

Deloitte.

The Corporation of the
City of Barrie
Year-end communication

For the year ended December 31, 2014
For presentation to the Finance and Corporate Services Committee
on June 17, 2015

Instilling
confidence



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June 10, 2015

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 ON L4M 4T5

Dear Finance and Corporate Service Committee Members:

Report on audited annual financial statements

As agreed in our engagement letter dated January 7, 2015, 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, 2014, in accordance with Canadian auditing standards ("CASs") and expect to issue our Independent Auditor's Report thereon on the date that the financial statements are approved.

This report summarizes our findings to date from the audit which has been conducted in accordance with the Audit service plan that was presented to the Finance and Corporate Services Committee at the meeting on January 14, 2015.

Use of this report

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 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

Audit scope and findings

Audit scope

In accordance with CASs, 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 Public Sector Accounting Board ("PSAB").

As external 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.

The December 31, 2014 audit of the consolidated financial statements was conducted in accordance with our Audit Service Plan, which was communicated to the Finance and Corporate Services Committee on January 14, 2015. We confirm that there have been no significant amendments to the audit scope and approach communicated in the Audit Service Plan.

Status of our audit

We expect to be in a position to render our Independent Auditor's Report on the consolidated financial statements of the City following approval by Council and the completion of the following outstanding procedures:

- Receipt of legal letters
- Certain documentation matters (i.e. executed copy of share purchase agreement between the City and the Corporation of the County of Simcoe)
- 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 Service Plan, our procedures focused on the following areas of audit risk:

- Revenue recognition
- Management override of control, and
- Accounting estimates.

We have summarized the results of our audit procedures for each of these risk areas on pages 4 and 5 of this report.

Audit scope and findings

Use of the work of experts

As planned, the work of external experts was used in the audit to the extent we considered necessary:

Actuarial experts We used the work of the City's actuary in their determination of the City's post-employment and workers' compensation benefits. We reviewed and tested data and assumptions used, ensured the disclosure in the consolidated financial statements is adequate, and that the actuary is in good standing with the Canadian Institute of Actuaries.

Environmental consultants We used the work of the City's engineers and their consultants in their determination of the City's landfill closure liability. We reviewed and tested any data and assumptions used, and ensured the disclosure in the consolidated financial statements is adequate.

We also used Deloitte computer assurance specialists in reviewing general computer controls.

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 audit and determined whether they have been implemented. We are not, however, required to determine whether all relevant controls are operating effectively.

CASs 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.

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, other than the matter reported to us that is currently subject to an ongoing investigation and will 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.

Legal and regulatory compliance

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.

Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the City.

Significant accounting policies

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 6 of this report.

The City's significant accounting policies are set forth in Note 1 to the December 31, 2014 consolidated financial statements.

Management judgment and accounting estimates

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.

During the year ended December 31, 2014, management advised us that there were no significant changes in the types of accounting estimates or in judgments relating to such estimates except for the significant change in estimates associated with the City's landfill closure and post-closure liabilities.

Our views on the significant quantitative and qualitative aspects of the judgments and estimates made by the City's management are presented on page 6 of this report.

Audit scope and findings

Audit adjustments and uncorrected misstatements	<p>In accordance with CASs, 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 on page 7.</p> <p>See also page 7 for unadjusted disclosure item.</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 subsequent events that would impact the December 31, 2014 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 60% (2013-80%). 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 Holdings Inc. Related party balances and transactions with PowerStream Holdings Inc. and PowerStream Inc., a wholly owned subsidiary of PowerStream Holdings Inc., can be found in Note 5 to the consolidated financial statements. 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 service 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, 2014 once the outstanding items referred to above are satisfactorily completed and the consolidated financial statements are approved.</p>

Audit risks

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

Areas of audit risk	Description of risk	Our audit response	Our conclusion
Revenue recognition*	Occurrence, completeness, accuracy and cut-off of certain revenue streams.	<ul style="list-style-type: none"> • Tested the design and implementation of controls in significant revenue streams and performed substantive analytic procedures and detailed testing in these areas. • Performed substantive testing to determine if grants/contributions (i.e., development charges, gas tax, etc.) and government transfers have been recognized as revenue in the appropriate period. 	We have obtained sufficient audit evidence in this area and are satisfied with the results of audit procedures performed.
Management override of controls*	<p>Assurance standards include the presumption of a significant risk of management override of controls.</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Engaged in 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. 	We have obtained sufficient audit evidence in this area and are satisfied with the results of audit procedures performed.

Areas of audit risk	Description of risk	Our audit response	Our conclusion
Accounting estimates	Estimates require management judgments (i.e., allowance for significant property tax appeals, contingent liabilities, estimated liabilities, employee future benefits and landfill costs and other accrued liabilities).	<ul style="list-style-type: none"> • 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 • Assessed outcome of retrospective review of estimates from prior years 	We have obtained sufficient audit evidence in this area and are satisfied with the results of audit procedures performed. See comments on page 6 related to landfill closure and post closure costs.

*Identified as an area of significant risk

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

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 recorded in the financial statements include:

Post-employment benefits liability	\$39,206,241	(2013 - \$33,685,771)
Landfill closure and post-closure liabilities	\$6,263,920	(2013 - \$21,016,034)

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.

Significant change in estimates- landfill closure and post-closure liabilities

In 2014, the City made a significant change in its estimate related to landfill closure and post-closure liabilities which resulted in a net decrease of the landfill closure and post-closure liabilities in the amount of \$14,752,114.

