

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

**May 8, 2017
9:00 AM
Blaney Room**

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

Staff: Chief Administrative Officer: T. Swabey
GM – Corporate & Financial Svc: P. Gill
GM – Public Works & Development F. Quinn
GM – Community Dev. Park & Rec K. Swift
Manager of Accounting: C. Nolan
Manager of Financial Planning T. Thompson
Manager Sustainability & Corporate Planning L. Benson

Guest External Auditor (BDO Canada LLP) B. Cox

Recording Secretary: Amanda Gaunt

AGENDA

- 1. Approval of agenda**
- 2. Approval of minutes of April 24, 2017**
- 3. Reserves**
- 4. Future meetings**
- 5. Council Training, Conferences & Association Building – Policy 3.07**
Deferred from April 24, 2017
- 6. 2016 Audit Update**
 - Overview of 2016 audit results by external auditor
- 7. 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].
- 8. Adjournment**

*Agenda submitted by: C. Nolan, CPA, CGA
Manager of Accounting*

City of Maple Ridge

Audit & Finance Committee Meeting Minutes

April 24, 2017

The Minutes of the Audit and Finance Committee Meeting held in the Blaney Room of the Municipal Hall, 11995 Haney Place, Maple Ridge, BC on Monday, April 24, 2017 at 9:00 a.m.

PRESENT

Committee Members

Councillor Masse, Chair
Councillor Duncan
Councillor Robson
Councillor Shymkiw
Councillor Speirs

Municipal Staff

T. Swabey, Chief Administrative Officer
K. Swift, General Manager Parks, Recreation & Culture
P. Gill, General Manager Corporate & Financial Services
C. Nolan, Manager of Accounting
T. Thompson, Manager of Financial Planning
L. Benson, Manager of Sustainability & Corporate Planning

Absent

Councillor Bell
Mayor Read

The meeting was called to order at 9:05 a.m.

1. ***Approval of the Agenda***

It was moved and seconded

That the agenda for the April 24, 2017 Audit & Finance Committee meeting be approved as circulated.

CARRIED

2. ***Approval of minutes of March 20, 2017***

It was moved and seconded

That the minutes of the Audit & Finance Committee of March 20, 2017 be adopted as circulated.

CARRIED

3. 2016 Consolidated Financial Statements

The Manager of Accounting provided a presentation reviewing the 2016 Consolidated Financial Statements and advised the Committee that a Council Resolution to accept the statements is on the April 25, 2017 agenda.

4. Investment Reports

The Manager of Financial Planning reviewed the investment report and advised the Committee that the returns on the City's investment holdings exceeded benchmarks in 2016 and to date in 2017, and that the City's holdings are within the parameters set out in the investment policy.

5. DCC Bylaw Update

The Manager of Financial Planning provided the Committee with an update on the status of the DCC Bylaw update. He indicated that rates would be increasing to reflect rising costs and provided the Committee with information regarding the regulatory process involved in adopting a new DCC Bylaw.

6. Council Compensation – Remuneration

The Manager of Accounting reviewed three different options that could be used to adjust Council remuneration and asked the Committee to provide direction on any changes to remuneration they would like to recommend to Council. The Committee directed that starting in 2017, Council remuneration be adjusted annually by the change in Vancouver CPI for the previous calendar year and that should the recent proposal by the Federal Government to, effective in 2019, eliminate the Income Tax Act provision deeming 1/3 of the remuneration of an elected official to be a tax free allowance be enacted, that an adjustment to remuneration be provided on January 1, 2019 to offset the impact. The committee directed Staff to prepare a bylaw incorporating those recommendations for consideration at a future Council meeting.

**7. Council Compensation – Training, Conferences & Association Building
Policy 3.07**

Item was deferred to the meeting of May 8, 2017

8. Next Meeting

The next meeting is scheduled for May 8, 2017 at 9:00 a.m.

Adjournment – 9:58 a.m.

TO: Audit & Finance Committee

MEETING DATE: 8-May-2017

FROM: Manager of Accounting

FILE NO:

MEETING: Audit & Finance Committee

SUBJECT: Reserves

EXECUTIVE SUMMARY:

This report is intended to provide an overview of the City's financial resources. They are grouped into four categories:

1. Accumulated surplus (revenue funds). This is the cumulative balance of excess revenues over expenses and net transfers to reserves.
2. Reserve funds. These are established by bylaw to hold financial assets for specific purposes, typically capital.
3. Reserve accounts. These represent discretionary appropriations of surplus established to meet business needs as directed by Council
4. Restricted revenues. These are monies collected from others for which we are obligated to provide specific services.

The amounts on Schedule "A" detail the balances in each of these categories. At the end of 2016 the balance of accumulated surplus in the revenue funds, reserve funds and reserve accounts totaled \$113.37 million and we had a further \$33.4 million in restricted revenues.

RECOMMENDATION:

None required, for information only.

DISCUSSION:

The City of Maple Ridge has financial resources that have been summarized on the attached Schedule "A". Some of these resources are subject to legislation in the *Community Charter* while others are not. As part of our financial planning process, detailed projections are done for key reserves to ensure that the available resources can support the planned activities.

The transactions between our reserves, funds and accounts, are referred to as transfers. Transfers are internal transactions that do not result in revenues or expenses. For example, we accumulate funds in the Capital Works Reserve for large projects; each year a portion of general taxation is transferred to the reserve to build the necessary capacity to fund those projects. As another example, each year, we transfer money to the Equipment Replacement Reserve so that we have the resources needed to replace equipment at the end of its useful life. These are both examples of "**transfers to**" transactions. We also have "**transfers from**" transactions. For example, in 2016, some of our fleet vehicles were replaced and the identified funding source was the Equipment Replacement Reserve and monies were transferred from the reserve for those purchases.

