



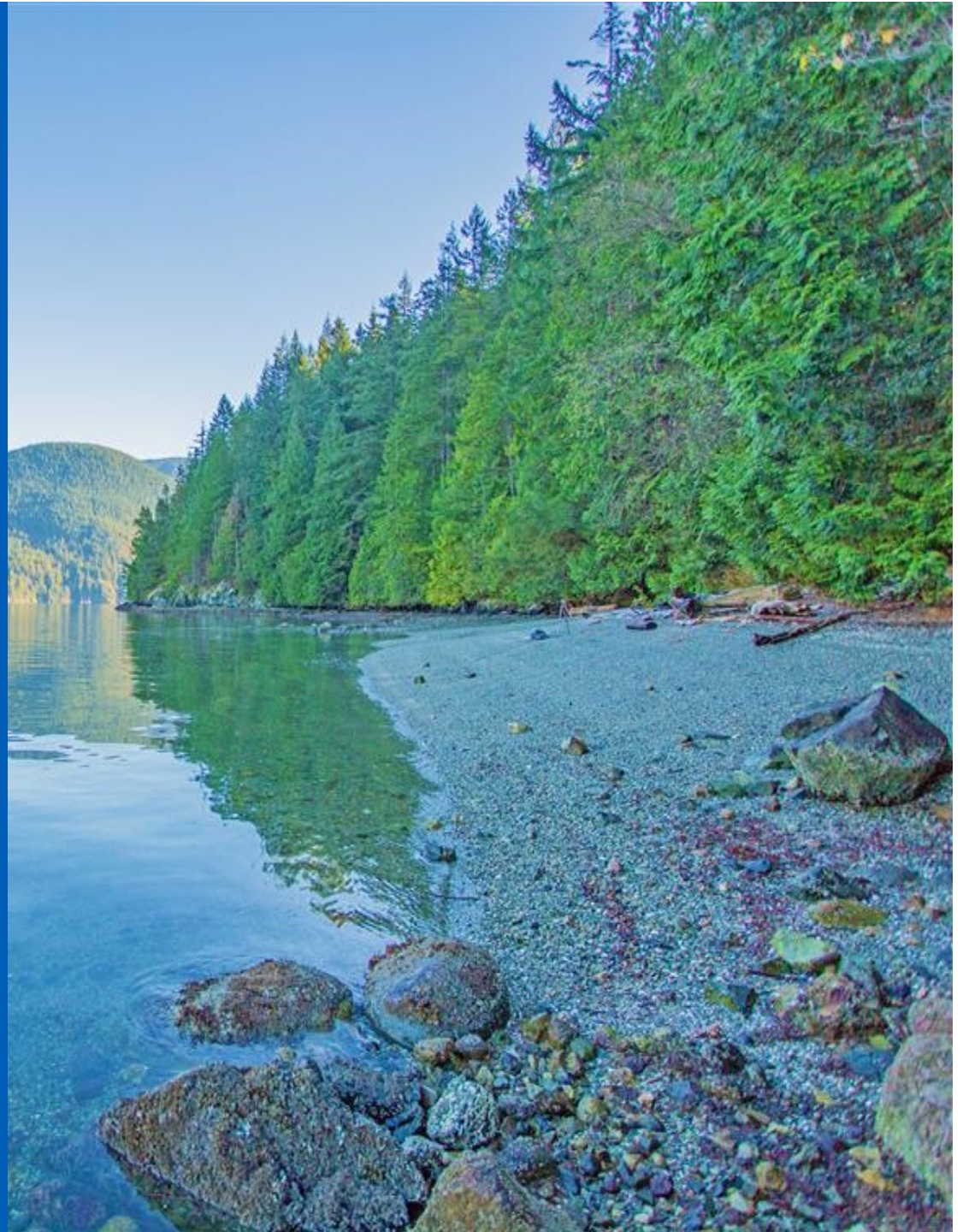
# Village of Belcarra

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

*KPMG LLP*

April 17, 2019 for presentation on April 24, 2019

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



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# Summary of audit findings



## Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of Council, in your review of the results of our audit of the financial statements of the Village of Belcarra (the “Village”) as at and for the year ended December 31, 2018.

This Audit Findings Report builds on the Audit Plan previously communicated to you dated January 14, 2019.



## Changes from the Audit Plan

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



## Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with Council;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council’s acceptance of the financial statements; and,
- Completing subsequent event review procedures up to the date of Council’s acceptance of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.





# Summary of audit findings (continued)



## Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Tangible capital assets
- Legal claim

We are satisfied that our audit work has appropriately dealt with these areas of focus.

See page 4 for more details.



## Adjustments and differences

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

We identified one difference that remain uncorrected. Professional standards require that we request of management and Council that all identified adjustments or differences be corrected. We have already made this request of management. Based on both qualitative and quantitative considerations, management have decided not to correct the differences, and represented to us that the uncorrected differences – individually and in the aggregate – are, in their judgment, not material to the financial statements. We concur with management’s representation and accordingly, the differences have no effect on our auditors’ report.

We identified one adjustment that was communicated to management and subsequently corrected in the financial statements.

See Appendix 2.

# Summary of audit findings (continued)



## Significant accounting policies and practices

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

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



## Control and other observations

In accordance with professional standards, we are required to communicate to Council any control deficiencies that we determined, individually or in the aggregate, to be significant.

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

See page 7 for more details.



## Independence

We confirm that we are independent with respect to the Village within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2018 up to the date of this report.



## Current developments

There have been no significant updates to the current developments included in our Audit Plan previously provided to Council, but we have included in our Appendices information relating to TCA benchmarking, and Federal and BC Budget updates that may be relevant for the Village.



# Areas of audit focus and results

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

Area of audit focus	Why is it significant?	Our response and significant findings
Tangible capital assets	Tangible capital assets acquired or constructed are recorded at cost and are amortized over their estimated useful life.	<ul style="list-style-type: none"><li>– We performed substantive testing over significant additions and disposals during the year.</li><li>– We performed analytical procedures to understand the change in tangible capital assets relative to the prior year. We corroborated all significant variances noted by reviewing supporting documentation.</li></ul> <p>No issues were noted in our audit testing.</p>
Legal claim	The Village was named as a defendant in a claim in December 2017.	<ul style="list-style-type: none"><li>– We discussed legal claims with management as well as reviewed legal invoices and Council meeting minutes.</li><li>– We obtain written confirmation from the Village's external legal counsel and noted that the claim is insured with the Municipal Insurance Association of British Columbia ("MIA") and the Village's exposure is limited to the deductible amount of \$2,500.</li><li>– Management and the Village's external legal counsel have determined that the outcome of this claim cannot be reasonably determined. However, as the Village's exposure is limited to the deductible amount with the MIA, no further provision has been recorded.</li></ul> <p>No issues were noted in our audit testing.</p>





# Audit risks

## Professional requirements

Fraud risk from management override of controls.

## Why is it significant?

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

## Our audit approach

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

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

There were no significant issues noted in our testing.

# Significant accounting policies and practices

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



## Significant accounting policies

- There were no changes to the critical accounting policies and practices.
- There were no changes in significant accounting policies.
- The Village has appropriately implemented the new accounting standards for Related Party Disclosures, Inter-Entity Transactions, Assets, Contingent Assets and Contractual Rights.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the Village's transactions in relation to the period in which they are recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transitions.



## Significant accounting estimates

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



## Significant disclosures

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





# Control and other observations



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

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

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

However, we have identified areas where opportunities exist for improvements to processes and provided recommendations in our Management Letter attached as Appendix 3.

Additionally, typical of organizations your size, we draw to the Council’s attention the fact that, due to the limited number of employees at the organization, the weaknesses arising from a lack of segregation of duties is difficult to avoid. As a result, constant diligence and review of financial information by the Council is necessary.

# Appendices



**Appendix 1: Required communications**



**Appendix 2: Management representation letter**



**Appendix 3: Management letter**



**Appendix 4: Other information**



**Appendix 5: Audit quality and risk management**



**Appendix 6: British Columbia Municipality TCA Data Visualizations**



**Appendix 7: 2019 BC Budget Summary**



**Appendix 8: 2019 Federal Budget Summary**



# Appendix 1: Required communications



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

These include:



## Auditors' Report

The conclusion of our audit is set out in our draft auditors' report attached to the financial statements.



## Management representation letter

In accordance with professional standards, a copy of the management representation letter is provided to Council in Appendix 2.



## Independence

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

# Appendix 2: Management representation letter



## **MANAGEMENT REPRESENTATION LETTER**

KPMG LLP  
PO Box 10426  
777 Dunsmuir Street  
Vancouver, BC V7Y 1K3

April 24, 2019

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the Village of Belcarra's ("the Entity"):

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

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

### **Audit of the financial statements**

#### *General:*

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

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

#### *Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 18, 2017 including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Mayor and Council and committees of the Mayor and Council that may affect the financial statements. All significant actions are included in such summaries.
  - c) providing you with unrestricted access to such relevant information.
  - d) providing you with complete responses to all enquiries made by you during the engagement.



- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

*Internal control over financial reporting:*

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

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

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

*Subsequent events:*

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

*Related parties:*

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

*Estimates:*

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

*Going concern:*

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

*Misstatements:*

- 11) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 12) We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

*Other information:*

- 13) We confirm that the final version of the 2018 Annual Report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

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

- 14) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**Audit of the financial information**

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 18, 2017, including for:
  - a) the preparation of the financial information and believe that the financial information has been prepared in accordance with the relevant financial reporting framework.  
Significant interpretations, if any, related to the financial provisions of the relevant financial reporting framework are appropriately disclosed in the financial information.
  - b) determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances.
  - c) providing you with all information of which we are aware that is relevant to the preparation of the financial information, such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial information. All significant actions are included in such summaries.
  - d) providing you with unrestricted access to such relevant information.
  - e) providing you with complete responses to all enquiries made by you during the engagement
  - f) providing you with additional information that you may request from us for the purpose of the engagement.
  - g) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

- h) such internal control as we determined is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
  - i) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial information.
- 2) We acknowledge that this financial information:
- i) is not general-purpose financial information.
  - ii) may not comply with, or may not satisfy, the Entity's incorporating or other governing legislation.
  - iii) is solely for the information and use of the addressee and is not intended to be, and should not be, used by anyone other than the specified users or for any other purpose.
  - iv) is not intended for distribution to anyone other than the specified users.
- 3) We acknowledge that should we extend the distribution beyond the specified users, you accept no responsibility for the distribution or use of the financial information and the report thereon.

*Internal control over financial reporting:*

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

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

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

*Subsequent events:*

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

*Related parties:*

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

*Estimates:*

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

**Reasonable assurance over compliance with School Act**

*General:*

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

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

*Responsibilities:*

- 11) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 18, 2017, for:
  - a) the preparation of the subject matter information. We believe that the subject matter information is appropriate.
  - b) evaluating or measuring the subject matter information against the applicable criteria, including that all relevant matters are reflected in the subject matter information. We believe the applicable criteria is suitable.
  - c) providing you with all relevant information of which we are aware that is relevant to the preparation of the subject matter information such as all records, and documentation and other matters, including the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the subject matter information, and access to such relevant information
  - d) providing you with additional information that you may request from us for the purpose of the engagement including, when applicable, any changes in the Entity's operations since the date of our last assurance report on the subject matter information
  - e) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain evidence
  - f) such internal control as we determined is necessary to enable the preparation of the subject matter information that is free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
  - g) ensuring that all transactions have been recorded and are reflected in the subject matter information
  - h) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined are necessary
  - i) informing you of any documents, prior to their release, that contained the subject matter information and your assurance report thereon as of the date of this letter.

*Internal control over subject matter information*

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

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

- 13) We have disclosed to you:
  - a) all information in relation to fraud or suspected fraud that we are aware of and that affects the subject matter information and involves; management, employees who have significant roles

- in internal control related to the preparation and presentation of the subject matter information, or others, where the fraud could have a material effect on the subject matter information
- b) all information in relation to allegations of fraud, or suspected fraud, affecting the subject matter information communicated by employees, former employees, analysts, regulators, or others.
  - c) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing the underlying subject matter information.
  - d) all known actual or possible litigation and claims whose effects should be considered when preparing the underlying subject matter information

*Subsequent events:*

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

*Estimates:*

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

Yours very truly,

**VILLAGE OF BELCARRA**

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By: Lorna Dysart, Chief Administrative Officer

Cc: Mayor and Council



## **Attachment I – Definitions**

### *Materiality*

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### *Fraud & error*

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

### *Related parties*

In accordance with Canadian public sector accounting standards a *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

In accordance with Canadian public sector accounting standards a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

## Attachment II – Summary of Audit Misstatements Schedules

### Summary of Uncorrected Audit Misstatements

	Annual Surplus effect	Financial position		
		Assets	Liabilities	Opening Accumulated Surplus
Description	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
To record the prior period impact of salaries expense that was paid in the current year when it was earned in the prior year.	\$10,946	-	-	(\$10,946)

### Summary of Corrected Audit Misstatements

	Annual Surplus effect	Financial position		
		Assets	Liabilities	Opening Accumulated Surplus
Description	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
To record an accrual for salaries payable as at year end.	(\$10,164)	-	\$10,164	-

# Appendix 3: Management letter





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

## **MANAGEMENT LETTER**

Ms. Lorna Dysart  
Chief Administrative Officer  
Village of Belcarra  
4084 Bedwell Bay Rd  
Belcarra, BC V3H 4P8

April 17, 2019

Dear Ms. Dysart:

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

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

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

### ***Significant Deficiencies***

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

### ***Other control deficiencies***

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



Village of Belcarra  
April 17, 2019

### ***Management's responses***

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

### ***Use of letter***

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

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

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line that serves as a flourish or underline.

Chartered Professional Accountants



## Appendix A

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



## Appendix B

### **OTHER CONTROL DEFICIENCIES IDENTIFIED IN THE CURRENT YEAR**

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#### **1. Allocation of public work costs for the Major Road Network (“MRN”) grant**

We noted that management’s allocation of public work costs, such as salaries & benefits, related to the MRN grant lacks proper documentation. There is no support readily available for the determination of the allocation, and the allocation has not been recently reviewed to ensure any changes that may have occurred since the original allocation was determined are reflected. As a result, allocated costs towards the MRN grant may not be reflective of actual costs.

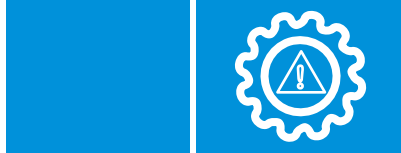
##### **Recommendation:**

We recommend that management develop a formal policy to allocate costs and to determine a process to validate that the allocation is reasonable on an annual basis.

##### **Management response:**

Management agrees with the recommendation to develop a formal policy to support the allocation.

# Appendix 4: Other information



## **Documents containing or referring to the audited financial statements**

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

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

# Appendix 5: Audit quality and risk management



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

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

Visit our [Audit Quality Resources page](#) for more information including access to our most recent [Audit Quality Report](#).

Other controls include:

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

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

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

We do not offer services that would impair our independence.



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

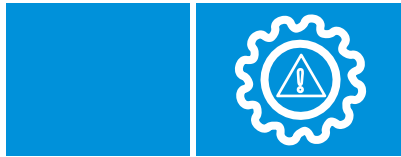
The processes we employ to help retain and develop people include:

- Assignment based on skills and experience;
- Performance evaluation;
- Development and training; and
- Appropriate supervision and coaching

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

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

# Appendix 6: British Columbia Municipality TCA Data Visualizations



Attached are data visualizations relating to TCA benchmarking with other local governments in Metro Vancouver and other local governments in a similar population range in BC. These data visualizations are based on publicly available data sets and reflect the historical financial information in the financial statements.

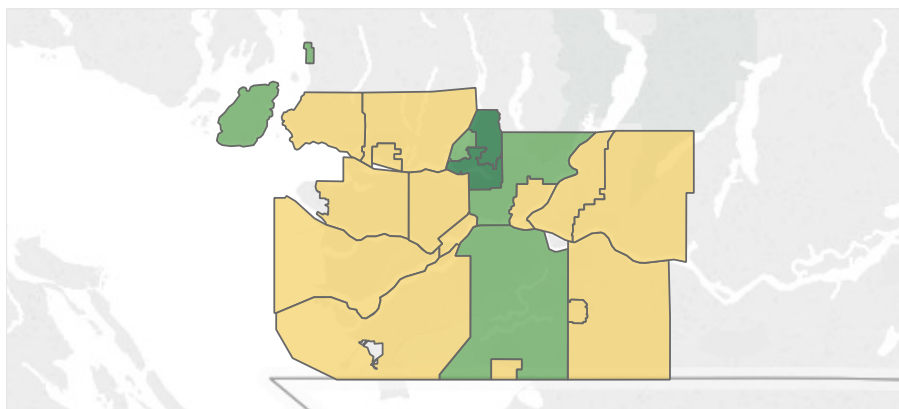
# British Columbia Municipality TCA Benchmarking



