



The Corporation of the
City of Barrie
Year-end communication

For the year ended December 31, 2012





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June 12, 2013

Private and confidential

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

Dear Finance and Corporate Service Committee Members:

Report on audited annual financial statements

As agreed in our engagement letter dated November 2, 2012, we have performed an audit of the consolidated financial statements of The Corporation of the City of Barrie (the “City”) as at, and for the year ended, December 31, 2012, in accordance with Canadian generally accepted auditing standards (“GAAS”) and expect to issue our audit report thereon on the date that the financial statements are approved.

This report summarizes our findings from the audit which has been conducted in accordance with the Audit Plan that was presented to the Finance and Corporate Services Committee at the meeting on December 19, 2012.

Use of this report

This report 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, 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 employees of the City with whom we worked to discharge our responsibilities.

We look forward to discussing this report with you and to answering any questions which you may have.

Yours truly,

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

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Audit scope and findings

This report summarizes the main findings arising from our audit to date.

Audit scope and findings

Audit scope

In accordance with Canadian GAAS, our audit was designed to enable us to express an opinion on the fairness of the presentation of the City's consolidated financial statements prepared in accordance with Canadian public sector accounting standards ("PSAS") issued by the Canadian Institute of Chartered Accountants.

As auditors for the City of Barrie we also provide audit services for the following entities:

- Barrie Police Services Board;
- Lake Simcoe Regional Airport Inc.;
- Barrie Public Library Board; and
- Downtown Barrie Business Improvement Area.

In addition, we completed a compliance audit relating to the federal gas tax agreement which was due and submitted prior to March 31, 2013.

The December 31, 2012 audit of the consolidated financial statements was conducted in accordance with our audit plan, which was communicated to the Finance and Corporate Services Committee on December 19, 2012. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.

Status of our audit

We expect to be in a position to render our audit opinion on the consolidated financial statements of the City following approval by Council and the completion of the following outstanding procedures:

- Receipt of legal letters;
- Minor documentation matters;
- Completion of our subsequent events procedures;
- Receipt of signed management representations letter; and
- Completion of the Engagement Quality Control review.

Audit risks

In accordance with our audit plan, our procedures focused on the following areas of audit risk:

- Revenue/deferred revenue amounts; and
- Accounting estimates.

We have summarized the results of our audit procedures for each of these risk areas as well as the risk of management override of controls on page 4 of this report.

Use of the work of experts

As planned external experts assisted in the audit to the extent we considered necessary:

- | | |
|----------------------------------|--|
| Actuarial experts | Assisted with the assessment of the valuation and disclosure of employee future benefits liability. |
| Environmental Consultants | Assisted with the assessment of the valuation of landfill closure and post-closure liabilities costs |

Internal control

We obtained an understanding of internal controls relevant to the audit, however not all controls are relevant to every audit. We evaluated the design of controls relevant to the audits and determined whether they have been implemented. We are not, however, required to determine whether all relevant controls are operating effectively.

Canadian GAAS require us to report to the Committee any significant deficiencies in internal control that have come to our attention. We plan to review our management letter comments with management and obtain their responses prior to issuing a management letter to the Committee.

Fraud and illegal acts

Based on the procedures we performed as required by CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, we are not aware of any illegal acts or fraudulent events with respect to the City during the year, which in our judgment should be discussed with the Committee.

Based on the results of our audit procedures, we are not aware of any circumstances that indicate any intent to misstate the consolidated financial statements.

