3.98811 | 6.72632 |
| Tax rates for school purposes: (stated in dollars per \$1,000 of assessed taxable value) | | | | | |
| Residential | 2.70360 | 3.13930 | 3.40050 | 3.60550 | 3.58080 |
| Utility | 14.90000 | 15.00000 | 15.00000 | 15.00000 | 15.00000 |
| Business & other | 9.60000 | 9.90000 | 9.90000 | 9.90000 | 9.90000 |
| Recreational/nonprofit | 4.50000 | 4.50000 | 4.50000 | 4.50000 | 4.50000 |

Continued next page

Comparative General Statistics (cont'd)

(Unaudited)

Year ended December 31, 2005

| | 2005 | 2004 | 2003 | 2002 | 2001 |
|------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Comparative taxation statistics: | | | | | |
| Residential | \$ 20,862,470 | \$ 19,841,376 | \$ 19,253,531 | \$ 18,483,510 | \$ 17,759,361 |
| Utility | 526,835 | 478,974 | 469,933 | 460,442 | 455,476 |
| Business & other | 3,184,307 | 3,057,952 | 2,969,638 | 2,710,724 | 2,625,179 |
| Recreational/nonprofit | 52,352 | 26,749 | 26,929 | 26,190 | 19,510 |
| Utility levy in lieu of taxes | 246,335 | 249,301 | 252,402 | 223,657 | 214,063 |
| Business improvement area levy | 180,001 | - | - | - | - |
| Sanitary sewer frontage tax | 156,104 | 152,980 | 153,529 | 152,469 | 153,150 |
| Total Current taxes including school and other government levies | 25,208,404 | 23,807,332 | 23,125,962 | 22,056,992 | 21,226,739 |
| Sanitary sewer user fees | 2,115,544 | 2,097,037 | 1,977,014 | 1,857,858 | 1,852,379 |
| Drainage user fees | 1,087,675 | 696,140 | - | - | - |
| Total taxes and utility fees | \$ 28,411,623 | \$ 26,600,509 | \$ 25,102,976 | \$ 23,914,850 | \$ 23,079,118 |
| Taxes and utility fees per capita | \$ 1,557 | \$ 1,458 | \$ 1,376 | \$ 1,310 | \$ 1,265 |
| Assessment for general purposes (taxable value) | | | | | |
| Land | 1,983,411,310 | 1,609,965,755 | 1,333,789,710 | 1,209,227,500 | 1,182,856,770 |
| Improvements | 941,318,200 | 867,944,200 | 810,661,600 | 765,257,550 | 756,882,250 |
| | \$ 2,924,729,510 | \$ 2,477,909,955 | \$ 2,144,451,310 | \$ 1,974,485,050 | \$ 1,939,739,020 |
| Deduct | | | | | |
| exempt land | 59,269,829 | 49,264,800 | 44,352,286 | 42,539,425 | 42,742,297 |
| exempt improvements | 87,598,300 | 82,339,600 | 81,602,114 | 81,051,875 | 80,799,764 |
| | \$ 2,777,861,381 | \$ 2,346,305,555 | \$ 2,018,496,910 | \$ 1,850,893,750 | \$ 1,816,196,959 |
| Assessment per capita | \$ 152,212 | \$ 128,565 | \$ 110,603 | \$ 101,419 | \$ 99,518 |
| Assessment for school purposes | \$ 2,797,438,513 | \$ 2,364,489,411 | \$ 2,036,193,662 | \$ 1,868,365,790 | \$ 1,833,792,783 |

2005 Permissive Tax Exemptions Estimated Property Taxes

| Property Roll | Name | Address | General & Debt Purposes | Fraser Valley Regional Library Levy | Fire Protection (Hydrant) Levy |
|---------------|-------------------------------------|---------------------|-------------------------|-------------------------------------|--------------------------------|
| 1403.000 | Church on Oxford Hill | 1519 Oxford St | \$ 968 | \$ 45 | \$ 21 |
| 1779.000 | Fellowship Baptist Church | 15138 Prospect Ave | \$ 1,317 | \$ 61 | \$ 29 |
| 2136.000 | Parish of the Holy Trinity | 15115 Roper Ave | \$ 2,421 | \$ 112 | \$ 53 |
| 2146.000 | Hilltop Gospel Church | 15110 Thrift Ave | \$ 798 | \$ 37 | \$ 18 |
| 2876.000 | St. John's Presbyterian Church | 1480 George St | \$ 2,002 | \$ 92 | \$ 44 |
| 2995.000 | Salvation Army | 15417 Roper Ave | \$ 1,792 | \$ 83 | \$ 39 |
| 3743.000 | United Church | 15385 Semiahmoo Ave | \$ 1,237 | \$ 57 | \$ 27 |
| 3754.000 | First Church of Christian Scientist | 1174 Fir St | \$ 737 | \$ 34 | \$ 16 |
| 3762.000 | White Rock Community Church | 15276 Pacific Ave | \$ 645 | \$ 30 | \$ 14 |
| 3763.000 | White Rock Community Church | 15282 Pacific Ave | \$ 953 | \$ 44 | \$ 21 |
| 3886.000 | Roman Catholic Church | 15262 Pacific Ave | \$ 6,472 | \$ 298 | \$ 142 |

Debt per Capita 1995-2005