Regional District  
Metro Vancouver

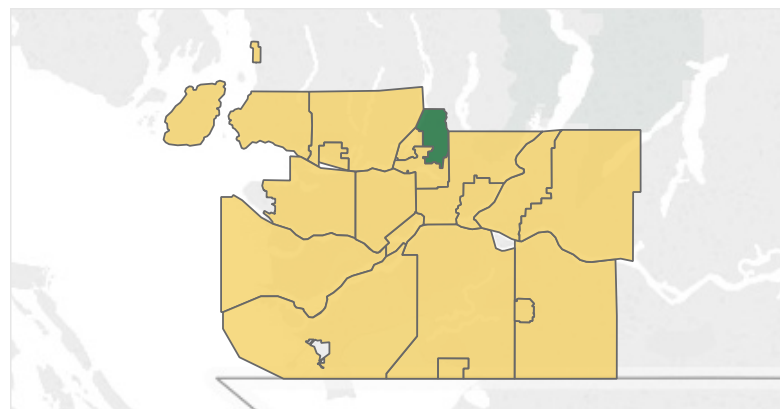
Population Range  
All

## Tangible Capital Assets per Capita



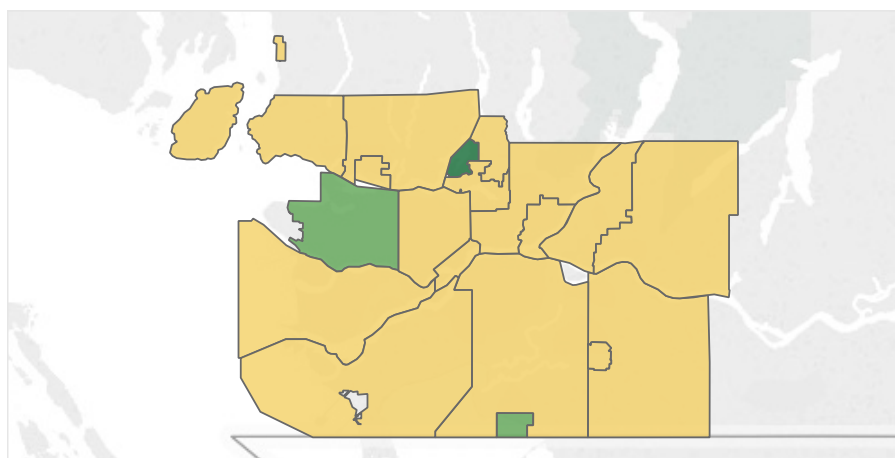
5,397 26,722

## Additions per Capita



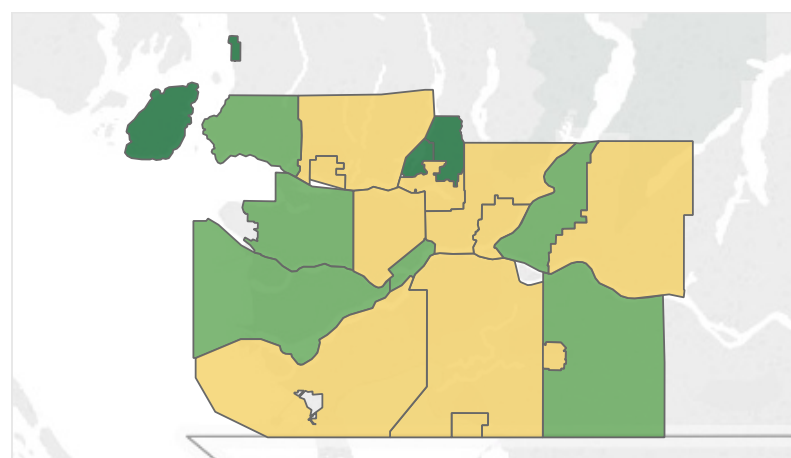
267 4,942

## Debt to Tangible Capital Assets



0.0000 0.3408

## Amortization per Capita



195.3 445.1

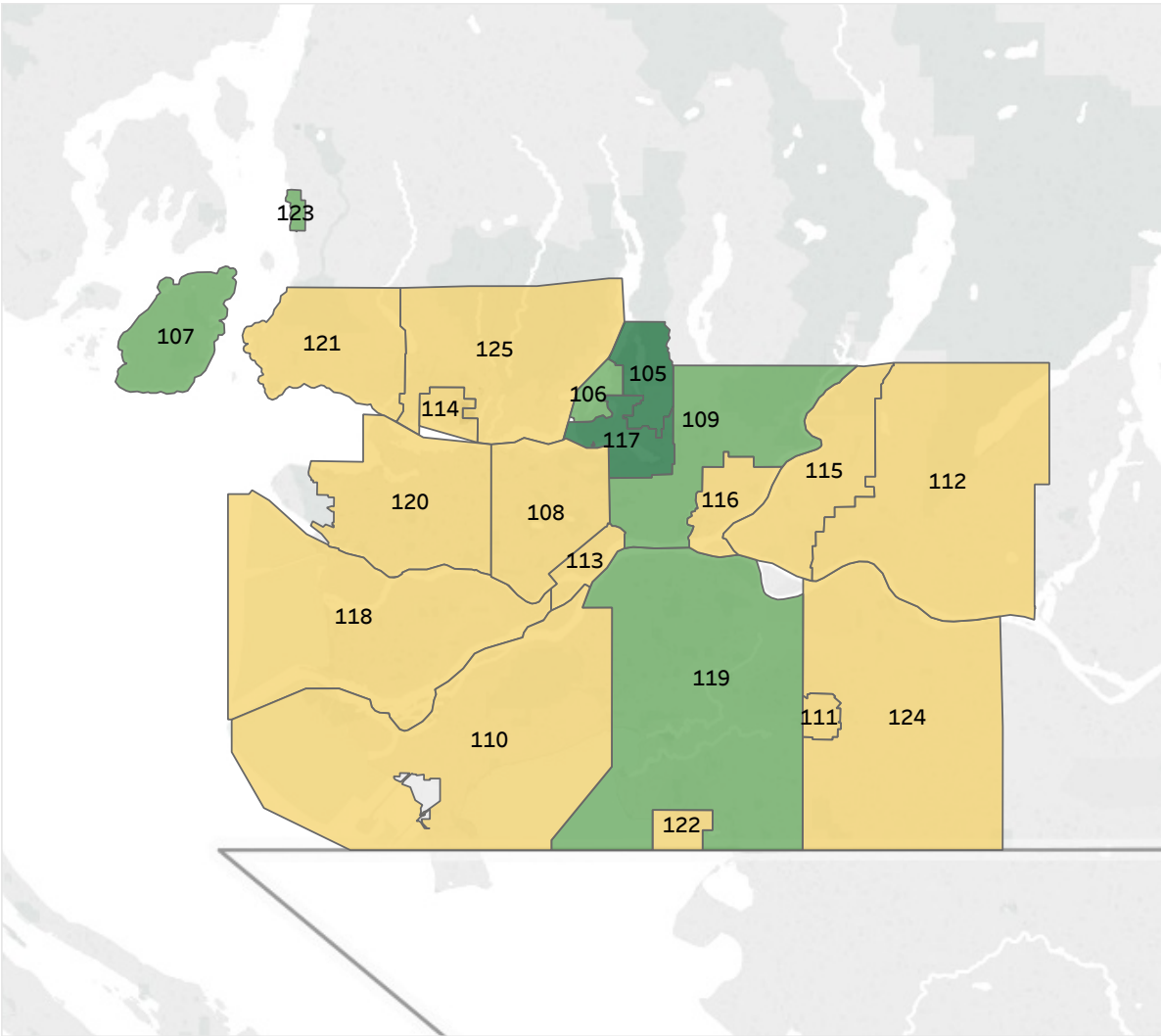
# British Columbia Municipality TCA Benchmarking



## Tangible Capital Assets per Capita

Regional District  
Metro Vancouver

Population Range  
All



### Municipality

105	Village of Anmore
106	Village of Belcarra
107	Bowen Island Municipality
108	City of Burnaby
109	City of Coquitlam
110	City of Delta
111	City of Langley
112	City of Maple Ridge
113	City of New Westminster
114	City of North Vancouver
115	City of Pitt Meadows
116	City of Port Coquitlam
117	City of Port Moody
118	City of Richmond
119	City of Surrey
120	City of Vancouver
121	District Municipality of West Vancouver
122	City of White Rock
123	Village of Lions Bay
124	Township of Langley
125	The Corporation of the District of North Vancouver