The City's financial resources can be categorized as follows:

1. Accumulated Surplus (Revenue Funds)

The City's business is comprised of three major cost centres: General Revenue, the Sewer Utility and the Water Utility. The excess of revenues over expenses and net transfers to reserves for each cost centre flows to the accumulated surplus balance. It is important to keep in mind that the balances shown are cumulative, not the result of one year of operations; they are the result of operations since incorporation in 1874.

The combined accumulated surplus balance in the revenue funds at the end of 2016 is \$28.7 million, an increase of \$4.1 million from 2015. This change is comprised of an increase of \$4.7 million in the sewer and water utilities, offset by a reduction in the General Revenue surplus of \$575,000, as noted in the preliminary year-end update provided to the Audit & Finance Committee on March 20, 2017.

The General Revenue fund has an accumulated surplus amount of \$9.29 million and, in line with Council's Financial Sustainability Plan; this amount is available to fund extraordinary one-time items. In the utilities, the accumulated surplus balances are used for Council's rate stabilization policy. Under this policy, accumulated surplus amounts are deliberately built over a period of time in order to provide for variations in both our annual infrastructure investment and our commitment for larger regional projects. When those expenditures occur, the accumulated surplus balances are drawn down. This practice allows the City to smooth the impact of variations in annual spending on our rate payers. In the Sewer Utility, the accumulated surplus balance is \$8.1 million at the end of 2016 and is projected to be drawn down over the next couple of years to address higher regional costs before beginning to accumulate again in 2020. If new federal wastewater regulations impact regional capital investment requirements they will be addressed at the regional level with Maple Ridge paying our respective portion. The Water Utility has an accumulated surplus balance of \$11.3 million at the end of 2016, and is projected to increase over the next 4 years. In past years, the Regional District had projected rate increases that were very significant, with one year as high as 18%. Since that time they have deferred projects and have passed along only marginal increases. Building the accumulated surplus balance allows the City to smooth the impact of future increases from the Regional District expected for those deferred projects.

2. Reserve Funds

Reserve funds are established by bylaw and hold financial resources for specific purposes, typically for capital investment. Once a reserve fund has been established, the funds in it can only be used for the purposes noted in the establishing bylaw and any use of the funds must be authorized in the Financial Plan Bylaw. As part of our long-term financial planning it is not unusual to build the balance in a reserve over time in order to provide for larger planned expenditures in the future. This practice allows us to smooth the impact of planned variations in annual spending.

The following provides a brief summary of the City's reserve funds:

i). Local Improvement

The balance in this fund is comprised mainly of monies returned to us by the Municipal Finance Authority (MFA) when debt was retired for which sinking fund monies had been held. These funds are intended to be used for local capital improvement projects where a community benefit is realized and a municipal contribution is needed.

ii). Equipment Replacement

Each year, we transfer monies to this reserve in recognition of the fact that the equipment in use today will need to be replaced in the future. This reserve provides for the

replacement of our municipal fleet and fire department vehicles, as well as our computers and photocopiers. The useful life of equipment and fleet vehicles the City uses in its day-to-day business ranges from 3 years for some of our technology equipment and up to 25 years for some of our fire protection vehicles. In order to provide for the replacement of this wide variety of equipment it is not unusual for the balance in this reserve to build for a period of time as we accumulate the monies we will need to expend when we replace some of our more expensive equipment. Between 2017 and 2021 expenditures of approximately \$17 million are contemplated from this funding source to support projects such as our fleet renewal and the replacement of fire trucks.

iii). Capital Works

The capital works reserve provides funding for future capital investment. Each year, 1% of general taxation is credited to the reserve along with fixed transfer amounts of approximately \$200,000. Additionally, 75% of the proceeds from any land sales are transferred to this reserve unless Council directs otherwise. An example of this can be seen in the agreement Council recently entered into for the phased sale of the town centre lands over the next four years. The full proceeds from that sale will be transferred to this reserve to be invested in community assets. Our practice is to retain a minimum balance of 10% of the prior year's taxation in order to have some funds available in the event of an emergency.

iv). Fire Department Capital

Each year 2% of general taxation is transferred to the reserve to build the financial resources we need to increase the City's fire protection capacity as the community grows. In the past, the balance in this reserve was deliberately built up to provide for the renovation and expansion of Fire Hall #1; it was subsequently drawn down between 2007 and 2010 to fund that project. At the present time, the balance is once again growing in order to provide the funding for the construction and equipping of Fire Hall #4.

v). Sanitary Sewer

This fund resulted from surpluses on sanitary sewer projects in previous years and is available for use on current and future sanitary sewer projects.

vi). Land

This reserve receives 25% of the proceeds from land sales, unless Council directs otherwise, and is used for land acquisitions. In 2009, the fund received an infusion of \$1.5 million as part of the year-end process to provide funding for land acquisitions of importance to Council where there was no other identifiable source of funding. In 2010, Council was able to use this reserve to assist with the purchase of strategic lands in the town centre. Those lands are now being sold as part of a phased agreement and the proceeds will be directed to the Capital Works Reserve as a funding source for community assets.

3. Reserve Accounts

Reserve accounts are appropriations of surplus established to meet business needs. They can be established or dissolved as Council directs to ensure that identified business needs are met and risks are managed appropriately. At the end of 2016, there is a total of \$45.9 million in the City's reserve accounts, an increase of \$7.6 million, most of which is driven by increases in the reserves for committed projects, infrastructure sustainability, police services and building inspections as discussed in the following section.