Audit scope and findings

Legal and regulatory compliance	<p>Management is responsible for ensuring that the City's operations are conducted in accordance with applicable laws and regulations. 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.</p> <p>Our procedures did not identify any areas of material non-compliance with laws and regulations by the City.</p>
Significant accounting policies	<p>We believe management's selection of accounting policies to be appropriate under PSAS. Our views on the significant quantitative and qualitative aspects of these accounting policies are presented on page 5 of this report.</p> <p>The City's significant accounting policies are set forth in Note 1 to the December 31, 2012 consolidated financial statements.</p>
Management judgment and accounting estimates	<p>Accounting estimates are an integral part of the consolidated 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.</p> <p>During the year ended December 31, 2012, management advised us that there were no significant changes in the types of accounting estimates or in judgments relating to such estimates.</p> <p>Our views on the significant quantitative and qualitative aspects of the judgments and estimates made by the City's management are presented on page 5 of this report.</p>
Audit adjustments and uncorrected misstatements	<p>In accordance with Canadian GAAS, we request that all misstatements be corrected.</p> <p>We aggregate all uncorrected misstatements greater than 5% of materiality, and those that are quantitatively insignificant but qualitatively significant.</p> <p>Corrected and uncorrected misstatements in excess of our clearly trivial threshold are summarized in our audit findings on page 3.</p>
Adjusted and unadjusted disclosure deficiencies	<p>In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected.</p> <p>We did not identify any significant adjusted or unadjusted disclosure deficiencies.</p>
Post-balance sheet events	<p>Management is responsible for assessing subsequent events up to the date of the release of the financial statements.</p> <p>At the date of finalizing this report, we are not aware of any significant post-balance sheet events that would impact the 2012 consolidated financial statements.</p>
Related party transactions	<p>The City's reporting entity is disclosed in Note 1 to the consolidated financial statements. Inter-entity transactions and balances are eliminated on consolidation for the Barrie Police Services Board, Barrie Public Library Board, and the Downtown Barrie Business Improvement Area. The Lake Simcoe Regional Airport is proportionally consolidated at 80%. Barrie Hydro Holdings Inc. is accounted for by the modified equity method. Barrie Hydro Holdings Inc. owns 100% of Barrie Hydro Energy Services Inc. and 20.5% of PowerStream Inc.. Related party balances and transactions can be found in Note 6. As part of our audit, we did not identify any unusual related party transactions which are not in the normal course of business.</p>
Representations letter	<p>A draft version of the representations letter to be signed by management is included in Appendix 2.</p>
Independence	<p>We have developed appropriate safeguards and procedures to mitigate threats to our independence or to reduce them to an acceptable level.</p> <p>Our annual independence letter is included in Appendix 1.</p>
Communications	<p>In our audit plan we committed to communicate certain items to the Finance and Corporate Services Committee. These items are summarized in Appendix 3.</p>
Conclusion	<p>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.</p> <p>We expect to issue an unmodified Independent Auditor's Report on the consolidated financial statements of the City for the year ended December 31, 2012 once the outstanding items referred to above are satisfactorily completed and the consolidated financial statements are approved.</p>

Adjusted and unadjusted differences

The following is a summary of adjusted and unadjusted differences noted during the audit:

Adjusted amounts:

1.	DR. Interest expense	\$344,753	
	CR. Interest payable		\$344,753
	<i>To record interest expense on debt issuance near year end</i>		

Unadjusted amounts:

1.	DR. Revenue	\$393,290	
	CR. Opening accumulated surplus		\$393,290
	<i>Transit revenue (Bus passes) for November and December 2011 not recorded until 2012.</i>		
2.	DR. Opening accumulated surplus	\$498,539	
	CR. Loans receivable		\$498,539
	<i>Forgivable loans should have been recorded as grants. There is also no disclosure in the notes that certain of the long-term receivables are forgivable.</i>		
3.	DR. Deferred revenue	\$296,198	
	CR. Opening accumulated surplus		\$296,198
	<i>Deferred capital contributions from ACDC should have been adjusted on transfer to City</i>		
4.	DR. Interest expense (current year)	\$62,131	
	DR. Opening accumulated surplus (Prior years' interest)	\$683,443	
	CR. Accrued liabilities		\$745,574
	<i>To record potential interest expense at prescribed rates on outstanding amounts payable.</i>		

Audit risks

Our audit plan identified certain risk areas that we discussed with the Committee when reviewing the audit plan. The results of our audit work on these areas are set out below:

