



The Corporation of the City of Barrie

Report to the Finance and Corporate Services Committee
on the results of the December 31, 2018 audit

To be presented on June 5, 2019



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May 24, 2019

To the Members of the Finance and Corporate Services Committee
The Corporation of the City of Barrie
70 Collier Street
Barrie ON L4M 4T5

Re: Report on the audit of the consolidated financial statements for the year ended December 31, 2018

Dear Finance and Corporate Services Committee Members:

We are pleased to submit this report on the status of our audit of the consolidated financial statements of the City of Barrie (the "City") for the 2018 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

We expect to issue our Independent Auditor's Report on the consolidated financial statements of the City upon approval of the consolidated financial statements. Our audit was conducted in accordance with the audit plan presented on March 6, 2019.

This report is intended solely for the information and use of the Finance and Corporate Services Committee (the "Committee"), Council, management, and others within the City and is not intended to, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from management and the employees of the City with whom we worked to discharge our responsibilities. We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants
Licensed Public Accountants

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Our audit explained

This report summarizes the main findings arising from our audit.

Audit scope and terms of engagement

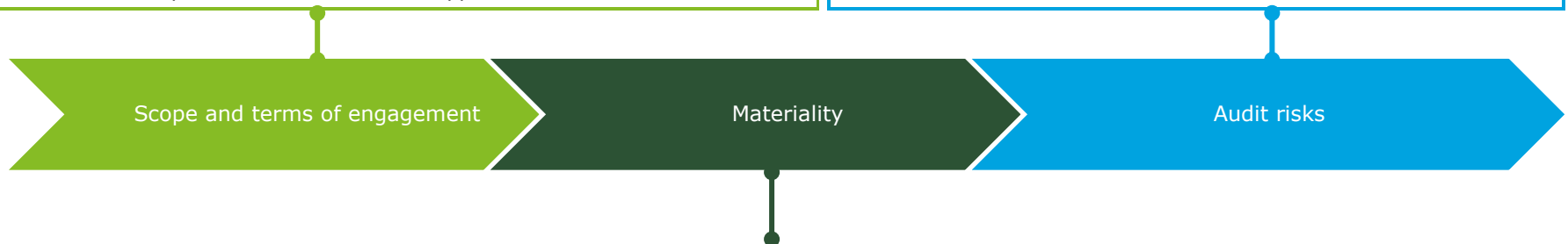
We have been engaged to perform an audit of the City's consolidated financial statements as at, and for the year ended, December 31, 2018 (the "financial statements") prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS"). Our audit was conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our professional services for the City and its controlled entities are described in the Master Services Agreement for Professional Services dated August 18, 2017 and the subsequent Confirmation of Changes to the Master Services Agreement letter dated February 19, 2019. We reported separately to Those Charged with Governance of the City controlled entities where we provide audit services, as applicable.

Audit risks

Through our risk assessment process, we have identified certain audit risks.

These risks of material misstatement and related audit responses are discussed in the Audit Risks section of this report.