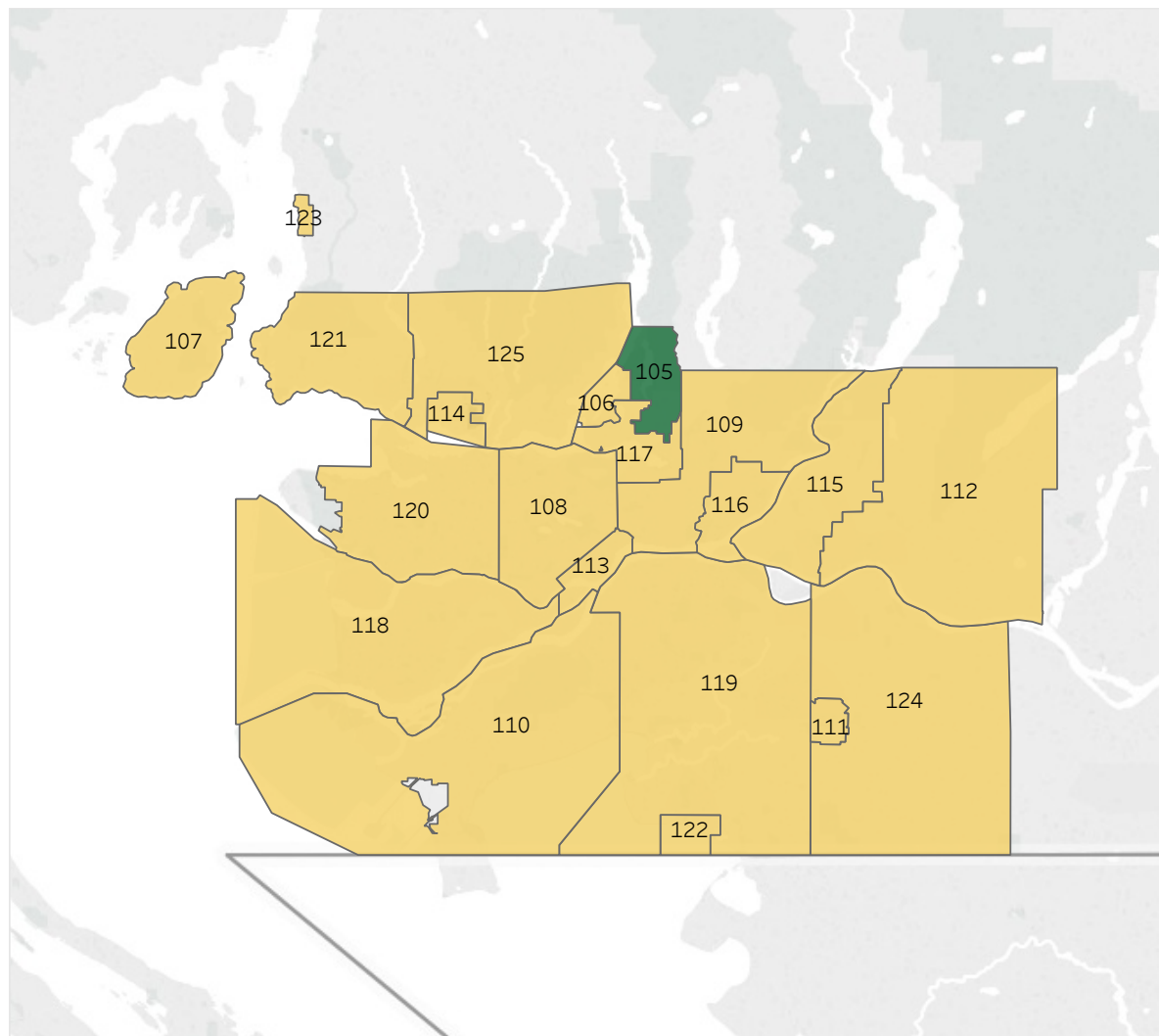
# British Columbia Municipality TCA Benchmarking



## Additions per Capita

Regional District  
Metro Vancouver

Population Range  
All



### Municipality

105	Village of Anmore
106	Village of Belcarra
107	Bowen Island Municipality
108	City of Burnaby
109	City of Coquitlam
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120	City of Vancouver
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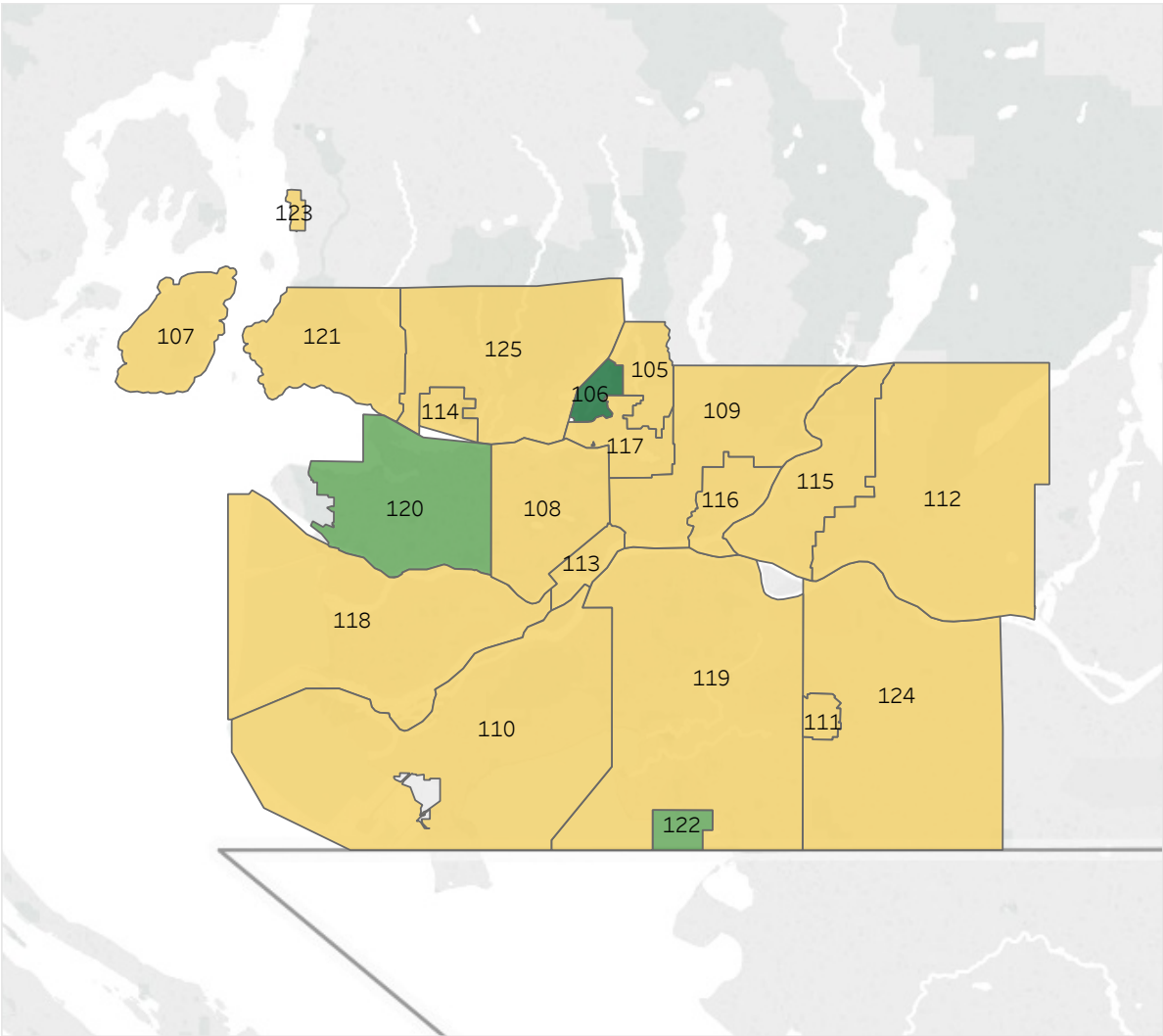
# British Columbia Municipality TCA Benchmarking



## Debt to Tangible Capital Assets

Regional District  
Metro Vancouver

Population Range  
All



### Municipality

105	Village of Anmore
106	Village of Belcarra
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124	Township of Langley
125	The Corporation of the District of North Vancouver

0.0000 0.3408

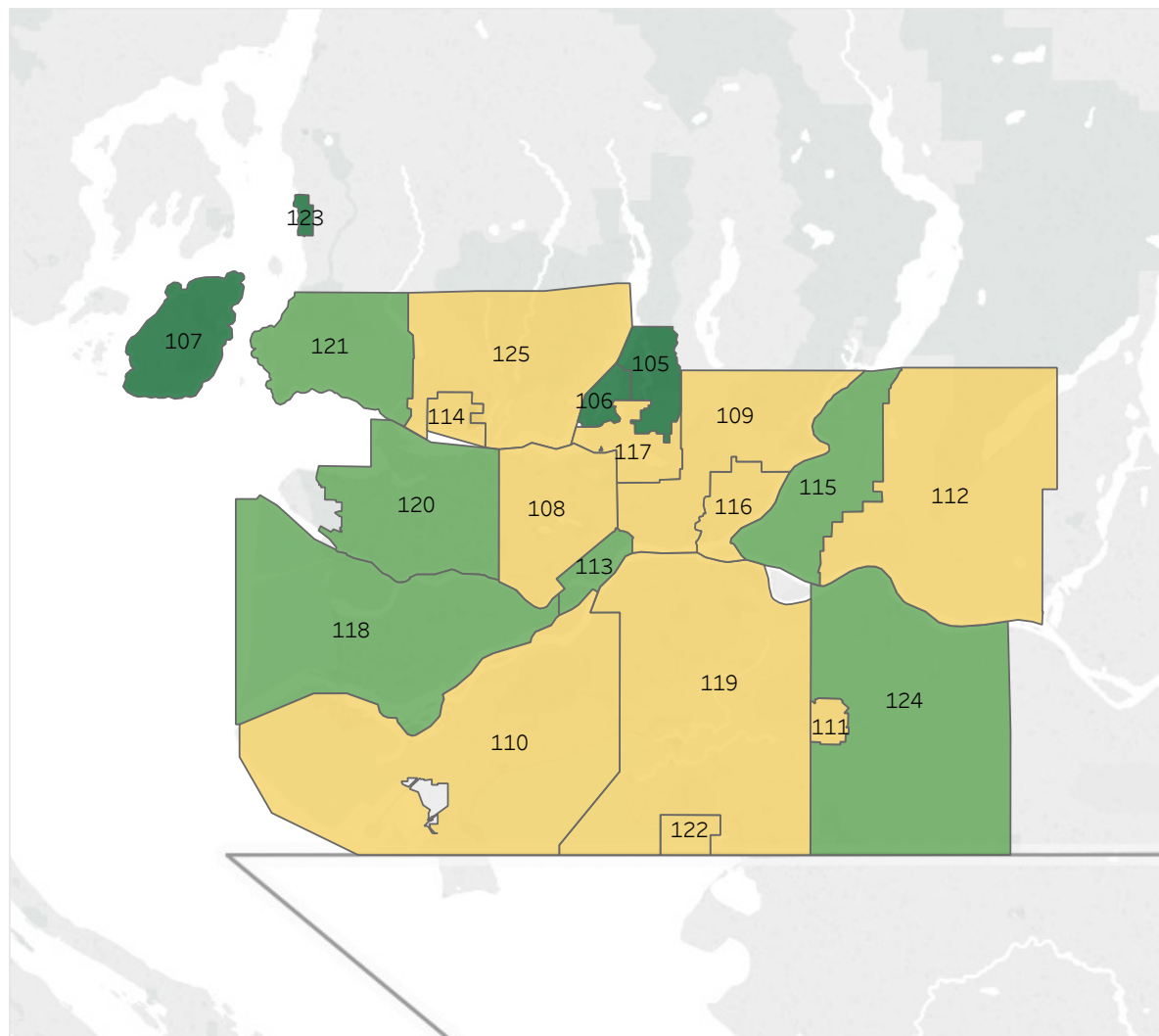
# British Columbia Municipality TCA Benchmarking