Areas of significant audit risk	Description of risk	Our audit response	Our conclusion
Revenue / deferred revenue	Revenue recognition	<ul style="list-style-type: none"> • Understand the design and implementation of controls in significant revenue streams • Substantive testing to determine if restricted contributions (i.e. development charges, gas tax, etc.) and government transfers have been recognized as revenue in the appropriate period 	<ul style="list-style-type: none"> • Satisfactory
Accounting estimates	Estimates require management judgments (i.e. allowance for significant property tax appeals, contingent liabilities, estimated accrued liabilities, etc.)	<ul style="list-style-type: none"> • Obtain 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 • Assess outcome of retrospective review of estimates from prior years 	<ul style="list-style-type: none"> • Satisfactory

Management override of controls is a presumed area of risk in any financial statement audit due to management's ability to directly or indirectly override controls that otherwise appear to be operating effectively. We address this risk through testing the appropriateness of journal entries and other adjustments made in the preparation of consolidated financial statements. We look to the business rationale for significant transactions that are outside the normal course of business and review accounting estimates for bias. In addition, experienced Deloitte personnel were assigned to review these areas and professional skepticism was maintained throughout the audit.

Significant accounting practices

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.

Significant accounting policies

During the year ended December 31, 2012, there were no changes in previously adopted public sector accounting standards or their application at the City. However, in fiscal 2012, PowerStream Inc., a government business partnership, transitioned to a new accounting framework, International Financial Reporting Standards. This transition resulted in a retroactive adjustment to the City's investment in Barrie Hydro Holdings, Inc, which holds the shares of PowerStream Inc. Further details relating to the impact of this change in accounting policy on the City's investment, equity earnings and opening accumulated surplus can be found in Notes 2 and 6 to the consolidated 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.

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 include:

Post-employment benefits liability	\$30,108,548	(2011 - \$26,180,579)
Landfill closure and post-closure liability	\$20,417,230	(2011 - \$19,332,195)

In addition, estimates were used in determining the valuation of tangible capital assets when initially recorded on the City's consolidated financial statements and estimates are also used in determining the useful lives of various categories of tangible capital assets.

Appendix 1 - Independence letter



Deloitte LLP
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June 12, 2013

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 Members:

We have been engaged to audit the consolidated financial statements of City of Barrie (the "City") for the year ended December 31, 2012.

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 institute / 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; and
- (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.

We are not aware of any relationships between the City and our Firm, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from the date of our appointment as auditors to June 12, 2013.

During the period, in addition to audit services, we also provided tax compliance services related to the tax return preparation of the taxable entities of the corporation, indirect tax recovery services on a contingent fee basis, and consulting services related to the development of a business case for new information technology systems as well as for management development training.

We hereby confirm that we are independent with respect to the City within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of June 12, 2013

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

Yours truly,

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

Appendix 2 - Draft management representations letter

[CLIENT LETTERHEAD]

[Date]

Private and confidential

Deloitte LLP
5140 Yonge Street, Suite 1700
Toronto ON M2N 6L7
Attn: Ms. Paula Jesty

Dear Ms. Jesty:

Subject: Consolidated Financial statements of the City of Barrie (the "City") for the year ended December 31, 2012.

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements prepared by City of Barrie (the "City" or "we" or "us") for the year ended December 31, 2012 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, and cash flows of the City in accordance with 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 engagement letter between the City of Barrie and Deloitte dated November 2, 2012 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, 2012, the results of its operations, and its cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value if applicable, 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, 2012 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. We have determined that the Financial Statements are complete as of _____, 2013 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.
4. We have completed our review of events after December 31, 2012 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.
5. 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.

6. 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.

Information provided

7. 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.
8. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
9. 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.
10. 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.

11. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's Financial Statements and all knowledge of concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the City that have been communicated by employees, former employees, or others, whether written or oral.
12. We have disclosed to you all communications from 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.
13. 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.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
15. 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.
16. 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.
17. 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.

Independence matters

For purposes of the following paragraph, "Deloitte" shall mean Deloitte LLP, Deloitte s.e.n.c.r.l. and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

18. 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

19. 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 balance sheet date, their plans for future action and the feasibility of these plans.