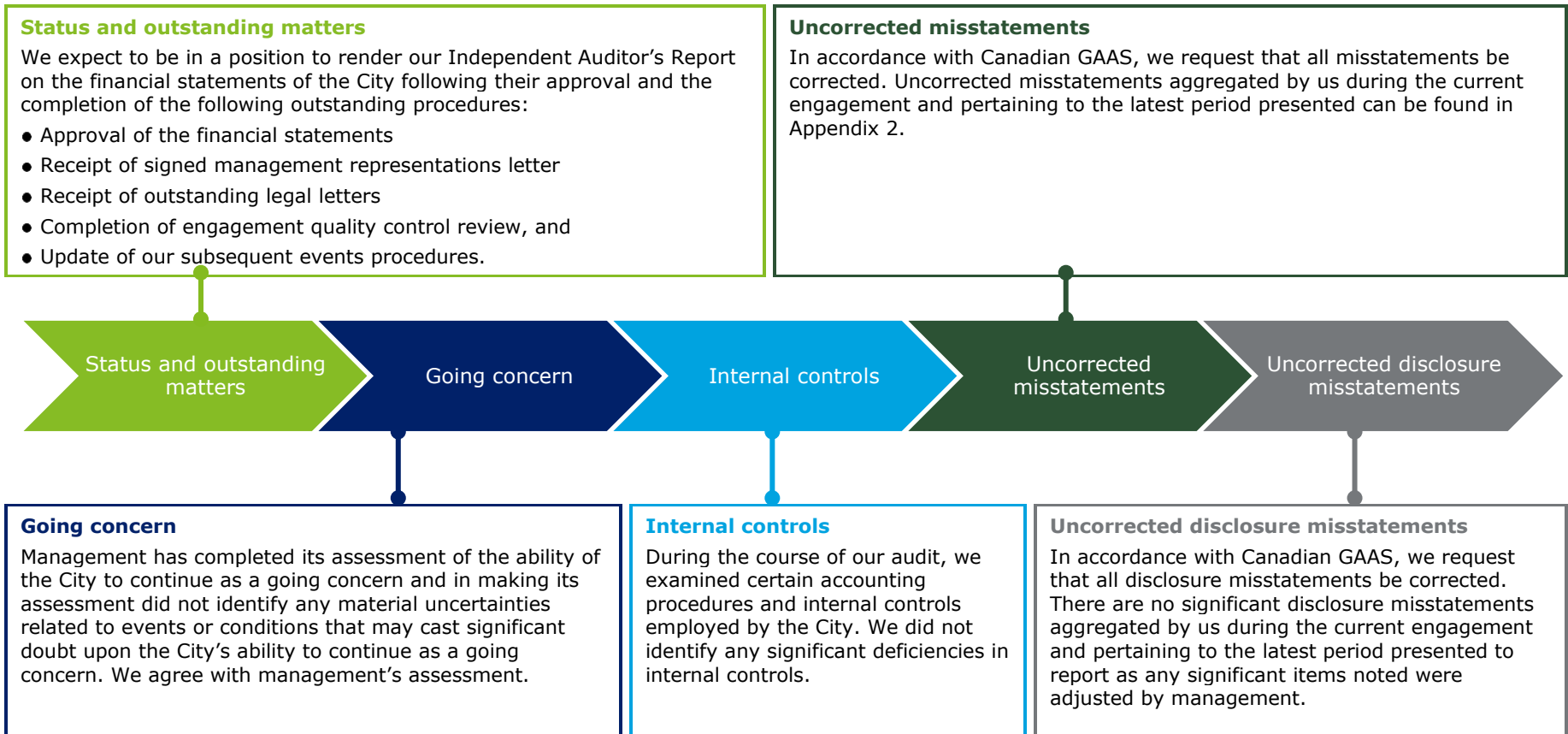


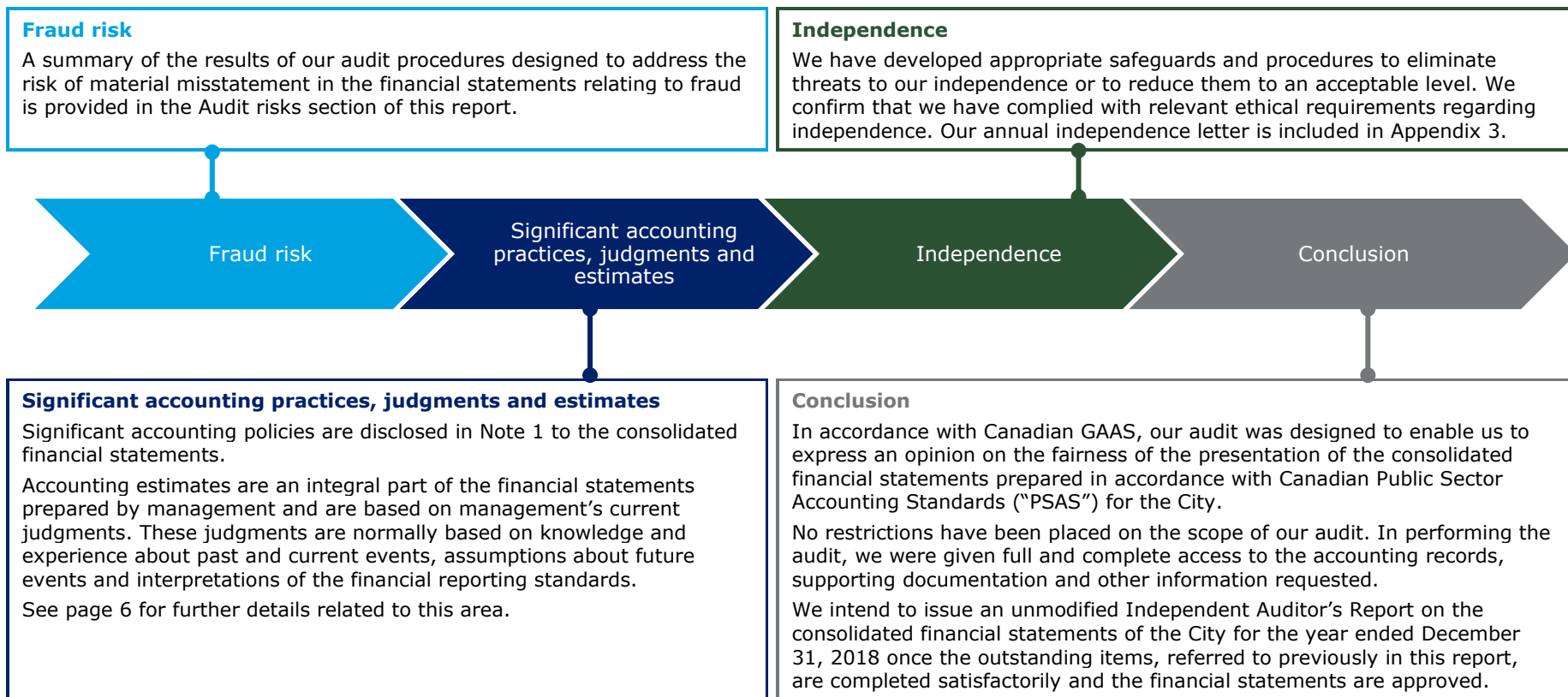
Materiality

We are responsible for providing reasonable assurance that the City's financial statements as a whole are free from material misstatement.

Our materiality was assessed based on professional judgement and amounted to \$9.5 million. We used approximately 3.0% of consolidated expenses as a basis for our determination of materiality.

We have informed the Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality (\$475,000) and any misstatements that are, in our judgment, qualitatively material in Appendix 2. In accordance with Canadian GAAS, we asked that any misstatements be corrected.





Fraud risk

A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the Audit risks section of this report.

Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level. We confirm that we have complied with relevant ethical requirements regarding independence. Our annual independence letter is included in Appendix 3.

Fraud risk

Significant accounting practices, judgments and estimates

Independence

Conclusion

Significant accounting practices, judgments and estimates

Significant accounting policies are disclosed in Note 1 to the consolidated financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

See page 6 for further details related to this area.

Conclusion

In accordance with Canadian GAAS, our audit was designed to enable us to express an opinion on the fairness of the presentation of the consolidated financial statements prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”) for the City.

No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.

We intend to issue an unmodified Independent Auditor’s Report on the consolidated financial statements of the City for the year ended December 31, 2018 once the outstanding items, referred to previously in this report, are completed satisfactorily and the financial statements are approved.

Audit risks

Revenue recognition*

Audit risk

Assurance standards include the presumption of a fraud risk involving improper revenue recognition. (Revenue/deferred revenue).