The following provides a brief summary of the City's reserve accounts:

- i). **Committed Projects (capital and operating)**

These represent items approved by Council in prior years that were not completed at the end of our fiscal year, and are ongoing work items. Many of the studies and projects in the financial plan take more than one year to complete, or may be deferred as immediate priorities shift. Examples include provision for plans and studies in the Albion Flats area, costs expected as part of the exit from the Cost Share agreement for recreation and the work required for the closure plan for the old Cottonwood Landfill site. In some instances, the timing of expenditures is uncertain, such as those related to Council's incentive programs. In that example expenditures are dependent on development activity in the community. A number of the capital projects that will receive funding from this reserve are reliant on third party funding and/or awaiting the outcome of property acquisition negotiations.
- ii). **Self Insurance**

In order to control insurance premium costs we have relatively high deductibles and have chosen to self-insure many events. This reserve provides funding insurance deductibles and self-insured claims.
- iii). **Police Services**

This reserve was established to fund one-time police services initiatives. As per Council practice, at least 50% of RCMP contract savings are transferred into this reserve each year. Some of the projects funded from this reserve are the result of changing standards mandated by the RCMP, for example the need to retrofit the cells in 2010. In 2016, this reserve provided funding in support of Council's Resilience Initiative and the provision of additional security services in the town centre. As part of our year-end process, 50% of contract savings were transferred to the reserve. There are still outstanding items with the RCMP contract to be settled and this reserve will be available to fund those items when the financial impacts can be quantified.
- iv). **Core Reserve**

This reserve was established at the outset of the project that saw the construction of our downtown facilities. It provided a mechanism to build our capacity to finance the project over time while smoothing the impact to taxpayers. Today, it assists in managing the cash flows related to the commercial component of the project and is also available to assist with capital improvements to the downtown facilities. In 2010, funds from this reserve were used to assist with the acquisition of strategic lands in the downtown area.
- v). **Recycling Reserve**

The Recycling Reserve retains the balance of recycling levies and MMBC revenues in excess of contract costs as well as the City's share of the Recycling Society's profits. The reserve is used to provide funding for recycling related projects, such as studies or equipment purchases.
- vi). **Building Inspections**

This reserve is designed to allow us to deal with the impact of an unexpected reduction in building permit revenues. The amount of revenue realized from building permits varies from year to year in relation to development activity. In the past five years revenues have missed financial plan targets twice. When revenues exceed budgeted targets, a portion of the favourable variance is transferred to this reserve. In years when building permit revenues fall short of financial plan targets, we can mitigate the impact by transferring monies from the reserve, providing us with some capacity to sustain service levels in the short-term. In 2016, building permit revenues exceeded financial plan targets by approximately \$1.7 million and 50% of this was transferred to the reserve. In 2017, this

reserve will assist with the funding required for the additional development services resources approved by Council.

vii). Gravel

Soil removal fees are credited to this account each year. It is intended to assist with minor infrastructure repair that may be required as a result of soil removal activities. In 2011, this reserve provided the funding needed to resurface a portion of Dewdney Trunk Road that sees a lot of traffic from gravel trucks.

viii). Community Works (gas tax)

In 2014, Council entered into an agreement with the Union of BC Municipalities to receive a share of federal gas tax monies under the Community Works Fund. Monies received under this agreement are transferred to the reserve and will be used to fund projects in accordance with a list of eligible project and expenditure categories set out in the agreement. The monies received to date have been used to fund works along 128 Avenue.

ix). Facility Maintenance

Not all facility maintenance is required on an annual basis and this reserve was established to smooth the impact of annual fluctuations in required maintenance costs.

x). Snow Removal

This reserve is intended to ensure that the City has the financial capacity to respond to costs associated with higher than normal costs for snow and ice control without the need to curtail other services. Our annual budget for this activity in 2016 was \$306,100, with actual costs at \$544,140. Annual costs fluctuate in relation to the severity of weather experienced in any given year and it has not been unusual to see costs in excess of budget. The reserve was established in 1999 with a balance of \$200,000; in each of 2007 and 2008, in recognition of inflationary pressures and the increased costs associated with changing weather patterns the targeted balance in the reserve was increased to \$700,000. In 2016, costs exceeded budgeted general revenue amounts by \$213,000 and this amount was transferred from the reserve to offset the impact to the bottom line. Costs in 2017 already exceed the budget envelope for the year and it is likely we will need to transfer an additional amount from the reserve this year as well. In future years, savings will be transferred to reserve to rebuild its capacity.

xi). Cemetery Maintenance

Any excess of revenues over expenses in the cemetery cost centre are transferred to this reserve at year-end. The account is used as a funding source to maintain the cemetery function, both the facility and related technology and is intended to provide the funding for the debt entered into for cemetery expansion. Our experience over the past number of years is suggesting that we will need to look to general revenue to assist with debt servicing costs as revenue projections are not being realized. The perpetual care fund is a separate entity and is managed as a trust.

xii). Infrastructure Sustainability

In 2007, the first infrastructure sustainability account was established in recognition of the need to build the City's capacity to maintain our growing infrastructure. The replacement cost of which exceeds \$1.5 billion. The level of annual maintenance and rehabilitation spending required to maintain our infrastructure to appropriate standards is estimated at approximately \$30 million. Our annual expenditures are significantly less than this. Beginning in 2008, we began to dedicate a 1% tax increase to address the gap between required and actual spending. In 2013, this was reduced to a 0.5% increase per year through 2016, increasing to a 0.7% increase per year in 2017 through 2021.

xiii). Drainage Improvements

This reserve was established in 2013 concurrently with Council's drainage levy. Monies generated from the levy are transferred to this reserve and will be used as a funding source for improvements to the City's drainage system. The 2017 financial plan provides for almost \$2 million from this reserve to support projects improving the City's storm water system.