## Amortization per Capita

Regional District  
Metro Vancouver

Population Range  
All



### Municipality

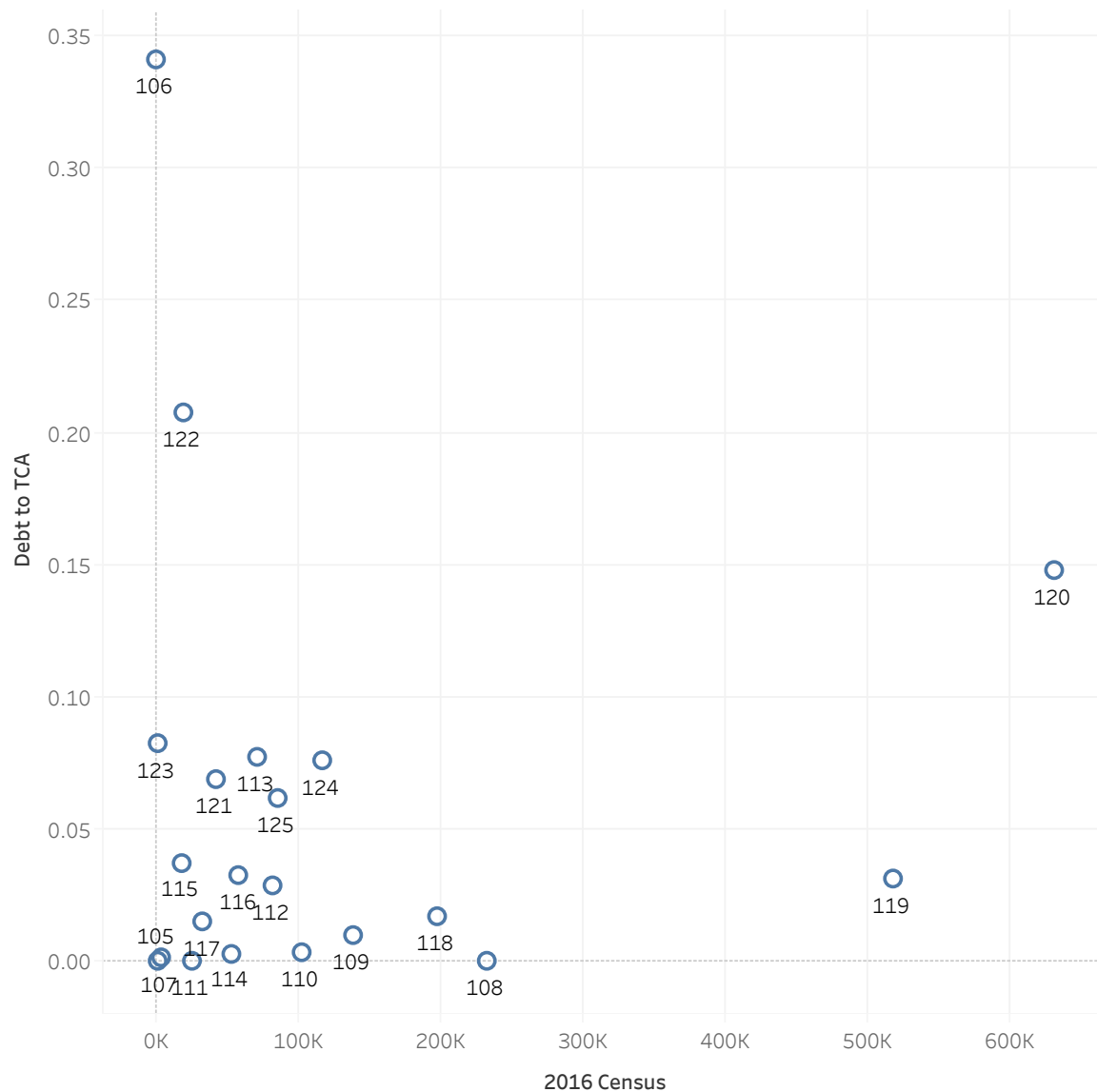
105	Village of Anmore
106	Village of Belcarra
107	Bowen Island Municipality
108	City of Burnaby
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124	Township of Langley
125	The Corporation of the District of North Vancouver

195.3 445.1

# British Columbia Municipality TCA Benchmarking



## Debt to Tangible Capital Assets per Capita



Regional District

Metro Vancouver

Population Range

All

105	Village of Anmore
106	Village of Belcarra
107	Bowen Island Municipality
108	City of Burnaby
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# British Columbia Municipality TCA Benchmarking



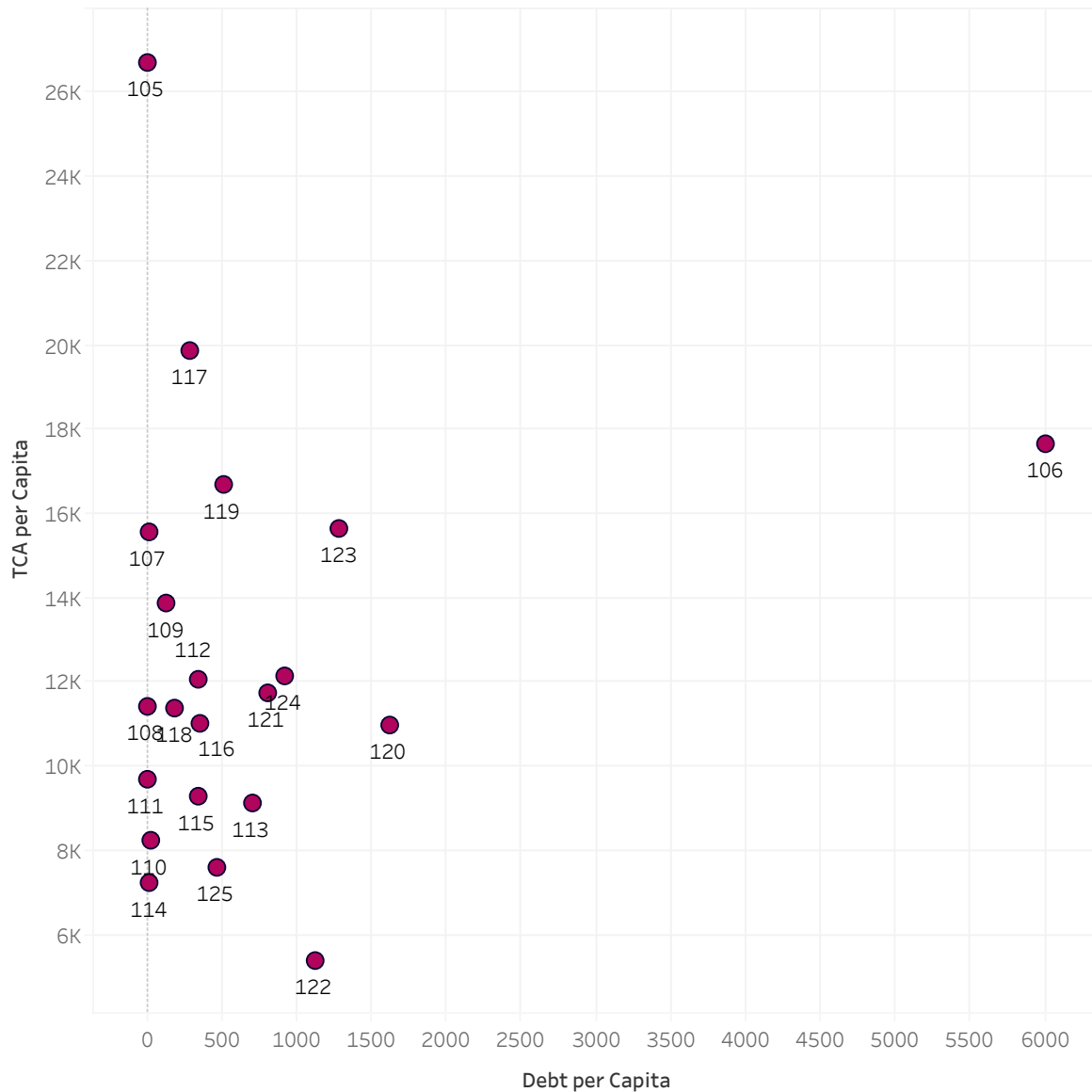
## Tangible Capital Assets per Capita to Debt per Capita