Our proposed audit response

- Certain revenue streams are a presumed area of audit risk. We tested the design and implementation of key controls in significant revenue streams, performed substantive analytic procedures and/or detailed testing in these areas, and
- Substantive testing to determine if restricted contributions (i.e., development charges), and government transfers/grants have been recognized as revenue in the appropriate period. (Revenue vs. deferred revenue).

Audit results

See Appendix 2- Uncorrected misstatements.

Management override of controls*

Risk identified

Assurance standards include the presumption of a significant risk of management override of controls.

Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our proposed audit response

- To address the risk of management override of controls we:
- Engaged in periodic fraud discussions with certain members of senior management and others
 - Considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates
 - Evaluated the business rationale for any significant unusual transactions
 - Evaluated the City's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process
 - Tested journal entries that exhibit characteristics of possible management override of controls, identified using manual techniques.

Audit results

Our audit procedures did not indicate any evidence of management override of controls.

*Significant risks

Management estimates

Audit risk

Estimates require management judgments (i.e., allowance for significant property tax appeals, contingent liabilities, estimated accrued liabilities, etc.)

Our proposed audit response

- Obtained documentation on management's controls over the development of accounting estimates for any significant management estimates and assess risk
- Focused review of calculations and support
- Discussions with management
- Analytic review of related accounts, and
- Assessed outcome of retrospective review of estimates from prior years.

Audit results

We obtained sufficient audit evidence in this area and are satisfied with the results of audit procedures performed.