Management's Responsibilities

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

Communications with taxation and regulatory agencies

21. 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

22. 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

23. We agree with the work of management's experts in evaluating the valuation of the defined benefit 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

24. 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

25. 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

26. 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 have occurred subsequent to December 31, 2012 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

27. 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.
28. 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

29. 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.

Liabilities for contaminated sites

30. We have evaluated all of our properties that we own or for which we accept responsibility, and have not identified any sites in which contamination exceeds an environmental standard.

Government transfers

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

Government Business Enterprises and Government Business Partnerships.

34. The City has appropriately classified its investment in Barrie Hydro Holdings Inc., Barrie Hydro Energy Services Inc., and PowerStream Inc. and 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 in the consolidated financial statements.

Yours truly,

City of Barrie

Name

Name

Position

Position

DRAFT

Appendix A

Adjusted and unadjusted differences

The following is a summary of adjusted and unadjusted differences noted during the audit:

Adjusted amounts:

1.	DR. Interest expense	\$344,753	
	CR. Interest payable		\$344,753
	<i>To record interest expense on debt issuance near year end</i>		

Unadjusted amounts:

1.	DR. Revenue	\$393,290	
	CR. Opening accumulated surplus		\$393,290
	<i>Transit revenue (Bus passes) for November and December 2011 not recorded until 2012.</i>		
2.	DR. Opening accumulated surplus	\$498,539	
	CR. Loans receivable		\$498,539
	<i>Forgivable loans should have been recorded as grants. There is also no disclosure in the notes that certain of the long-term receivables are forgivable.</i>		
3.	DR. Deferred revenue	\$296,198	
	CR. Opening accumulated surplus		\$296,198
	<i>Deferred capital contributions from ACDC should have been adjusted on transfer to City</i>		
4.	DR. Interest expense (current year)	\$62,131	
	DR. Opening accumulated surplus (Prior years' interest)	\$683,443	
	CR. Accrued liabilities		\$745,574
	<i>To record potential interest expense at prescribed rates on outstanding amounts payable.</i>		

Appendix 3 - Summary of communication requirements

In our audit plan, we committed to communicate certain items to the Finance and Corporate Services Committee on a regular basis, or as specified events occur. These items are summarized below.

Required communication	Comments
1. Our responsibilities under Canadian GAAS.	See engagement letter dated November 2, 2012.
2. Our audit strategy and scope.	Audit plan communicated at December 19, 2012 Committee meeting.
3. Fraud or possible fraud identified through the audit process.	None noted.
4. Illegal or possible illegal acts.	None noted.
5. Significant transactions inconsistent with the normal course of business, including related party transactions.	None noted.
6. Procedures performed on other public documents with which we are associated and the results thereof.	None.
7. Management judgment and accounting estimates.	Please refer to page 5 of this report.
8. Financial statement adjustments.	None.
9. Uncorrected misstatements and disclosure deficiencies determined by management to be immaterial.	Please refer to page 3 of this report.
10. Significant accounting policies.	Please refer to page 5 of this report.
11. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	None noted
12. Our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	Please refer to page 5 of this report.
13. Disagreements with management.	None.
14. Our views about significant matters that were the subject of consultation with other accountants.	None noted.
15. Major issues discussed with management prior to our retention.	None.
16. Significant difficulties, if any, encountered during the audit.	None.
17. Significant deficiencies in internal control, if any, identified in the conduct of the audit of the financial statements.	Recommendations on internal controls have been reviewed informally with management and we will provide a management letter with management responses once completed.
18. Material written communications between management and us.	Engagement letter dated November 2, 2012 and management representation letter – Appendix 2 of this report.
19. All relationships between the City and us that, in our professional judgment, may reasonably be thought to bear on independence.	Independence letter - Appendix 1.
20. A statement that in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	Independence letter - Appendix 1.
21. Non-compliance with laws and regulations that come to the auditor's attention.	None noted.
22. Limitations placed on our scope.	None.
23. Written representations the auditor is requesting.	Draft management's representations letter – Appendix 2.