Regional District

Metro Vancouver

Population Range

All



105	Village of Anmore
106	Village of Belcarra
107	Bowen Island Municipality
108	City of Burnaby
109	City of Coquitlam
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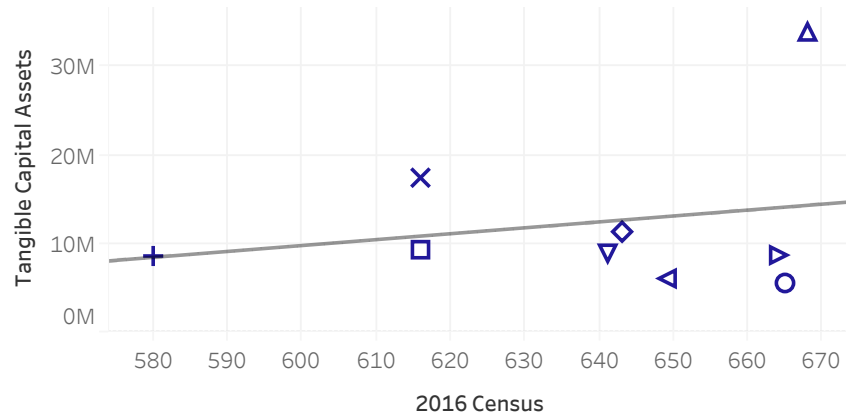
# British Columbia Municipality TCA Benchmarking