Significant accounting policies

Significant accounting policies are those that are most important to the portrayal of the City's financial position and financial performance.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

In our judgment, the significant accounting practices, selected and applied by management are, in all material respects, acceptable and appropriate to the particular circumstances of the City. There were no significant changes in previously adopted accounting policies or their application at the City.

Management judgment and accounting estimates

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of the City.

Significant estimates recorded in the financial statements include:

	2018	2017
Post-employment benefits liabilities	\$62,591,634	\$57,515,787
Landfill closure and post-closure liabilities	\$13,132,877	\$13,308,106

We used the work of the City's actuary in their determination of the City's liability with respect to post-employment and workers' compensation benefits. We reviewed and tested the assumptions used in the actuarial valuation performed as at December 31, 2017 and extrapolated to December 31, 2018. We also used the work of the City's engineers and their external consultants in their determination of the City's landfill closure and post-closure liabilities. We reviewed assumptions used in measuring the liabilities.

In addition, estimates were used in determining the valuation of tangible capital assets on initial recognition in the City's financial statements and estimates are also used in determining the useful lives of various categories of tangible capital assets. During the year, the City reviewed its categories of tangible capital assets in conjunction with the new chart of accounts developed as part of the SAP implementation. This resulted in a number of changes to the categorization of the various tangible asset categories disclosed in Note 10. The 2017 comparative figures in the consolidated financial statements were re-classified to make them comparable with the revised 2018 groupings.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Committee as part of the audit plan.

	Comment
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Committee. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit.
Related party transactions	Related party transactions and balances have been adequately disclosed in the financial statements.
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has informed us that the City has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Management is responsible for ensuring that the City’s operations are conducted in accordance with the laws and regulations applicable to the City. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the City.
Subsequent events	At the date of finalizing this report, we are not aware of any significant subsequent events that would require adjustment or disclosure in the financial statements as at, or, for the year ended, December 31, 2018.

SAP implementation

Updates on the SAP implementation and work performed and to be performed by Deloitte in relation to the financial audit

Data Conversion: We collaborated with the Internal Audit team to perform the data conversion review.

- **Reliance on IA:** The scope of work was aligned with the IA through detailed discussion of our data conversion audit program, and we agreed on the controls where we could place reliance on IA work early in the year.
- **IA working papers review:** We received the workings papers from IA and we are currently in the process of completing our review.
- **Results:** No major concerns noted and we will confirm the results upon completion of our review.

Segregation of Duties Analysis: We worked with IA to support them with their efforts to perform an SOD analysis in SAP.

- **Deloitte proprietary toolset:** We leveraged a SAP specific toolset to extract and analyze the access roles configured in SAP.
- **All access roles in SAP:** We analyzed all access roles configured for all modules implemented, and provided the IA team with the details of all conflicting roles for their further investigation and testing.
- **On-going Support:** We conducted sessions to guide the IA team through the results and the potential next steps to conclude on the SOD analysis using the reports we provided.

General IT Controls: The HR system has gone live in December 2018 and the Finance system in Feb 2019.

- **Timeliness testing:** The General IT controls testing will be performed during the summer of 2019. Exact timing to be confirmed with management.
- **SAP controls Insights:** We will share with management any controls exceptions we identify or improvement opportunities based on our SAP expertise.
- **Determine Audit approach for FY19:** Based on the results of our testing, we will determine the appropriate reliance strategy to follow for FY19 audit.

General updates

Summary of work done in FY18 Audit

- **Planning and Scoping Activities:** Held meetings with City of Barrie IT Management to update our understanding of City of Barrie IT Environment, while identifying IT risks and relevant mitigating controls implemented by Management. Key systems (applications, databases etc.) relevant to financial reporting were also identified and scoped-in for testing.
- **Testing Activities:** Held meetings with City of Barrie control owners to update our understanding of inscope IT controls; thereafter, we tested these controls for design and implementation effectiveness within the audit period.
- **Reporting Activities:** Concluded on the result of IT Audit testing and discussed results with City of Barrie IT Management. Testing result was also communicated to the Deloitte Audit team for onward communication to City of Barrie Council.

Key positives and accomplishments

The following are the key positives and accomplishments from projects till date:

- **Timely Commencement of Projects:** Management agreed to proposed timelines for commencing projects early (e.g. FY18 IT Audit project) and this resulted in timely completion of projects.
- **Segregation of Duties Analysis:** Deloitte supported Internal Audit team with their pre-GoLive SOD analysis efforts by leveraging Deloitte proprietary SAP specific toolset and provide ongoing support analyzing the SOD reports.

