

**City of Maple Ridge
Audit & Finance Committee**

**June 5, 2018
5:00 PM
Blaney Room**

Chairperson: Councillor Masse

Committee Members: Mayor Read; Councillors C. Bell; K. Duncan; G. Robson; T. Shymkiw; C. Speirs

Staff:	Chief Administrative Officer:	P. Gill
	GM – Public Works & Development	F. Quinn
	GM – Community Dev. Park & Rec	K. Swift
	Chief Financial Officer	T. Thompson
	Corporate Controller	C. Nolan

Guest	External Auditor (BDO Canada LLP)	B. Cox
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AGENDA

- 1. Approval of agenda**
- 2. Approval of minutes of May 1, 2018**
- 3. Council Compensation**
- 4. 2017 Audit Update**
 - Overview of 2017 audit results by external auditor
- 5. Notice of Closed Committee Meeting**

That the Committee meeting immediately following this meeting be closed to the public pursuant to section 90(1) of the Community Charter as the subject matter being considered relates to the following:

 - Discussion with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [annual municipal report].
- 6. Adjournment**

“Original signed by C. Nolan”

*Agenda submitted by: C. Nolan, CPA, CGA
Corporate Controller*

City of Maple Ridge

Audit & Finance Committee Meeting Minutes

May 1, 2018

The Minutes of the Audit and Finance Committee Meeting held in the Council Chambers of the Municipal Hall, 11995 Haney Place, Maple Ridge, BC on Tuesday, May 1, 2018 at 5:00 p.m.

PRESENT

Committee Members

Councillor Masse, Chair
Councillor Bell
Councillor Duncan
Councillor Robson
Councillor Speirs
Mayor Read

Municipal Staff

P. Gill, Chief Administration Officer
D. Pope, Acting General Manager, Parks, Recreation & Culture
C. Nolan, Corporate Controller

Absent
Councillor Shymkiw

Note: These Minutes are also posted on the City's Website at www.mapleridge.ca

The meeting was live streamed and recorded by the City of Maple Ridge
The meeting was called to order at 5:05 p.m.

1. *Approval of the Agenda*

It was moved and seconded

That the agenda for the May 1, 2018 Audit & Finance Committee meeting be approved as circulated.

CARRIED

2. *Approval of minutes of March 6, 2018*

It was moved and seconded

That the minutes of the Audit & Finance Committee of March 6, 2018 be adopted as circulated.

CARRIED

3. 2017 Consolidated Financial Statements

NOTE: Councillor Duncan joined the meeting at 5:20

The Corporate Controller provided a presentation on the 2017 Consolidated Financial Statements.

The Committee recommended to Council that the 2017 Consolidated Financial Statements be accepted.

CARRIED

4. Adjournment – 5:36 p.m.

B. Masse, Chair

City of Maple Ridge

TO: Audit & Finance Committee **MEETING DATE:** 5-June-2018
FROM: Corporate Controller **MEETING:** Audit & Finance
SUBJECT: Council Compensation

EXECUTIVE SUMMARY:

In 2017, the Federal Government announced that, effective January 1, 2019, the Income Tax Act will be changed to eliminate a provision deeming 1/3 of elected officials' compensation to be income tax exempt. The effect of this change will be a reduction in after-tax income for Council members.

Staff has been monitoring other municipalities to see what trends are emerging to address this. Some municipalities are not taking any action at this time and are leaving the matter for the next Council to address. A few municipalities have opted to do something now and have adjusted compensation levels to mitigate the impact of the reduction in after-tax income. Some municipalities link their council compensation policy to the average of selected communities so changes made by the selected municipalities will impact their compensation.

The tax impact of the change to the Income Tax Act will vary from person to person and there is no single adjustment that will work for everyone. At the end of the day, the methodology that is applied must be transparent and easy to understand and explain.

At the present time, the base compensation for Councillors is set at 40% of the base salary for the Mayor. Staff recommends an adjustment to the Mayor's base compensation to offset the reduction in after-tax income. Councillors' compensation would be set at 40% of the adjusted amount of the Mayor's salary. This would be a one-time adjustment and, procedurally, an amendment to the Council Remuneration Bylaw with the following changes:

- Increase the base salary for the Mayor to \$114,250 effective January 1, 2019
- Increase the base salary for the Councillors to \$45,700 effective January 1, 2019

After factoring in employer costs, this would require a budget adjustment of \$55,000 in 2019.