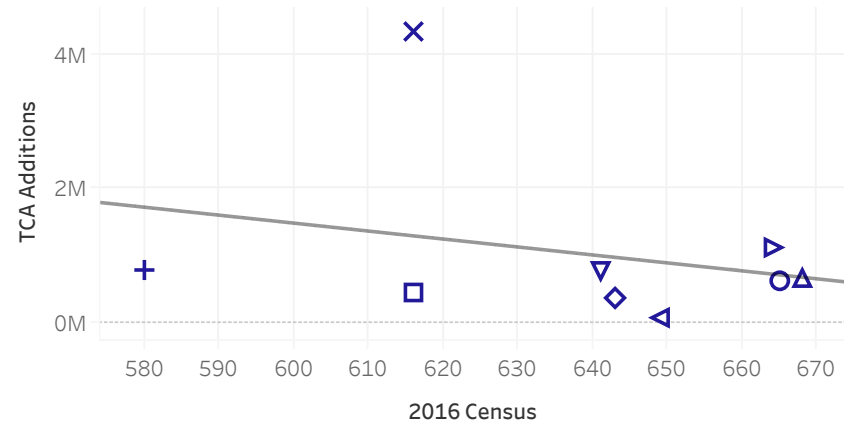
Regional District  
All

Population Range  
500-750

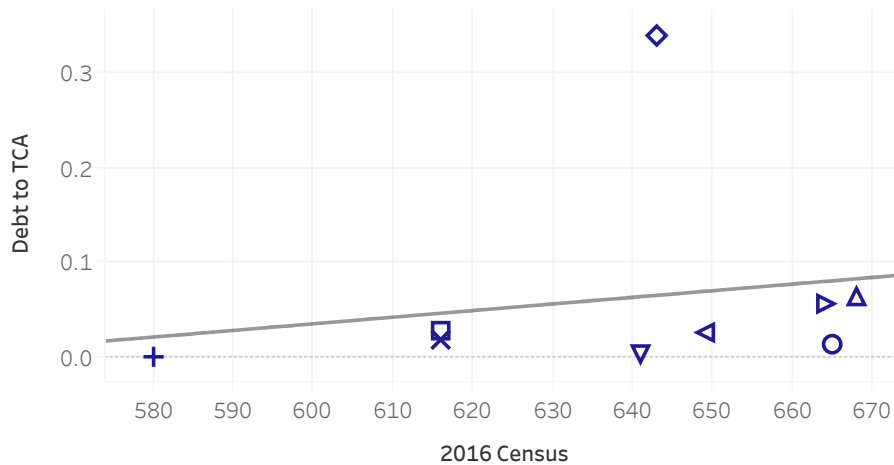
## Tangible Capital Assets per Capita



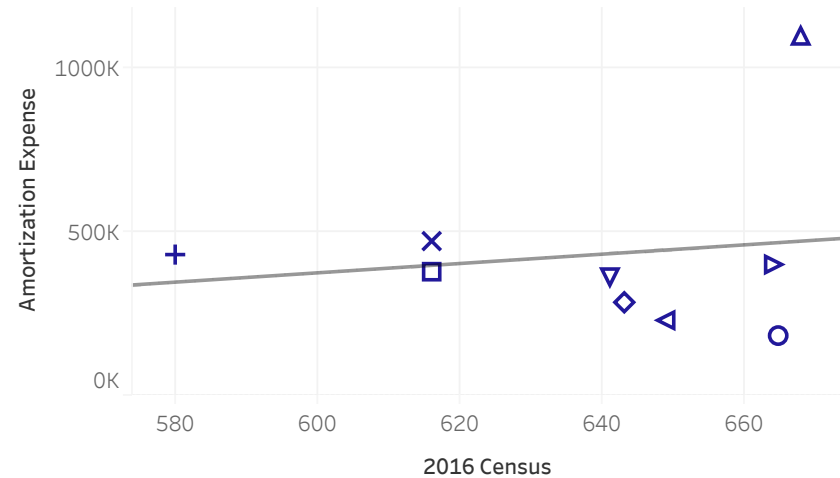
## Additions per Capita



## Debt to Tangible Capital Assets per Capita



## Amortization per Capita

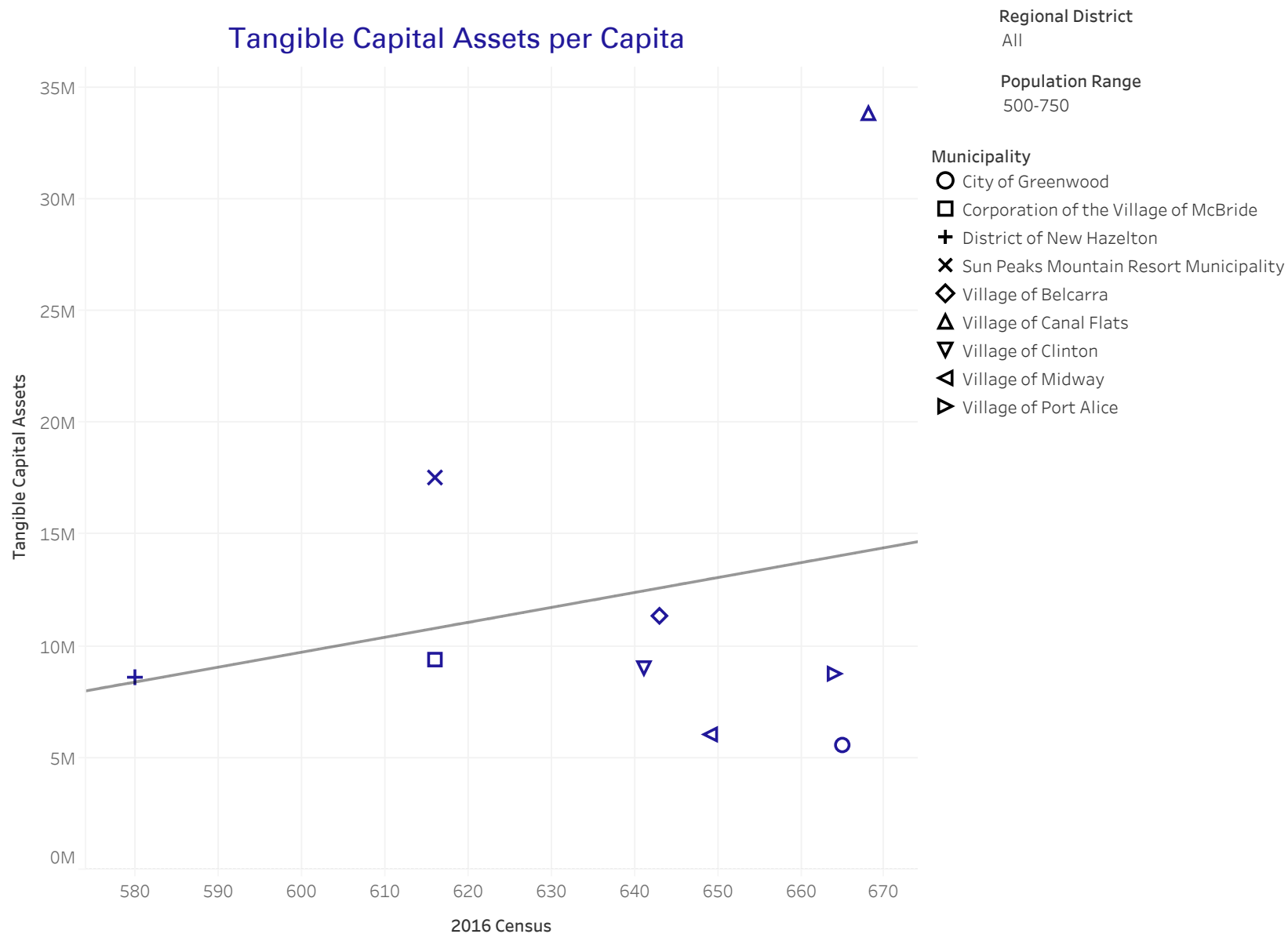


### Municipality

- City of Greenwood
- Corporation of the Village of McBride
- + District of New Hazelton
- × Sun Peaks Mountain Resort Municipality
- ◇ Village of Belcarra
- △ Village of Canal Flats
- ▽ Village of Clinton
- ◁ Village of Midway

- ▷ Village of Port Alice

# British Columbia Municipality TCA Benchmarking



# British Columbia Municipality TCA Benchmarking



## Additions per Capita

Regional District

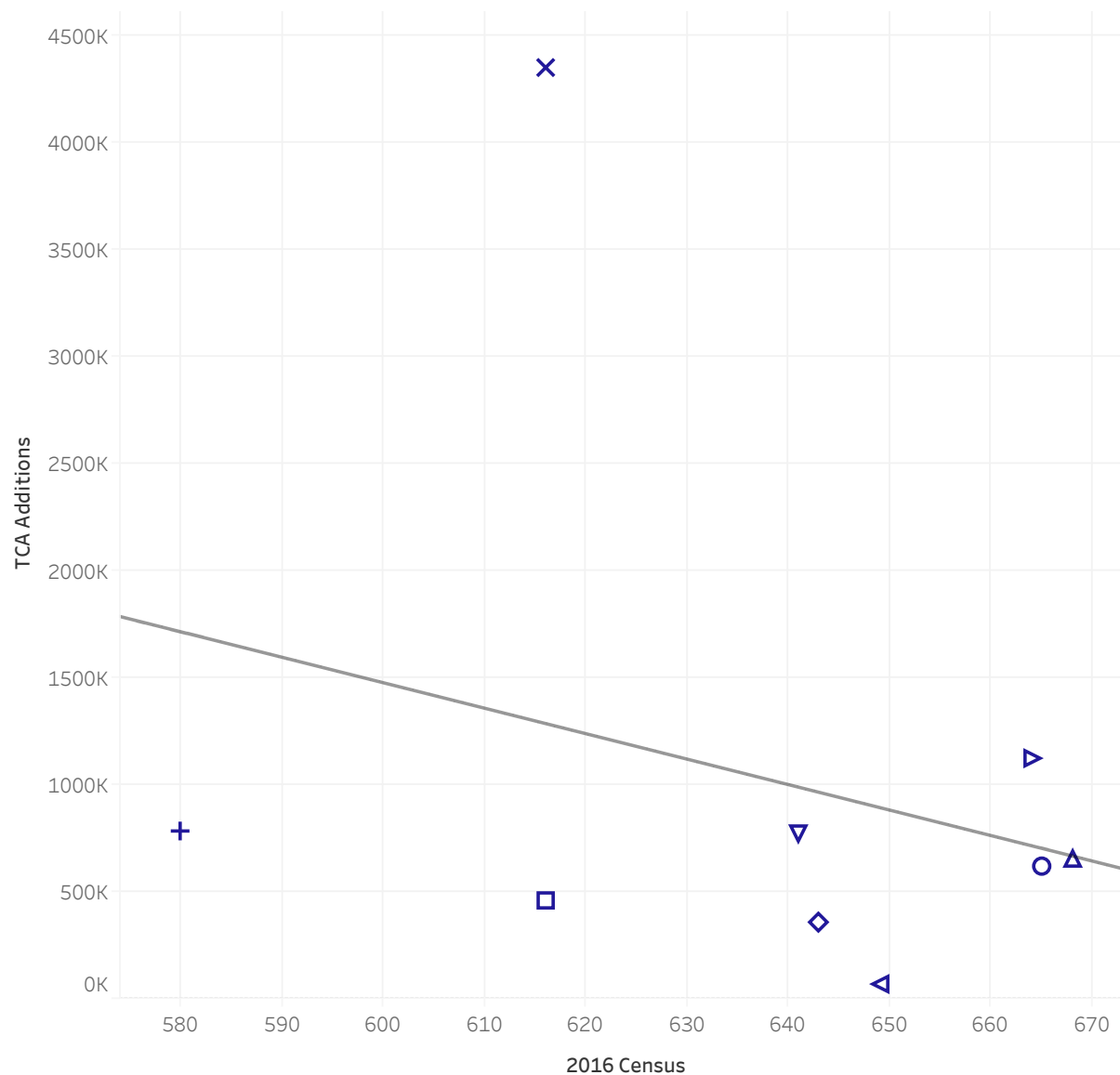
All

Population Range

500-750

### Municipality

- City of Greenwood
- Corporation of the Village of McBride
- + District of New Hazelton
- × Sun Peaks Mountain Resort Municipality
- ◇ Village of Belcarra
- △ Village of Canal Flats
- ▽ Village of Clinton
- ◁ Village of Midway
- ▷ Village of Port Alice



# British Columbia Municipality TCA Benchmarking



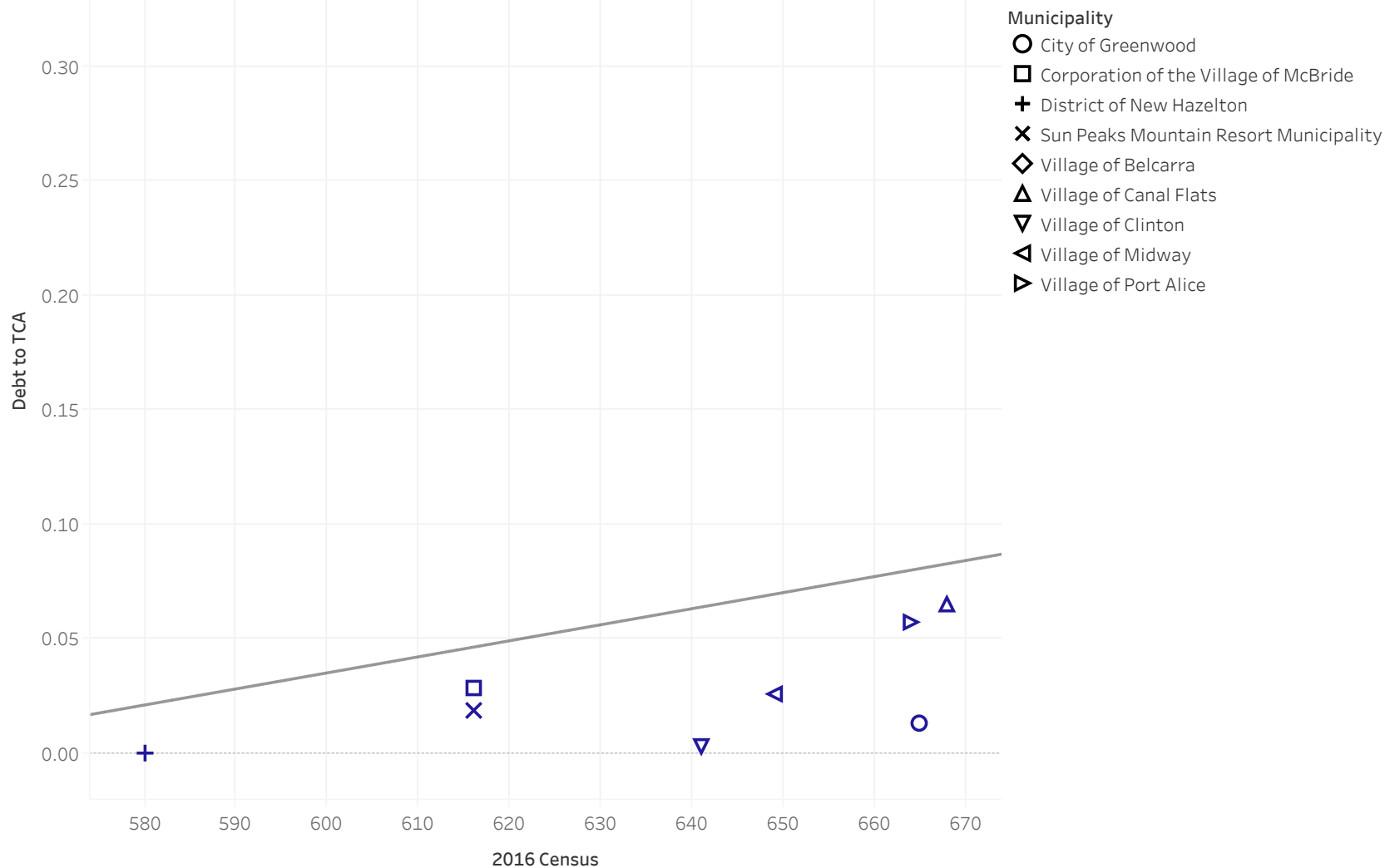
## Debt to Tangible Capital Assets per Capita