Planned activities for next Audit Period FY19

- **Internal Audit Collaboration:** As part of the Data Conversion testing for SAP Finance and Payroll, Deloitte plans to leverage workdone by the Internal Audit team in addition to our independent testing.
 - **Segregation of Duties [SOD] Analysis:** Deloitte to provide ongoing support for the Internal Audit team with their post-GoLive SOD analysis efforts by leveraging Deloitte proprietary SAP specific toolset.
 - **FY19 IT Audit:** Completion of the IT Audit for the 2019 Financial Year.
-

Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit. We confirm that all required communications have been reported in our audit service plan and year end communication.

Required communication	Comments
Audit service plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the consolidated financial statements	Master Services Agreement for Professional Services dated August 18, 2017 and the subsequent Confirmation of Changes to the Master Services Agreement letter dated February 19, 2019
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks, and c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk. 	Audit plan presented on March 6, 2019
3. Significant transactions outside of the normal course of business, including related party transactions	None noted
Enquiries of those charged with governance	
4. How those charged with governance exercise oversight over management’s process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	Discussed when presenting the Audit Service Plan
5. Any known suspected or alleged fraud affecting the City	None noted
6. Whether the City is in compliance with laws and regulations	Refer to “Other reportable matters” section of this report

Required communication	Comments
Year-end communication	
7. Fraud or possible fraud identified through the audit process	None identified through the audit process
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	Refer to “Significant accounting policies” section of this report
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	None noted
10. Matters related to going concern	None noted
11. Management judgments and accounting estimates	Refer to “Significant accounting policies” section of this report
12. Significant difficulties, if any, encountered during the audit	None
13. Material written communications between management and us, including management representation letters	Management representation letter will be signed by management as at the date of financial statement approval – See draft letter in Appendix 4
14. Other matters that are significant to the oversight of the financial reporting process	None noted
15. Modifications to our opinion	None
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	We are not aware of any such consultations
17. Significant matters discussed with management	None
18. Matters involving non-compliance with laws and regulations that come to our attention	Nothing that came to our attention
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the consolidated financial statements	No significant deficiencies noted
20. Uncorrected misstatements and disclosure items	See Appendix 2
21. Any significant matters arising during the audit in connection with the City’s related parties	None

Appendix 2 – Uncorrected misstatements

Uncorrected misstatements

	Debit	Credit
1. DR. Accumulated surplus	\$ 660,662	
DR. Expenses	\$ 606,026	
CR. Tangible capital assets – work in progress		\$ 1,266,688
<i>To adjust for the net impact of the timing of recognition of assets under construction and the impact of de-recognition of certain costs included in capital projects that do not meet the capitalization criteria in the current year and in the prior year. This uncorrected misstatement is a combination of factual and likely misstatements.</i>		
2. DR. Expenses	\$192,625	
CR. Accrued Liabilities		\$192,625
<i>To adjust for the current year and prior year accrued liabilities for cut-off errors discovered in the current year. Deloitte noted that the prior year expenses and accrued liabilities were understated by \$1,040,343 and recorded in 2018. There were \$1,232,968 of expenses and accrued liabilities not recorded for services rendered in 2018, resulting in a net understatement of expenses and accrued liabilities in 2018 of \$192,625.</i>		
3.a) DR. Deferred Revenue (Liability)	\$103,500	
CR. Accumulated Surplus		\$103,500
<i>Known misstatement - to adjust deferred revenue that should have been recognized as revenue in a prior year.</i>		
b) DR. Deferred Revenue (Liability)	\$581,784	
CR. Accumulated Surplus		\$581,784
<i>Likely misstatement - to adjust deferred revenue that should have been recognized as revenue in a prior year.</i>		
4. DR. Revenue	\$1,068,388	
CR. Accumulated Surplus		\$1,068,388
<i>To adjust revenue for the over accrual of payables to Metrolinx for services rendered in a prior year and reconciled in the current year. Revenue should have been recognized in a prior year not the current year</i>		

Appendix 3 – Independence letter

May 22, 2019

Members of the Finance and Corporate Services Committee
The Corporation of the City of Barrie
70 Collier Street, Box 400
Barrie ON L4M 4T5

Dear Committee Members:

We have been engaged to audit the consolidated financial statements of the Corporation of the City of Barrie (the "City") for the year ended December 31, 2018.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the City, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre 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.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since June 5, 2018, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and the City and its affiliates, or persons in financial reporting oversight roles at the City and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from June 5, 2018 to May 22, 2019.