As provided for in Council Remuneration Bylaw No. 7330-2017, CPI increments are to be applied on June 1 of each year, based on the change in Vancouver CPI for the previous calendar year. On June 1 of this year, an increase of 2.2% was applied.

RECOMMENDATION:

That Council Remuneration Bylaw No. 7330-2017 be amended, as outlined in the staff report dated June 5, 2018 and brought forward for Council consideration.

DISCUSSION:

In 2017, the Federal Government announced that, effective January 1, 2019, the Income Tax Act would be changed to eliminate a provision deeming 1/3 of elected officials' compensation to be a non-accountable allowance. The effect of this change will be to bring the full amount of Council's compensation into income, resulting in a reduction to after-tax income.

The pending change was last discussed at the March 6, 2018 Audit Committee meeting where it was noted that the impact of the change will vary between Council members and there is no single adjustment that will work for everyone. It is important that the methodology that is applied to any adjustment be transparent and easy to understand and explain.

This report provides information on trends that are emerging in other communities and a recommended approach for a one-time adjustment to compensation levels on January 1, 2019.

What Others Are Doing:

Staff has been monitoring other municipalities to see what trends are emerging to address this change to the Income Tax Act. Some municipalities are not taking any action at this time and are leaving the matter for the next Council to address. A few municipalities have opted to do something now and have adjusted compensation levels to mitigate the impact of the reduction in after-tax income. Some municipalities link their council compensation policy to the average of selected communities, so changes made by the selected municipalities will impact their compensation.

Adjustment to Compensation

At the present time, the base salary for Councillors is set at 40% of the base salary for the Mayor. Staff recommends that the Mayor's compensation be adjusted to offset the reduction in after-tax income and that the Councillors' base salaries be set at 40% of the adjusted Mayor's salary. This would be a one-time adjustment. Any adjustments in future years would follow existing bylaw provisions.

This methodology would see an increase of approximately 20% to the base salary for the Mayor's position, bringing it to \$114,250. The Councillors' base salary would be set at 40% of this, \$45,700. Following Council's Compensation Bylaw, the Acting Mayor provision will continue to be set at 20% of the Mayor's base salary, \$22,850.

After factoring in employer costs, this would require a one-time budget adjustment of \$55,000 in 2019.

As provided for in Council Remuneration Bylaw No. 7330-2017, CPI increments are to be applied on June 1 of each year, based on the change in Vancouver CPI for the previous calendar year. On June 1 of this year, an increase of 2.2% was applied.

CONCLUSIONS:

The impact of the change to the Income Tax Act will vary between Council members and there is no single adjustment that will work for everyone. The approach outlined herein is relatively easy to understand and explain and should be implemented to help offset the reduction in after-tax income.

“Original signed by Catherine Nolan”

Prepared by: Catherine Nolan, CPA, CGA
Corporate Controller

“Original signed by Frances King”

Reviewed by: Frances King, MA, CPHR
Director of Human Resources

“Original signed by Trevor Thompson”

Reviewed by: Trevor Thompson, BBA, CPA, CGA
Chief Financial Officer

“Original signed by Paul Gill”

Concurrence: Paul Gill, BBA, CPA, CGA
Chief Administrative Officer



THE CITY OF MAPLE RIDGE

AUDIT RESULTS AND COMMUNICATIONS REPORT TO THE AUDIT AND FINANCE COMMITTEE AND COUNCIL

April 26, 2018



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EXECUTIVE SUMMARY



Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2017 consolidated financial statements of the City of Maple Ridge (the "City"), pending completion of the following items:

- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to financial statement approval date
- ▶ Approval of consolidated financial statements by Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement.

The scope of the work performed was substantially the same as that described in our Planning Report to the Audit and Finance Committee and Council dated November 3, 2017.



Audit Findings

Our audit focused on the risks specific to your business and key accounts. Our discussion points below focus on areas of significant risks of material misstatement, or the following items:

- ▶ Management Override of Internal Controls
- ▶ Cash and Investments
- ▶ Staff Salaries
- ▶ Tangible Capital Assets and Accumulated Amortization
- ▶ Employee Future Benefits
- ▶ Deferred Revenue and Government Grants

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Audit and Finance Committee and Council in fulfilling its responsibilities. This report has been prepared solely for the use of the Audit and Finance Committee and Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

Materiality

As communicated to you in our Planning Report to the Audit and Finance Committee and Council, preliminary materiality was \$2,700,000 which was calculated based on prior year results. Final materiality decreased to \$2,300,000 to reflect lower than anticipated activity levels for the current year.



Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified. The specifics of this communication are included in our report below. No control deficiencies were noted that, in our opinion, are of significant importance to discuss with those charged with governance.



Independence

Our annual letter confirming our independence was previously provided to you as part of our planning report dated November 3, 2017. We know of no circumstances that would cause us to amend the previously provided letter.



Adjusted and Unadjusted Differences

There were no adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement.

For purposes of our discussion, the resulting \$nil impact on the annual surplus of the City has been presented in Appendix B.



Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the consolidated financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A summary of the representation we have requested from management is set out in the representation letter included in Appendix C to the report.



Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud.

If you are aware of changes to process or are aware of any instances of actual, suspected or alleged fraud affecting the City since our discussions held at planning, we request that you provide us with this information.

Please refer to the Auditor's Responsibilities for Detecting Fraud in the Planning Report to the Audit and Finance Committee and Council.

AUDIT FINDINGS

Based on our knowledge of the City's operations, our past experience in this area, and knowledge gained from management and the Council, we have identified the following key audit areas; those areas that, in our judgment, require special audit consideration.

Key audit areas arise mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them.

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

KEY AUDIT AREA	EXZPLANATION	APPROACH & AUDIT FINDINGS
Management Override of Controls	<p>The City's current internal control systems could be subject to an override of existing controls by management resulting in unauthorized transactions or unauthorized adjustments to the accounting records.</p> <p>This risk is required for all audits pursuant to Canadian audit standards.</p>	<ul style="list-style-type: none"> We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the consolidated financial statements. All audit testing in this area was executed as planned and no issues were noted.
Cash & Investments	<p>Due to its nature, cash and investments are almost always considered to be a risk area in any audit.</p>	<ul style="list-style-type: none"> We reviewed the year end reconciliations and obtained third party confirmations. All audit testing in this area was executed as planned and no issues were noted.
Staff Salaries	<p>A significant single type of expenditure that cover many employees and departments. As a municipality, this figure is often of particular</p>	<ul style="list-style-type: none"> We applied computer audit testing to analyze all payroll transactions in the year. We performed system testing, tests of controls and analytical review of staff salaries.

KEY AUDIT AREA	EXPLANATION	APPROACH & AUDIT FINDINGS
	interest to financial statement users (taxpayers).	<ul style="list-style-type: none"> All audit testing in this area was executed as planned and no issues were noted.
Tangible Capital Assets and Accumulated Amortization	Estimates of the useful lives of tangible capital assets owned by the City require regular evaluation to determine if they are still appropriate. This involves a high level of estimation and coordination of the finance department with other departments.	<ul style="list-style-type: none"> We performed tests of control for appropriate authorization of purchases combined with substantive testing of additions and disposals and amortization calculations. We also reviewed the useful lives of existing assets for reasonableness. All audit testing in this area was executed as planned and no issues were noted.
Employee Future Benefits	These amounts represent the liability owed to the City's employees for their post-employment benefits. This is a complex area that requires estimation and reliance on actuarial experts.	<ul style="list-style-type: none"> We reviewed the actuarial reports and audited significant assumptions. We reviewed all financial statement disclosures and ensured the information was appropriately presented. All audit testing in this area was executed as planned and no issues were noted.
Deferred Revenue and Government Grants	There is a risk that revenue may be incorrectly deferred into future periods or vice versa.	<ul style="list-style-type: none"> We reviewed grant agreements to ensure that revenue is being recognized in accordance with latest revenue recognition standards. We reviewed a sample of deferred revenue balances by examining supporting documentation to validate the accounting treatment. We reviewed minutes to determine whether any contributions received should be deferred and whether any grants had not yet been recorded. All audit testing in this area was executed as planned and no issues were noted.

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the City's internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining, the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant

deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the City's consolidated financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the consolidated financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

No control deficiencies were noted that, in our opinion, are of significant importance to discuss with those charged with governance.

OTHER REQUIRED COMMUNICATIONS

Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.

- BDO Response: No pending litigation noted

Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

- BDO Response: No going concern issue noted.

Disagreements with management about matters that, individually or in the aggregate, could be significant to the entity's financial statements or our audit report.