The City excavated down to native soil and began the final stage of Phase 3 of the Landfill Re-Engineering Project. We understand that the soil and waste that was excavated was reprocessed with new technologies that reduce the wastes volume to 1/3 its original size (increasing landfill capacity significantly). Management has asserted that the final phase of the Landfill Re-Engineering Project was initiated in fiscal 2014 and that all of the waste reprocessing and excavation had been completed. Accordingly, the City of Barrie reassessed the landfill closure and post-closure liabilities based on the increased landfill capacity and useful life of the landfill site as at December 31, 2014. The additional capacity is expected to increase the service life of the landfill site from 2024 to 2035.

The net decrease \$14,752,114 was recorded as a reduction of the current year expenses on the consolidated statement of operations and accumulated surplus rather than as a restatement of the beginning of year accumulated surplus as management has asserted that there was measurement uncertainty with respect to this matter prior to the year ended December 31, 2014.

Adjusted and unadjusted differences

The following is a summary of adjusted and unadjusted differences in excess of a clearly trivial amount noted during the audit:

Corrected adjustments

	Debit	Credit
1. DR. Landfill closure and post-closure liabilities	\$1,533,549	
CR. Expenses		\$1,533,549

To true-up the landfill closure and post-closure liabilities as at December 31, 2014 with a corrected discount rate and inflation rate that is internally consistent for the City of Barrie.

Uncorrected amounts

	Debit	Credit
1. DR. Accounts receivable (Local Improvements)	\$1,480,476	
DR. Revenue	\$296,310	
CR. Accumulated surplus		\$1,776,786

To adjust for local improvement receivables that are currently being recorded on a cash basis.

Disclosure item

Effective January 1, 2014, the City sold 20% of its interest in Lake Simcoe Regional Airport Inc. for \$1,300,000. The book value of this 20% interest was \$4,448,026. This transaction resulted in a loss on sale of \$3,148,026 which is recorded as part of general government expenses and not shown separately on the Statement of operations or the Statement of cash flows.

Appendix 1 – Independence letter



Deloitte LLP
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June 10, 2015

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, 2014.

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.

City of Barrie
June 10, 2015
Page 2

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 June 18, 2014, the date of our last letter to June 10, 2015.

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, real estate advisory services and forensic services related to a matter under investigation.

We hereby confirm that we are independent with respect to the City within the meaning of the Rules of Professional Conduct of Chartered Professional Accountants of Ontario as of June 10, 2015.

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 Letter Head]

June __, 2015

Private and confidential

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

Dear Ms. Jesty:

Consolidated financial statements of the City of Barrie (the "City") for the year ended December 31, 2014

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, 2014 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, changes 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 engagement letter between the City of Barrie and Deloitte dated January 7, 2015 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, 2014, the results of its operations, changes in net debt 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.

Financial statements (continued)

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, 2014 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 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.
4. We have completed our review of events after December 31, 2014 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.

Information provided (continued)

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 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.
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, 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, 2014 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.

Solid waste landfill closure and post-closure liability

30. 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

31. 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.
32. 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.
33. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
34. 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

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

Tax Revenues

38. 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

39. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, Tangible Capital Assets.

40. 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.

41. 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 and Government Business Partnerships.

42. 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

Appendix A Unadjusted items

The following is a summary of an unadjusted item noted during the audit:

	Debit	Credit
1. DR. Accounts receivable (Local Improvements)	\$1,480,476	
DR. Revenue	\$296,310	
CR. Accumulated surplus		\$1,776,786

To adjust for local improvement receivables that are currently being recorded on a cash basis.

DRAFT

Appendix 3 – Summary of communication requirements

In our Audit service 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. Fraud or possible fraud identified through the audit process	None noted, other than the matter under investigation reported to us by Management that will be discussed with the Committee.
2. Our responsibilities under Canadian GAAS	Engagement letter dated January 7, 2015.
3. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> • Timing of the audit • Significant risks, including fraud risks • Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	Audit service plan presented to the Committee on January 14, 2015.
4. Significant accounting policies, practices, unusual transactions, and our related conclusions <ul style="list-style-type: none"> • Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period 	Refer to page 6 (landfill closure and post closure liability) and page 7 (sale of 20% interest in Airport). Accounting for gas tax contributions.
5. Consultation outside the engagement team regarding difficult or contentious matters that we believe are relevant to the Finance and Corporate Services Committee's oversight	None.
6. Matters related to going concern	None noted.
7. Management judgments and accounting estimates	Refer to page 6.
8. Significant transactions outside of the normal course of business, including related party transactions	None.
9. Significant difficulties, if any, encountered dealing with management related to the performance of the audit	None.
10. Material written communications between management and us, including management representation letters	Engagement letter dated January 7, 2015 and management representation letter – See Appendix 2.
11. Other matters that are significant to the oversight of the financial reporting process	None.
12. All relationships between the City and us that, in our professional judgment, may reasonably be thought to bear on independence	Independence letter – Appendix 1.
13. 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.

Required communication	Comments
14. Modifications to our opinion	None.
15. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	No consultations that we are aware of.
16. Major issues discussed with management prior to our retention	None.
17. Illegal or possibly illegal acts that come to our attention	None noted, other than the matter reported to us by Management.
18. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	Management letter to be issued once management responses are obtained.
19. Uncorrected misstatements and disclosure items	Refer to page 7.
20. Breach of independence	None, refer to Independence letter – Appendix 1.

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