The Corporation of the City of Barrie
May 22, 2019
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During the period noted above, in addition to audit services, we also provided tax compliance services related to the tax return preparation of certain taxable and tax exempt entities of the City. This work is completed by professionals who are not part of the audit team.

We hereby confirm that we are independent with respect to the City in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of May 22, 2019.

This letter is intended solely for the information and use of the Finance and Corporate Services Committee, management, and others within the City and is not intended to be and should not be used for any other purposes.

Yours truly,

A handwritten signature in cursive script that reads "Debitte LLP".

Chartered Professional Accountants
Licensed Public Accountants

Appendix 4 – Draft Management representation letter

[City of Barrie Letterhead]

June 5, 2019

Deloitte LLP
400 Applewood Crescent
Vaughan ON L4K 0C3

Attn: Ms. Pina Colavecchia

Dear Ms. Colavecchia:

Subject: Consolidated financial statements of the City of Barrie for the year ended December 31, 2018.

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the consolidated financial statements of the Corporation of the City of Barrie (the “City” or “we” or “us”) for the year ended December 31, 2018 and a summary of significant accounting policies and other explanatory information (the “Financial Statements”) for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, change in net debt and cash flows of the City in accordance with Canadian Public Sector Accounting Standards (“PSAS”).

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 Master Services Agreement for Professional Services dated August 18, 2017 and Confirmation of Changes letter for Professional Services between the City and Deloitte dated February 19, 2019 for the preparation of the financial statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the City as at December 31, 2018 and the results of its operations, change in net debt and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The City has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, 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 Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2018 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. The City has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* (“PS 2200”). Management has determined that such disclosure is not necessary because the transactions have not occurred at a value different from that which would have been arrived at if the parties were unrelated and do not or could not have a material effect on the financial statements. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
4. We have determined that the Financial Statements are complete as of the date of this letter, as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected; all final adjusting journal entries have been reflected in the Financial Statements and the Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2018 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

7. The City has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Internal controls

8. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
9. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

10. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters. All financial statements and other financial information provided to you accurately reflect the activities and expenses of the City and do not reflect any activities or expenses of any other person or entity;
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
11. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
12. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

13. 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:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
14. We have disclosed to you all communications from regulatory agencies and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.
16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.
17. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
18. We have disclosed to you, and the City has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
19. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

Independence matters

For purposes of the following paragraph, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

20. Prior to the City having any substantive employment conversations with a former or current Deloitte engagement team member, the City has held discussions with Deloitte and obtained approval from the Finance and Corporate Services Committee.

Going concern

21. Management has completed its assessment of the ability of the City to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern, which would require disclosure in the Financial Statements. In assessing whether the going concern assumption is appropriate, management took into account all available information about the future, which is at least, but is not limited to, twelve months from the statement of financial position date, their plans for future action and the feasibility of these plans.

Management's Responsibilities

22. All transactions and events have been carried out in accordance with law, regulation or other authority.

Communications with taxation and regulatory agencies

23. We have disclosed to you all communications from:

- a. taxation authorities concerning assessments or reassessments that could have a material effect on the Financial Statements; and
- b. regulatory agencies concerning noncompliance with or potential deficiencies in, financial reporting requirements.

Deficiencies in internal control

24. We have communicated to you all deficiencies in internal control of which we are aware. We have disclosed to you any change in the City's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, the City's internal control over financial reporting.

Work of management's experts

25. We agree with the work of management's experts in evaluating the valuation of the employee future benefits obligation, WSIB benefits liability and the landfill closure and post-closure liabilities and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Various matters

26. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:

- a. losses arising from sale and purchase commitments;
- b. agreements to buy back assets previously sold;
- c. provisions for future removal and site restoration costs;
- d. financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
- e. arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
- f. all impaired loans receivable;
- g. loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Plans or intentions affecting carrying value/classification of assets and liabilities

27. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

Fair value

28. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
- a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS.
 - b. No events that have occurred subsequent to December 31, 2018 that require adjustment to the fair value measurements and disclosures included in the Financial Statements.
 - c. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the City when relevant to the use of fair value measurements or disclosures.