xiv). Critical Building Infrastructure

This reserve was established in 2006 in recognition of the need to provide for emergency or irregular items associated with facility maintenance. Facilities, such as the RCMP building, Municipal Hall and the Leisure Centre were constructed at approximately the same time; consequently, it is likely that some of the building infrastructure will need to be replaced at similar times. Such infrastructure is costly to replace and our existing lifecycle budget does not have the capacity to provide the necessary funding. The reserve is intended to provide that capacity without having to defer other planned facility infrastructure maintenance. The reserve has been used to support projects such as the energy retrofit undertaken at the Leisure Centre that saw the replacement of the existing boiler and the installation of solar panels to reduce energy costs at the facility.

xv). Infrastructure Grants Contribution

This reserve was established in 2008 to provide the capacity to take advantage of infrastructure grant programs that typically require a municipality to provide matching funds in order to secure funding. In 2010, as senior levels of government began winding down the round of infrastructure grant programs in place at the time, Council authorized using some of the monies in this reserve to assist in the acquisition of strategic lands in the downtown area. Council may wish to reactivate this account in the future to respond to funding programs offered by senior levels of government.

xvi). Gaming Revenues

In 2010, Council entered into an agreement with the Province that resulted in the City receiving a portion of the net revenues from gaming at the Maple Ridge Community Gaming Centre. Monies received under this agreement are to be used to benefit the community. In June of 2011, Council adopted a policy framework to guide the use of gaming monies in the community (Policy 5.55). Under this policy, gaming revenues will be targeted to fund non-recurring items, in particular, capital improvements that cannot be funded through development charges.

4. Restricted Revenues

Restricted revenues are monies collected from others for which we are obligated to provide specific works. Due to the restrictions on their use, these monies are reported as a liability until the specific works are undertaken.

The following provides an overview of the City's restricted revenues:

i). Development Cost Charges

These funds are collected from the development community and are used to assist in funding specific infrastructure requirements resulting from development. DCC's are the largest source of funding for the City's capital program with planned new investment in infrastructure exceeding \$60 million over the next 5 years. Actual construction schedules are dependent on development.

ii). Parkland Acquisition (ESA)

The Parkland Acquisition Reserve consists of monies paid by the development community in lieu of providing parkland that are subsequently used to acquire environmentally sensitive

areas, such as land required for watercourse protection. Funding from the Parkland Acquisition Reserve assisted with the acquisition of lands along Whonnock Lake in 2016.

iii). Albion Amenities

This reserve was established in 2013 for monies collected from developments in the Albion Area where an amenity contribution was required. Any monies collected will be credited to this reserve and will help to fund future amenities in the Albion area. As at the end of 2016 the balance of collections was \$278,568.

iv). Community Amenities

This was established in 2016 for contributions from qualifying development in the community. Monies collected will contribute to eligible amenities as identified by Council policy. At the end of 2016, the balance of collections was \$230,169.

v). Downtown Parking Facilities

Funds credited to this account are collected from developers in lieu of providing parking spaces are to be used for the provision of parking in the downtown area.

vi). Developer Specified Projects

Charges collected from the development community to assist with the provision of certain infrastructure works.

CONCLUSIONS:

The above information and attached schedule are intended to provide an overview of the City's financial resources. At the end of 2016 our accumulated surplus in the revenue funds, reserve funds and accounts total \$113.37 million and we have a further \$33.4 million in restricted revenues. Much of this amount is held for capital investment in the community. Not included in these amounts are non-financial resources, such as our land holdings in Silver Valley.

The City has a sound business planning framework which includes a series of financial sustainability policies. The resources outlined in this report were established over many years and assist Council in managing the City's finances.

"Original signed by Catherine Nolan"

Prepared by: Catherine Nolan, CPA, CGA
Manager of Accounting

"Original signed by Trevor Thompson for Paul Gill"

Approved by: Paul Gill, CPA, CGA
GM, Corporate and Financial Services

"Original signed by Ted Swabey"