Regional District

All

Population Range

500-750

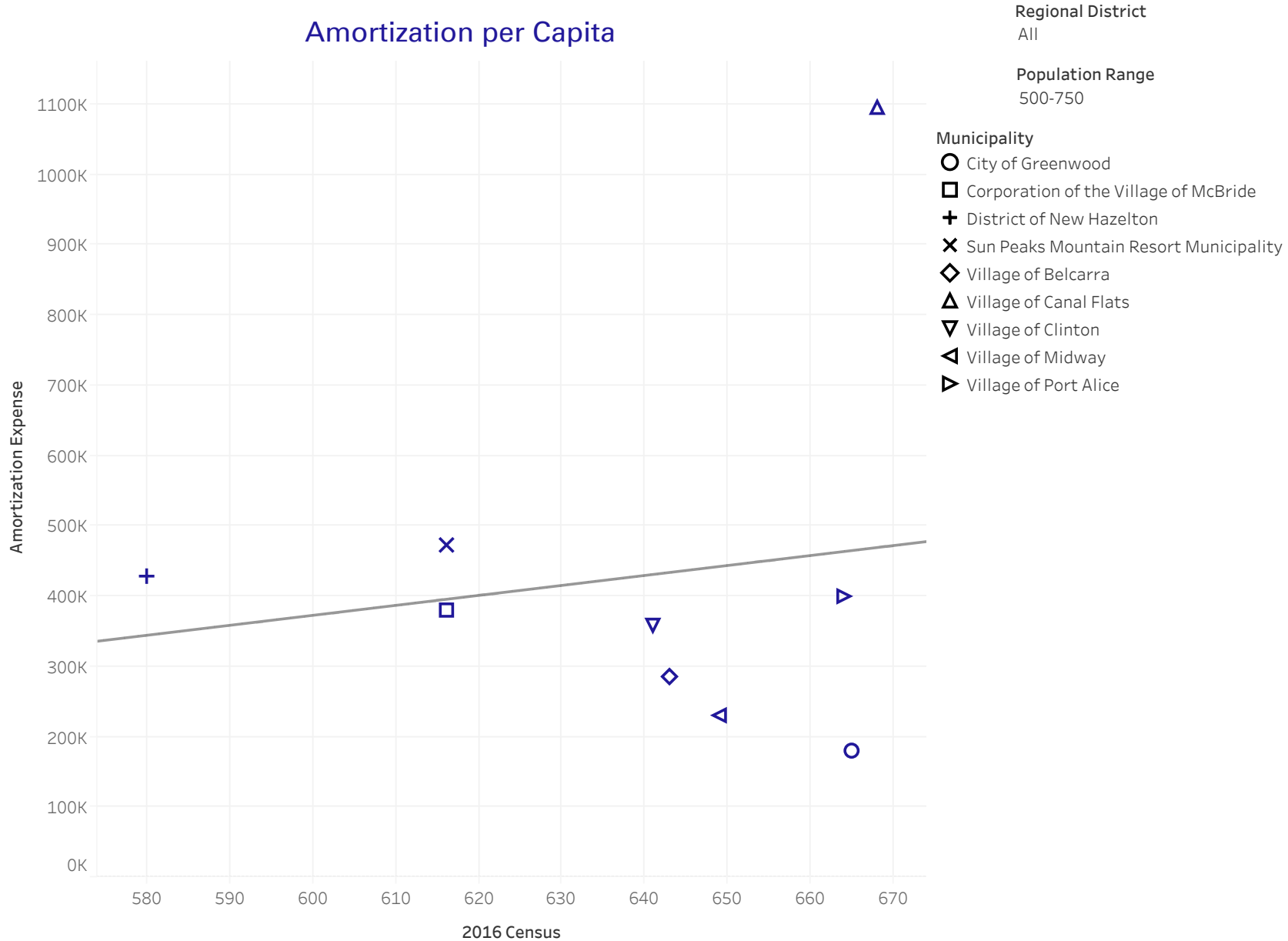




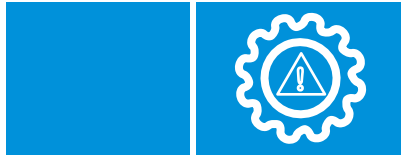
# British Columbia Municipality TCA Benchmarking



## Amortization per Capita



# Appendix 7: 2019 BC Budget Summary



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

**1) Commitment to CleanBC – potential operating and capital grants and bylaw activity to implement and monitor new requirements**

- a) \$902M investment over 3 years in numerous areas including cleaner transportation options, charging and hydrogen fueling stations, energy efficiency in homes and buildings, a net-zero building code, reduction in carbon emissions, increasing carbon tax relief, solid waste management programs and providing indigenous and remote locations with access to clean energy sources.

**2) Full elimination of MSP premiums – implications to budgeting, funding and payment of employer health tax (EHT) beginning in 2019**

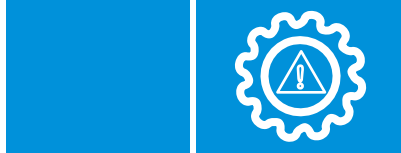
- a) EHT revenue is projected to rise from \$0.5 billion in 2018/19 to \$1.9 billion in 2019/20 reflecting the full year impact of the January 1, 2019 effective date. Over the next two years, revenue growth is expected to average 4.0% annually consistent with employee compensation income growth.

**3) Housing and Homelessness – potential cost implications to local governments, potential funding through or expected by Housing Corporations**

- a) Building on Budget 2018's 30 point housing plan, additional measures announced include:
  - i) \$76M investment in land acquisition and services to enhance modular homes for people in need
  - ii) \$38M investment to accelerate grants to housing providers to reduce borrowing costs
  - iii) \$10M investment in supported rent banks to provide housing security for renters who need an immediate, short-term loan to prevent unnecessary eviction during financial crisis
  - iv) Province-wide homeless count in 2020.

- 4) Health Care – partnership opportunities and related cost implications; potential funding requests through Hospital Districts**
  - a) \$1.3B investment to improve health services and patient outcomes by building, renovating and expanding hospitals.
  - b) \$74M investment to improve access to mental health care for children and youth.
  - c) \$30M investment to help tackle BC’s drug overdose crisis.
  - d) New integrated mental health and addictions services including programs in schools, family care and day treatment.
- 5) Wildfire management – grant availability, along with potential new requirements to be implemented in order to be eligible**
  - a) \$111M investment over three years to increase wildfire response and control capacity.
  - b) \$60M investment in Community Resiliency Investment Program to reduce wildfire risk.
  - c) \$13M investment in forest reforestation funding in areas damaged by disease and wildfire.
- 6) LNG Communities – capital grant availability**
  - a) \$100M investment for Northern Capital and Planning Grant to help local governments along LNG corridor meet current and future infrastructure needs.
- 7) Reconciliation – ongoing relationship-building opportunities**
  - a) Revenue sharing of \$3B over 25 years shared with BC First Nations, resulting in \$250k-\$2M available annually from gaming activities. Funding will be developed by the First Nations Gaming Commission distributed based on base funding, population and geography.
  - b) Pledge to implement the UN Declaration on the Rights of Indigenous Peoples.
- 8) Transportation – potential implications to cost sharing, route planning, affordability, and related bylaw requirements**
  - a) \$21M investment to expand handyDART services to support commuters in BC.
  - b) \$9M investment over three years to modernize the taxi industry to enable ride-hailing in BC.
- 9) Resort Municipality Initiative – capital grant availability for certain local governments**
  - a) \$39M investment over three years to fund infrastructure projects.
- 10) Cannabis Excise Tax – no budgeted transfers to local government**
  - a) On March 1, 2019, the Province will receive its first transfer of the federal excise tax from the federal government. There is no estimate of federal transfers to the Province for 2019/20, nor any budget of transfers to local governments.

# Appendix 8: 2019 Federal Budget Summary



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

## **One-time Gas Tax Fund transfer**

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

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

## **Federation of Canadian Municipalities (FCM)**

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

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

### **High-Speed Internet Connectivity**

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

### **Housing Affordability**

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

These include support for first-time home buyers:

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

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

### **Skills Training**

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

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

## Reconciliation

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

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

## Other Items

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

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

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



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



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