Loans and receivables

29. The City is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balance. We have also considered the need for any provisions related to any loan guarantees provided by the City.
30. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

Environmental liabilities/contingencies

31. We have considered the effect of environmental matters on the City and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

Solid waste landfill closure and post-closure liability

32. We have disclosed to you all operating and closed solid waste landfill sites that we own. We have recorded a liability which represents our best estimate of the future costs required for closure and post-closure care related to these sites.

Employee future benefits

33. Employee future benefit costs, assets, and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances.
34. We have disclosed to you any intentions of withdrawing from the multi-employer plan that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our multi-employer plans to which we contribute.
35. We have correctly accounted for the multi-employer plan in which we are a participating government or government organization, as a defined contribution plan

Government transfers

36. We have disclosed to you all correspondence relating to government transfers that the City has had with the funding body.
37. We have assessed the eligibility criteria and determined that the City is an eligible recipient for the government transfers received.
38. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.

Tax Revenues

39. We have appropriately recorded tax assets and revenues when they meet the definition of an asset in accordance with Section PS 1000, *Financial Statement Concepts*, when they are authorized and when the taxable event occurs. These amounts have been appropriately measured in accordance with PS 3510, *Tax Revenue*, and have not been grossed up for any amount of tax concessions.

Tangible capital assets

40. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
41. Contributed tangible capital assets have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed tangible capital assets have been appropriately disclosed.
42. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to the City's ability to provide goods and services and therefore do not require a write down.

Government Business Enterprises.

43. The City has appropriately classified its investment in Barrie Hydro Holdings Inc. as a Government Business Enterprise.
44. With regards to the City's investment in Barrie Hydro Holdings Inc. we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would affect the investment's value as reported in the City's consolidated financial statements.

Liabilities for contaminated sites

45. We have evaluated all of our tangible capital assets that we have direct responsibility for or accept responsibility for and have identified inactive sites in which contamination exceeds an environmental standard.
46. We have identified certain inactive sites where contamination exceeds environmental standards. We would be responsible for the remediation of these sites, however, we believe that the City will not be giving up any economic benefits to remediate these sites due to the location and nature of the sites and we have not recorded a liability with respect to remediation.

Land held for resale

47. We have assessed our land held for resale in accordance with the requirements of PSAS 1200 as noted below and believe all of the criteria have been met.

An asset held for sale should be recognized as a financial asset when all of the following criteria are met:

- (a) prior to the date of the financial statements, the government body, management board or an individual with the appropriate level of authority commits the government to selling the asset;
- (b) the asset is in a condition to be sold;
- (c) the asset is publicly seen to be for sale;
- (d) there is an active market for the asset;
- (e) there is a plan in place for selling the asset; and
- (f) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.

Yours truly,
The Corporation of the City of Barrie

Name

Name

Position

Position

Date

Date

Appendix A

Uncorrected Misstatements

Uncorrected misstatements

	Debit	Credit
1. DR. Accumulated surplus	\$ 660,662	
DR. Expenses	\$ 606,026	
CR. Tangible capital assets – work in progress		\$ 1,266,688
<i>To adjust for the net impact of the timing of recognition of assets under construction and the impact of de-recognition of certain costs included in capital projects that do not meet the capitalization criteria in the current year and in the prior year. This uncorrected misstatement is a combination of factual and likely misstatements.</i>		
2. DR. Expenses	\$192,625	
CR. Accrued Liabilities		\$192,625
<i>To adjust for the current year and prior year accrued liabilities for cut-off errors discovered in the current year. Deloitte noted that the prior year expenses and accrued liabilities were understated by \$1,040,343 and recorded in 2018. There were \$1,232,968 of expenses and accrued liabilities not recorded for services rendered in 2018, resulting in a net understatement of expenses and accrued liabilities in 2018 of \$192,625.</i>		
3. a) DR. Deferred Revenue (Liability)	\$103,500	
CR. Accumulated Surplus		\$103,500
<i>Known misstatement - to adjust deferred revenue that should have been recognized as revenue in a prior year.</i>		
b) DR. Deferred Revenue (Liability)	\$581,784	
CR. Accumulated Surplus		\$581,784
<i>Likely misstatement - to adjust deferred revenue that should have been recognized as revenue in a prior year.</i>		
4. DR. Revenue	\$1,068,388	
CR. Accumulated Surplus		\$1,068,388
<i>To adjust revenue for the over accrual of payables to Metrolinx for services rendered in a prior year and reconciled in the current year. Revenue should have been recognized in a prior year not the current year</i>		



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