Concurrence: **E.C. Swabey**
Chief Administrative Officer

	2016	2015	2014	2013	2012	
ACCUMULATED SURPLUS (REVENUE FUNDS)						
General Revenue	\$ 9,285,688	\$ 9,859,165	\$ 7,522,666	\$ 6,895,061	\$ 6,091,162	Note 14
Sewer Revenue	8,144,538	6,413,897	4,662,448	3,183,533	3,139,776	
Water Revenue	11,296,039	8,354,639	6,737,009	5,802,444	4,004,157	
	<u>28,726,265</u>	<u>24,627,701</u>	<u>18,922,123</u>	<u>15,881,038</u>	<u>13,235,095</u>	
RESERVE FUNDS						
Local Improvement	2,565,270	2,550,517	2,538,017	2,526,837	2,546,836	Schedule 6
Equipment Replacement	15,143,197	13,093,289	11,986,081	11,248,713	10,201,905	
Capital Works	10,727,978	11,623,295	11,405,241	11,483,128	11,534,975	
Fire Department Capital Acquisition	8,404,264	7,054,422	5,585,277	5,059,939	3,837,795	
Sanitary Sewer	1,636,239	1,614,769	1,591,334	1,566,114	1,549,532	
Land	278,896	275,235	271,887	267,578	237,793	
	<u>38,755,844</u>	<u>36,211,527</u>	<u>33,377,837</u>	<u>32,152,309</u>	<u>29,908,836</u>	
RESERVE ACCOUNTS						
Specific projects - capital	8,327,760	6,143,821	4,583,648	5,021,293	3,940,405	Schedule 6
Specific projects - operating	7,834,360	8,397,216	7,887,243	8,470,583	7,904,720	
Self insurance	848,971	830,351	832,090	833,360	853,830	
Police services	7,299,090	6,735,888	6,023,054	4,150,222	3,589,380	
Core development	1,780,335	1,720,419	1,511,459	1,357,795	1,337,430	
Recycling	2,148,985	1,513,787	1,179,983	1,310,331	1,519,591	
Community development	-	1,349	1,330	1,308	1,296	
Building inspections	3,119,544	2,494,848	1,951,137	1,621,941	1,604,768	
Gravel extraction	762,288	727,831	661,008	618,532	487,715	
Community Works (Gas Tax)	-	-	271,332	-	-	
Facility maintenance	2,441,898	1,840,198	1,392,917	582,358	750,376	
Snow removal	473,061	686,015	686,015	686,015	686,015	
Cemetery maintenance	117,606	30,781	84,810	190,559	125,198	
Infrastructure Sustainability (town centre bldgs)	373,206	329,415	223,188	135,028	104,860	
Infrastructure Sustainability (road network)	1,673,167	1,710,679	1,527,202	848,329	1,013,438	
Infrastructure Sustainability (drainage)	1,311,875	-	372,431	289,310	249,861	
Drainage Improvements	807,108	1,522,548	491,678	150,000	-	
Critical infrastructure reserve	203,511	200,923	208,672	205,365	203,191	
Infrastructure grants contribution	3,557	3,557	3,557	3,557	9,383	
Gaming revenues	1,336,791	779,954	453,492	1,235,451	1,043,811	
	<u>40,863,113</u>	<u>35,669,580</u>	<u>30,346,246</u>	<u>27,711,337</u>	<u>25,425,268</u>	
WATER AND SEWER RESERVE ACCOUNTS						
Self Insurance - Sewer	141,377	134,873	128,373	121,873	115,373	
Specific projects - Sewer	2,319,380	2,155,690	2,204,628	3,028,476	2,557,611	
Self Insurance - Water	119,732	113,228	106,728	102,028	95,528	
Specific projects - water	2,441,288	2,746,632	2,579,794	2,003,211	2,973,941	
	<u>5,021,777</u>	<u>5,150,423</u>	<u>5,019,523</u>	<u>5,255,588</u>	<u>5,742,453</u>	
TOTAL RESERVES						
	<u>\$ 84,640,734</u>	<u>\$ 77,031,530</u>	<u>\$ 68,743,606</u>	<u>\$ 65,119,234</u>	<u>\$ 61,076,557</u>	
TOTAL RESERVES AND REVENUE ACCUMULATED SURPLUS						
	<u>\$ 113,366,999</u>	<u>\$ 101,659,231</u>	<u>\$ 87,665,729</u>	<u>\$ 81,000,272</u>	<u>\$ 74,311,652</u>	
RESTRICTED REVENUES						
Development cost charges	\$ 26,019,029	\$ 33,971,866	\$ 37,155,173	\$ 38,773,658	\$ 39,541,745	Note 9
Parkland acquisition	412,029	1,203,400	1,028,090	764,167	559,473	
Albion Amenities	278,568	211,160	-	-	-	
Community Amenities	230,169	-	-	-	-	
Downtown parking facilities	327,128	310,717	291,467	286,849	166,770	
Developer specified projects	6,134,991	5,988,904	5,720,704	5,325,301	5,089,215	
	<u>\$ 33,401,914</u>	<u>\$ 41,686,047</u>	<u>\$ 44,195,434</u>	<u>\$ 45,149,975</u>	<u>\$ 45,357,203</u>	

TO: Audit & Finance Committee
FROM: Manager of Accounting
SUBJECT: Council Training, Conferences & Association Building – Policy 3.07

MEETING DATE: 24-April-2017
FILE NO:
MEETING: Audit & Finance

EXECUTIVE SUMMARY:

The matter of Council training, conferences & association building was discussed at the last Audit & Finance Committee meeting. The existing policy was adopted in 2014 and the policy direction has not been confirmed by the current Council. The purpose of this report is to seek feedback on what changes Council wishes to make. Staff will then bring back an amended policy based on the discussion.

RECOMMENDATION(S):

That Audit & Finance Committee provide staff with feedback on the existing Council Training, Conferences & Association Building – Policy 3.07 and direct staff to amend the policy reflecting that discussion.

DISCUSSION:

At the March 20 Audit & Finance Committee meeting, committee members reviewed the budget line items for Legislative Services (Council), discussing a number of the line items in detail. These items have not been refreshed for a number of years and committee members were of the opinion that a review of some kind should be undertaken.

There was some discussion around the different elements of Council compensation. Remuneration has been addressed in a report by itself; this report focuses on the policy direction around Council attendance at conferences and participation in training

Policy 3.07, Council Training, Conferences and Association Building (attached) was adopted in 2014 and recognizes that Council members are asked to make important decisions for the community, with that function supported by relationships relating to the role and by continuous learning, either through attendance at conferences or through self directed training. The policy sets guidelines for annual spending by individual members of Council for attendance at conferences and training. It also provides guidance on Council's budget for external committee work.

The policy does not address the costs associated with attendance at various community events by members of Council. As was noted at the March 20 meeting there is a general expectation that members of Council attend such events and there is an associated cost, Additionally, Council members expressed a level of frustration with the lack of direction from Canada Revenue Agency (CRA) on the application of the 1/3 tax free allowance portion of their remuneration.

Current income tax rules stipulate that 1/3 of the remuneration paid to elected officials is a tax free allowance, intended to offset some of the expenses incurred as part of discharging the duties of office. The recent federal budget eliminated this allowance, effective in 2019. This will result in a net reduction in after tax income and this should be taken into account when considering any changes in policy direction.

At this time, staff is seeking input from the committee on the following:

1. Should Policy 3.07, Council Training, Conferences and Association Building be updated at this time?
2. If so, should the scope of the policy be expanded to provide guidance regarding attendance at community events? If yes, what should the policy direction be?
3. Are there any other areas of concern that the committee would recommend be considered as part of a review? If yes, what specifically should be considered?
4. How frequently should the policy be reviewed?

