

DATE: March 14, 2019

TO: Chair and Directors
Regional District Board

FROM: Russell Dyson
Chief Administrative Officer

Supported by Russell Dyson
Chief Administrative Officer

R. Dyson

RE: 2018 Financial Statements and Auditor's report

Purpose

To present the 2018 financial statements of the Comox Valley Regional District (CVRD) to the Board along with MNP LLP's report to the board of directors relating to the audit of the Comox Valley Regional District for the year ended December 31, 2018.

Recommendation from the Chief Administrative Officer:

THAT the financial statements of the Comox Valley Regional District for the year ended December 31, 2018 be approved.

Executive summary

- The 2018 financial statements of the Comox Valley Regional District are presented to the board for approval.
- In compliance with Canadian auditing standards, the financial statements are being presented by management for board approval prior to the signed auditor's report being included.
- Chartered Professional Accountants Canada requires that audit firms communicate the results of the audit process to the board of directors as well as to management.
- MNP LLP has completed the audit of the regional district for the year ended December 31, 2018 and has submitted their report to the board of directors, attached as Appendix A, including their independence communication letter.
- The report from the auditor indicates that no internal control deficiencies were noted during the audit; nor were there any incidents of fraud or non-compliance with laws and regulations or any significant differences noted.
- As such, the auditor will provide an unqualified opinion for inclusion in the financial statements once the statements have been approved by the board.

Submitted by:

B. Dunlop

Beth Dunlop, CPPB, CPA, CGA
Corporate Financial Officer

Appendix A – "MNP LLP report to the board of directors for the year ending December 31, 2018, dated March 21, 2019"

**Comox Valley Regional District
Report to the Board of Directors**

For the Year Ending December 31, 2018

For presentation at the Board of Directors meeting March 21, 2019

March 21, 2019

Members of the Board of Directors of Comox Valley Regional District

Dear Members of the Board:

We are pleased to submit to you this report for discussion of our audit of the financial statements of Comox Valley Regional District (the "Regional District") as at December 31, 2018 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

We have completed our audit of the financial statements of the Regional District which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our audit report will provide an unqualified opinion to the Board of Directors of the Regional District. A draft copy of our proposed Independent Auditor's Report is attached at the end of this report.

This report is intended solely for the information and use of the Board of Directors and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive.

MNP LLP
Chartered Professional Accountants

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INTRODUCTION

As auditors, we report to the members on the results of our examination of the financial statements of Comox Valley Regional District (the "Regional District") as at and for the year ended December 31, 2018. The purpose of this Audit Findings Report is to assist you, as members of the Board of Directors, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have completed our audit of the financial statements of the Regional District and are prepared to sign our Auditor's Report subsequent to completion of the following procedures:

- Receipt of the remaining outstanding legal confirmations;
- Receipt of the signed management representation letter;
- The Board of Directors's review and approval of the financial statements.

We expect to have the above procedures completed and to release our Audit Report on March 22, 2019. Our draft report, which will provide an unqualified opinion, is attached at the end of this report.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

CHANGES FROM AUDIT SERVICE PLAN

There were no deviations from the Audit Service Plan previously presented to you.

FINAL MATERIALITY

Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Regional District, and is affected by our assessment of materiality and audit risk.

Final materiality used for our audit was \$1,500,000 for December 31, 2018, and was based on a % of gross revenue.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.

It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.

We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to the Board of Directors on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.

While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.

DIFFICULTIES ENCOUNTERED

No significant limitations were placed on the scope or timing of our audit.

IDENTIFIED OR SUSPECTED FRAUD

Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS

Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.

MATTERS ARISING IN CONNECTION WITH RELATED PARTIES

No significant matters arose during the course of our audit in connection with related parties of the Regional District.

GOING CONCERN

We have not identified any material uncertainties related to events or conditions that may cast significant doubt on the Regional District's ability to continue as a going concern.

We are of the opinion that the going concern assumption is appropriate in preparation of the financial statements.

AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian public sector accounting standards allows and requires the Regional District to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Regional District's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Accounting Policies

- The accounting policies used by the Regional District are appropriate and have been consistently applied.
- We noted the following newly adopted, and changes in, accounting policies:
 - During the year, the Regional District adopted the following accounting policies, all effective January 1, 2018:
 - PS 2200 Related Party Disclosures;
 - PS 3210 Assets;
 - PS 3320 Contingent Assets; and
 - PS 3390 Contractual Rights.

The change in accounting policies were applied prospectively, and no prior period amounts were restated. There are no issues noted with the adoption of these accounting policies.

Accounting Estimates

Landfill closure and post closure

- Public Sector Accounting Standards require the accrual of a liability for the closure and post-closure costs associated with the operations of solid waste landfill sites. This estimate has been disclosed appropriately in the financial statements.

Financial Statement Disclosures

The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.

MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT

We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Regional District.

There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

SIGNIFICANT DIFFERENCES

No significant differences were proposed to management with respect to the December 31, 2018 financial statements.

MODIFICATIONS TO THE INDEPENDENT AUDITOR'S REPORT

As discussed earlier, our independent auditor's report will provide an unqualified opinion to the members.

MANAGEMENT REPRESENTATIONS

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit.

APPENDIX A – MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the Regional District and its environment, including management's internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees;
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the financial statements;
- Not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

INDEPENDENCE COMMUNICATION

March 21, 2019

The Board of Directors
Comox Valley Regional District
600 Comox Road
Courtenay, BC V9N 3P6

Dear Members of the Board of Directors:

We have been engaged to audit the financial statements of Comox Valley Regional District (the "Regional District") as at December 31, 2018 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Regional District and its related entities or persons in financial reporting oversight roles at the Regional District and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Regional District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2018 to the date of this letter.

We hereby confirm that MNP is independent with respect to the Regional District within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia as of the date of this letter.

This report is intended solely for the use of the Board of Directors, management and others within the Regional District and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



MNP LLP
Chartered Professional Accountants