- BDO Response: There were no disagreements with management.

Matters involving non-compliance with laws and regulations.

- BDO Response: No legal or regulatory non-compliance matters were noted as part of the audit

Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.

- BDO Response: No significant related party transactions noted.

Management consultation with other accountants about significant auditing and accounting matters.

- BDO Response: No external experts were consulted during this engagement.

Other Matters

- BDO Response: No other matters to communicate

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the attached table summarizes these additional required communications.

APPENDICES

Appendix A: Independent auditor's report

Appendix B: Adjusted and unadjusted differences

Appendix C: Representation letter

Appendix D: Management Letter

Appendix E: BDO resources

APPENDIX A: INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the City of Maple Ridge

We have audited the accompanying consolidated financial statements of the City of Maple Ridge, which comprise the Consolidated Statement of Financial Position as at December 31, 2017, and the Consolidated Statements of Operations, Change in Net Financial Assets and Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of the City of Maple Ridge as at December 31, 2017 and its results of operations, changes in net financial assets and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Vancouver, British Columbia

DATE of Council Approval

APPENDIX B: ADJUSTED AND UNADJUSTED DIFFERENCES

SUMMARY OF ADJUSTED AND UNADJUSTED DIFFERENCES

The following is a summary of corrected and uncorrected misstatements noted during the course of our audit engagement:

	Increase (Decrease)			
	Assets	Liabilities	Accum. Surplus	Annual Operating Surplus
None	\$	\$	\$	\$
Total				
Tax Effect				
Effect of Prior Year's Reversing Errors				
Total Unadjusted Differences	\$	\$	\$	\$

SUMMARY OF DISCLOSURE OMISSIONS

The following is a summary of disclosures that have not been made within the consolidated financial statements:

Disclosure Omission	Management's Response
None	None

APPENDIX C: REPRESENTATION LETTER

Date of Council Approval

BDO Canada LLP
Chartered Professional Accountants
600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

Dear Sirs/Mesdames:

This representation letter is provided in connection with your audit of financial statements of the City of Maple Ridge (the "City") for the year ended December 31, 2017, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position as at December 31, 2017, and the results of operations and cash flows for the year ended December 31, 2017 of the City in accordance with Canadian public sector accounting standards.

We 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:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated March 16, 2017, for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards; in particular the consolidated financial statements are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Public sector accounting standards.
4. All events subsequent to the date of the consolidated financial statements and for which Public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
5. The consolidated financial statements of the City use appropriate accounting policies that have been properly disclosed and consistently applied.

Information Provided

6. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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7. We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
 8. The minute books of the Council are a complete record of all meetings and resolutions of the Council throughout the year and to the present date.
 9. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of Council throughout the year and to the present date.
 10. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
 11. We have disclosed to you all known instances of non-compliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
 12. We have identified to you:
 - guarantees;
 - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
 - non-monetary transactions and transactions for no consideration.
 13. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
 14. We are aware of the environmental laws and regulations that impact the City and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the consolidated financial statements.

Fraud and Error

15. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
 16. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the consolidated financial statements.
 17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
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18. We note for the current year that there were no journal entries recommended by the auditors during the audit to be approved.
 19. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Existence, Completeness and Valuation of Specific Financial Statement Balances

20. There are no pledges or assignments of assets as security for liabilities except as disclosed in the consolidated financial statements.
21. All financial instruments have been appropriately recognized and measured in accordance with Public sector accounting standards. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
22. Where the value of any asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you.
23. The inventories as set out in the consolidated financial statements represent all of the inventories to which the municipality held title as at the balance sheet date. Inventories do not include any goods consigned to the municipality, merchandise billed to customers or any items for which the liability has not been provided in the books. Appropriate provisions have been made for obsolete, slow-moving and defective inventories.
24. The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

General Representations

25. The nature of all material uncertainties have been appropriately measured and disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.
26. There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the consolidated financial statements or financial position of the City, except as disclosed in the consolidated financial statements.
27. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. Since there are no outstanding or possible claims, no disclosure is required in the consolidated financial statements.
28. We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the consolidated financial statements.

29. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
30. We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
31. No significant matters, other than those disclosed in the consolidated financial statements, have arisen that would require a restatement of the comparative financial statements.
32. We have made the following additional significant representations to you during the course of your audit which we understand that you have relied upon:
- All tangible capital assets and inventory have been recorded and additions for the year are complete and accurate. Amortization based on the expected useful life of the tangible capital asset and residual value is our best estimate for the consumption of a portion of the tangible capital asset for the year. Where the value of any tangible capital asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you. The City also reviewed and made changes to its estimate of useful lives of various classes of tangible capital assets, and any resultant changes have been disclosed to you.

Yours truly,

Signature

Position

Signature

Position

APPENDIX D: MANAGEMENT LETTER

Direct Line: 604-443-4716
E-mail: bcox@bdo.ca

April 26, 2018

Mr. Paul Gill
Chief Administrative Officer
City of Maple Ridge
11995 Haney Place
Maple Ridge, BC V2X 6A9

Dear Mr. Gill:

As your external auditors, we are engaged to provide an audit opinion on your yearend consolidated financial statements. An external audit requires testing of transactions and balances and review of those internal control systems upon which we may place reliance. A positive opinion on the consolidated financial statements does not necessarily mean that your internal control systems are all operating effectively. This is because we review only those internal control systems where we feel that failure in those systems could result in a material error on the consolidated financial statements. With those systems that we do review, our focus is on the assertions necessary to meet our consolidated financial statement audit objectives.

Our review of systems, transactions and balances as well as discussions with staff at various levels gives us a unique insight into your operations. While conducting this work we make note of items that come to our attention where we feel that improvement could be made or alternatives could be considered. We are fortunate in that we work with a great number of clients and observe a wide variety of processes. We see firsthand any procedures that are emerging as best practices.

As matters come to our attention, we make note of these for subsequent follow-up. For minor matters we discuss directly with the staff involved. More important matters are brought forward in this letter (known as a management letter).

It is worth noting that we have management letter comments for virtually all audits of all clients. The existence of points does not mean that there are significant problems with your systems or staff. They are just recommendations to make good systems better.

Current Year Observations

- **Employer Health Tax**

In February 2018, the new NDP government proposed an Employer Health Tax (EHT) in their first budget. This announcement was accompanied by the proposed elimination of the Medical Services Plan premiums (MSPP) effective January 1, 2020. MSPPs are levied on individual taxpayers while the proposed EHT will be levied on businesses' payroll. The proposed EHT is expected to come into effect on January 1, 2019.

BDO note that management are proactively looking at the estimated effect this will have on employer costs.

Management Response

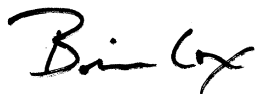
In March of 2018, a letter was sent to the Provincial Government noting the increase to costs this tax would impose on the City of Maple Ridge and other municipalities; further, the letter asked that options to make the transition to the Employer Health Tax cost neutral to municipalities be considered. This letter was also copied to UBCM members.

This communication is prepared solely for the information of management and those charged with governance and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the co-operation and assistance which we received from you, Catherine Nolan, Shannon Laxton and the rest of the Finance Department during the course of the audit. Our experience is that the Finance Department is well-prepared for the annual audit, which is a significant contributor to keeping audit costs down.

We shall be pleased to discuss with you further any matters mentioned in this letter at your convenience.

Yours truly,



Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

BC/mkn

cc: Audit and Finance Committee and Council

APPENDIX E: BDO RESOURCES

BDO is a leading provider of professional services to clients of all sizes in virtually all business sectors. Our team delivers a comprehensive range of assurance, accounting, tax, and advisory services, complemented by a deep industry knowledge gained from nearly 100 years of working within local communities. As part of the international BDO network, we're able to provide seamless and consistent cross-border services to clients with global needs. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources, which may be of interest to the Audit and Finance Committee and Council.

TAX BULLETINS, ALERTS AND NEWSLETTERS

BDO's national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#)

NEW AUDITOR REPORTING

In April 2017, the Auditing and Assurance Standards Board (AASB) in Canada approved the new and revised auditor reporting standards as Canadian Auditing Standards (CASs). These new standards will be effective for audits of financial statements for periods ending on or after December 15, 2018 with early application permitted.

Highlights of the changes include:

- Re-ordering of the auditor's report, including moving the opinion paragraph to the first section;
- Expanded descriptions of each group's responsibilities;
- Disclosure of the name of the engagement partner for listed entities; and
- Optional description of key audit matters

For further information on this topic, please reach out to your dedicated BDO team.