It should be noted that updating this policy was not identified as a 2017 work plan item for Human Resources or Finance. Should the Audit & Finance committee recommend such a review take place, staff will evaluate the impact to existing work plans and resources.

CONCLUSIONS:

Policy 3.07 Council Training, Conferences & Association Building provides guidance for Council attendance at conferences and participation in self directed training. It also provides direction on Council's budget for external committee work. The policy was adopted in 2014 and has not been updated. Staff is seeking feedback from the committee on the existing policy and direction regarding any changes. An amended policy will be brought to a future meeting.

"Original signed by Catherine Nolan"

Prepared by: Catherine Nolan, CPA, CGA
Manager of Accounting

"Original signed by Frances King"

Reviewed by: Frances King
Director of Human Resources

"Original signed by Paul Gill"

Approved by: Paul Gill, CPA, CGA
GM, Corporate & Financial Services

"Original signed by Ted Swabey"

Concurrence: **E.C. Swabey**
Chief Administrative Officer



POLICY MANUAL

Title: Council Training, Conferences and Association Building	Policy No : 3.07 (Rev. 2) Supersedes: <ul style="list-style-type: none"> • Council Training, Conferences and Association Building Policy 3.07 (January 6, 2009)
Authority: <input checked="" type="checkbox"/> Legislative <input type="checkbox"/> Operational Approval: <input checked="" type="checkbox"/> Council <input type="checkbox"/> CMT <input type="checkbox"/> General Manager	Effective Date: July 22, 2014 Review Date: July 2015
Policy Statement: Municipal Council will review the Legislative Services budget at least annually. Adjustments to established budgets will be considered as part of the District's Business Planning process.	
Purpose: Council members are asked to make important decisions on behalf of the citizens of Maple Ridge. Continuous learning and association building are important in carrying out this duty. The District supports training and association building and many such opportunities arise throughout the year. Financial resources are limited so the costs versus the benefits must be weighed and priorities established.	
Definitions: <ol style="list-style-type: none"> 1. Conferences This category refers to learning opportunities such as the annual Union of BC Municipalities Convention, the annual Federation of Canadian Municipalities conference, and the annual conference of the Lower Mainland Local Government Association. 2. Council approved external committee work This category refers to training and networking opportunities that arise out of Council approved external committee work. Examples of such work include appointments to FCM or UBCM committees. 	

3. Self Directed Training

This category refers to training, workshops or conferences that individual members of Council may wish to participate in that are not included in the first two categories. Its purpose is to allow Council members to develop skills and knowledge relating to their role as a member of the governing body of Maple Ridge.

4. Association Building

This category refers to local events that individual members of Council may wish to participate in. Its purpose is to allow Council members to network and develop relationships relating to their role as a member of the governing body of Maple Ridge.

5. Cost/Benefit Analysis

The following criteria will be used to evaluate participation in training, conference and association building opportunities:

- i) Does the work done by the body / committee support Council's Strategic Plan?
- ii) Does the body / committee make decisions that could impact Maple Ridge?
- iii) Does the organization provide support to Maple Ridge? (financial or otherwise)
- iv) Does participation help fulfill their duties & responsibilities?
- v) Does participation provide valuable networking opportunities?

Key Areas of Responsibility

Action to Take	Responsibility				
<p>1. In September of each year, Council, in conjunction with their Finance officer, will review current year expenditures, estimate costs to year-end and consider adjustments for the ensuing financial planning period.</p> <ul style="list-style-type: none"> • The current budget allocation is as follows and has been accommodated within the overall budget for Legislative Services: <table style="margin-left: 40px;"> <tr> <td>Mayor (annually)</td> <td>\$6,500</td> </tr> <tr> <td>Councillor (annually)</td> <td>\$5,000</td> </tr> </table> 	Mayor (annually)	\$6,500	Councillor (annually)	\$5,000	<p>Municipal Council Finance Officer</p> <p>Municipal Council Finance Officer</p>
Mayor (annually)	\$6,500				
Councillor (annually)	\$5,000				
<p>2. While arrangements for these events must be coordinated through the Executive Assistant to the Mayor, responsibility and accountability for these allocations will rest with individual Council members.</p>	<p>Municipal Council Finance Officer</p>				
<p>3. The Finance Department will provide a monthly financial update to assist Council members in managing their allocations.</p>	<p>Finance Officer</p>				
<p>4. Prior approval from Council will be required for expenditures in excess of the annual budget</p>	<p>Municipal Council</p>				



The City of Maple Ridge

Audit Results and Communications

Report to the Audit and Finance Committee and Council

For the fiscal year ended December 31, 2016

April 12, 2017



Tel: 604 688 5421
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vancouver@bdo.ca
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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

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

April 12, 2017

Members of the Audit Committee and Council
City of Maple Ridge
11995 Haney Place
Maple Ridge, BC V2X 6A9

Dear Members of the Audit Committee and Council:

We are pleased to present the results of our audit of the consolidated financial statements of the City of Maple Ridge (the "City") for the year ended December 31, 2016. The purpose of our report is to summarize certain aspects of the audit that we believe to be of interest to the Members of the Audit Committee and Council and should be read in conjunction with the draft consolidated financial statements and our draft audit report which is included in Appendix B.

We would like to bring to your attention that our audit and therefore this report will not necessarily identify all matters that may be of interest to the Audit Committee and Council in fulfilling its responsibilities.

This report has been prepared solely for the use of the Audit 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.

We wish to express our sincere appreciation for the co-operation we received during the audit from the City's management and staff who have assisted us in carrying out our work. We look forward to connecting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

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

BC/



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EXECUTIVE SUMMARY

Audit Findings	<p>Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the consolidated financial statements are free of material misstatement.</p> <p>We conducted our audit in accordance with Canadian generally accepted auditing standards. The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee and Council dated December 16, 2016.</p> <p>A detailed description of our audit findings has been included on page 6.</p>
Status of Audit	<p>As of the date of this report, we have substantially completed our audit of the December 31, 2016 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the consolidated financial statements:</p> <ul style="list-style-type: none">• Receipt of the signed management representation letter• Receipt of one outstanding legal confirmation• Subsequent events review through to consolidated financial statement approval date• Approval of consolidated financial statements by Council
Audit Risks	<p>In accordance with our audit plan, our procedures focused on the following areas that we identified as containing risks of material misstatements:</p> <ul style="list-style-type: none">• Risk of Management Override• Cash and Investments• Staff Salaries• Tangible Capital Assets and Accumulated Amortization• Employee Future Benefits• Deferred Revenue and Government Grants <p>We have summarized the results of our audit procedures for each of these risk areas, beginning on page 7 of this report.</p>
Internal Control Over Financial Reporting	<p>We did not identify any significant deficiencies in internal controls over financial reporting during the year ended December 31, 2016 that we considered to be material weaknesses.</p>
Fraud and Illegal Activities	<p>We developed procedures within our audit plan as recommended by CAS 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. Based on these procedures, we have not encountered any illegal activities or fraudulent events with respect to the City.</p>
Significant Events	<p>As of the date of this letter, we have not identified any significant events which we believe should be brought to your attention.</p>
Significant Accounting Policies	<p>The City's significant accounting policies are listed in the consolidated financial statements. We believe management's selection of accounting policies is appropriate under Canadian public sector accounting standards.</p>



Estimates	<p>Accounting estimates are an integral part of the consolidated financial statements and are based on management’s current judgments. These judgments are based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.</p> <p>Our comments on the significant estimates included in the consolidated financial statements are included on page 9 of this report.</p>
Audit Adjustments and Unadjusted Differences	<p>Our final materiality level was \$2,700,000. This represented a somewhat increased level from our planning materiality due to higher than anticipated activity levels.</p> <p>There are no unadjusted misstatements to communicate for the year ended December 31, 2016, hence the \$nil effect on annual surplus as presented in Appendix C.</p> <p>We do not propose any year-end audit adjustments to be approved by management, and the resulting \$nil impact on the annual surplus of the City, is presented in Appendix D.</p>
Disclosures	<p>There are no material omissions with respect to the disclosures in the consolidated financial statements for the year ended December 31, 2016 that we have noted.</p>
Independence	<p>We confirm that we are still independent as of the date of this letter.</p>
Representation Letter	<p>A draft version of the representation letter to be signed by management is included in Appendix E.</p>
Conclusion	<p>We intend to issue an unmodified audit report on the consolidated financial statements for the year ended December 31, 2016 once the outstanding items referred to above are satisfactorily resolved and the consolidated financial statements are approved the Council.</p>



INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards (GAAS) no longer require that we communicate formally to you in regard to independence matters; however, we consider it to be a good practice. As such, we would report to you regarding all relationships between the City and our firm that, in our professional judgment, may reasonably be thought to bear on our independence. We have confirmed our independence to the Council for the year ended December 31, 2016 in our Planning Report dated December 16, 2016 and we know of no circumstances that would cause us to amend the previously provided letter. We confirm that we are still independent as of the date of this letter.

MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Final materiality was \$2,700,000 based on approximately 1.5% of normalized revenues.

In Appendix C, we have communicated all uncorrected misstatements identified during our audit which we determined to be above “clearly trivial”. Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate. See Appendix C for the unadjusted differences noted during the audit.

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 significant risks; those risks of material misstatement that, in our judgment, require special audit consideration.

Significant risks 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.



ACCOUNTING AND AUDIT MATTERS

Management Override of Controls

Risk	Approach	Results
<p>Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records, and prepare fraudulent consolidated financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>This risk is required for all audits pursuant to Canadian audit standards.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the consolidated financial statements.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>

Cash and Investments

Risk	Approach	Results
<p>Due to its nature, cash and investments are almost always considered to be a risk area in any audit.</p>	<p>We reviewed the year end reconciliations and obtained third party confirmations.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>

Staff Salaries

Risk	Approach	Results
<p>A significant single type of expenditure that cover many employees and departments. As a municipality, this figure is often of particular interest to financial statement users (taxpayers).</p>	<p>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.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>



Tangible Capital Assets and Accumulated Amortization

Risk	Approach	Results
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.	We performed tests of control for appropriate authorization of purchases combined with substantive testing of additions and disposals and amortization calculations. We reviewed the useful lives of existing assets for reasonableness.	All audit testing in this area was executed as planned with no issues noted.

Employee Future Benefits

Risk	Approach	Results
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.	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

Risk	Approach	Results
There is a risk that revenue may be incorrectly deferred into future periods or vice versa.	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.



SIGNIFICANT ACCOUNTING ESTIMATES

Management is responsible for determining the City's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates in the consolidated financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with Canadian public sector accounting standards.

UNADJUSTED DIFFERENCES

We have disclosed all significant adjusted and unadjusted differences and disclosure omissions identified through the course of the audit engagement. Each of these items has been discussed with management.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the consolidated financial statements taken as a whole. Should the Council agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of unadjusted differences and disclosure omissions has been presented in Appendix C.

AUDIT ADJUSTMENTS

Year-end audit adjustments were discussed with management and approved prior to the release of the draft consolidated financial statements. A summary of these adjustments is included in Appendix D.

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 in our audit working papers through memoranda of discussions with management, as well as by written representations received from management. A copy of the representation letter we have requested from management is included in Appendix E of this report.



FRAUD DISCUSSION

Canadian auditing standards require us to discuss fraud risk with the Audit Committee and Council on an annual basis. We discussed it in our Planning Report dated December 16, 2016. Currently, we are not aware of any actual, suspected or alleged fraud. If you are aware of any instances of actual, suspected or alleged fraud affecting the City since the date of our previous discussion, please advise us at bcox@bdo.ca.

Required Discussion	BDO Response	Question to Audit Committee
<p>Details of existing oversight processes with regards to fraud.</p>	<p>Based on our discussions during the planning of our audit, the Audit Committee and Council's oversight processes include:</p> <ul style="list-style-type: none"> • Audit Committee terms of reference; • Discussions at audit committee meetings; • Review of related party transactions; and • Consideration of tone at the top. 	<p>Are there any new processes or changes in existing processes relating to fraud since the date of our previous discussions, that we should be aware of?</p>
<p>Knowledge of actual, suspected or alleged fraud.</p>	<p>Currently, we are not aware of any actual, suspected or alleged fraud.</p>	<p>Are you aware of any instances of actual, suspected or alleged fraud affecting the City?</p>

AUDITOR'S RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee and Council dated December 16, 2016.



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.

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 and, as a result, the matters reported may not be exhaustive. 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.

DEFICIENCIES IN INTERNAL CONTROL

Deficiency	Issue and Impact
None noted.	None noted.

While there are no significant deficiencies in internal controls noted, we do take the opportunity to comment on non-critical matters in our management letter that is included in Appendix F.

APPENDIX A - Other Required Communication

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓		Included in our engagement letter dated March 16, 2017.
2. Our audit strategy and audit scope	✓		Included in our Planning Report which was presented to the Council on December 16, 2016.
3. Fraud risk factors	✓		Included in our Planning Report which was presented to the Council on December 16, 2016.
4. Going concern matters		✓	None.
5. Significant estimates or judgments		✓	See Page 9.
6. Audit adjustments		✓	None.
7. Unadjusted differences		✓	None.
8. Omitted disclosures		✓	None.
9. Disagreements with management		✓	There were no disagreements with management.
10. Consultations with other accountants or experts		✓	No external experts were consulted during this engagement.
11. Major issues discussed with management in regards to retention		✓	None.
12. Significant difficulties encountered during the audit		✓	No significant difficulties were encountered during our audit.
13. Significant deficiencies in internal control		✓	No significant deficiencies were noted.



Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
14. Material written communication between BDO and management		✓	No material written communications were noted.
15. Any relationships which may affect our independence	✓	✓	No independence issues noted.
16. Any illegal acts identified during the audit		✓	No illegal activities identified through the audit process.
17. Any fraud or possible fraudulent acts identified during the audit	✓	✓	No fraud identified through the audit process.
18. Significant transactions with related parties not consistent with ordinary business operations		✓	None noted.
19. Non-compliance with laws or regulations identified during the audit		✓	No legal or regulatory non-compliance matters were noted as part of our audit.
20. Limitations of scope over our audit, if any		✓	None.
21. Written representations made by management		✓	See Appendix E.
22. Any modifications to our opinion, if required		✓	Please see our draft independent auditor's report included in Appendix B.



APPENDIX B - Draft 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, 2016, 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 consolidated financial position of the City of Maple Ridge as at December 31, 2016 and its consolidated results of operations, changes in net financial assets and cash flow for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Vancouver, British Columbia

Date of Council Approval



APPENDIX C - Unadjusted Differences

SUMMARY OF UNADJUSTED DIFFERENCES

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

	Increase (Decrease)			
	Assets	Liabilities	Accumulated Surplus	Annual Operating Surplus
none	\$ -	\$ -	\$ -	\$ -
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 D - Audit Adjustments

SUMMARY OF AUDIT ADJUSTMENTS

The following is a summary of year-end audit adjustments made during the course of our audit engagement. All adjustments were approved by management before the issuance of our draft independent auditor's report.

	Increase (Decrease)			
	Assets	Liabilities	Accumulated Surplus	Annual Operating Surplus
none	\$	\$ -	\$ -	\$
Total Adjusted Differences	\$	\$ -	\$ -	\$



APPENDIX E - 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, 2016, 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, 2016, and the results of operations and cash flows for the year ended December 31, 2016 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.



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.
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,

CITY OF MAPLE RIDGE

Signature

Position

Signature

Position



APPENDIX F - Management Letter

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

April 12, 2016

Mr. Paul Gill
General Manager, Corporate and Financial Services
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 year-end 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.

Status of Prior Year Recommendations

1. Conflict of Interest Policy - Go Beyond the Legal Requirements

In previous audits, we noted the *Financial Disclosure Act* requires that members of Council as well as employees appointed by Council (generally the most senior members of management) make written disclosure of their corporate holdings, business interests, other organizations which may compensate them, and their interests in lands. These disclosures must be updated yearly. The *Community Charter* contains an entire Division on Conflict of Interest, however this applies only to Council members and deals mostly with participation in meetings, prohibition against influence and disclosure of gifts and contracts. We recommended that the City expand policy by having explicit signing of compliance of the policy by both Council/staff and suppliers.



2016 Update

After review by management it was determined that as the legislative and common law framework for management of conflicts of interest already exist such a policy is not required.

2. Lifecycle Costing and Business Cases

In previous audits, we noted the City whilst undertaking best practices in the area of lifecycle costing and business case analysis was having to derive data for such processes from various different sources. We recommended that information be gathered under a formal business case by use of template with placeholders which could be applied in the presentation of future business cases.

2016 Update

Staff were in the process of using wrap up reports for significant capital projects which were to include budget to actual analysis, assumptions of the business case and documentation as to the lessons learned to improve knowledge. We note implementation of the wrap up reports in the current year.

Current Year Observations

No new matters came to our attention worthy of reporting formally in this letter.

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 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/

cc: Audit Committee and Council