

The Corporation of the City of Barrie Report to the Finance and Corporate Services Committee on the 2020 audit

For presentation on June 8, 2021

May 28, 2021

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

**Report on the audit of the consolidated financial statements for the year
ended December 31, 2020**

Dear Finance and Corporate Services Committee Members:

We are pleased to submit this report on our audit of the consolidated financial statements of The Corporation of the City of Barrie (the "City") for the 2020 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.

As agreed in our Master Services Agreement for Professional Services for the City and its related entities dated August 18, 2017, and our confirmation of changes letter dated February 19, 2019, we have performed an audit of the consolidated financial statements of the City as at, and for the year ended, December 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

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 has been conducted in accordance with the Audit Service Plan that was presented to the Finance and Corporate Services Committee on December 14, 2020.

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 be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,



Chartered Professional Accountants
Licensed Public Accountants

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Executive summary



Audit scope and terms of engagement

We have been engaged to perform audits of the City's and its related entities' financial statements (the "financial statements") prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") as at and for the year ended December 31, 2020. Our audits were conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagements are described in the Master Services Agreement for Professional Services dated August 18, 2017 and the subsequent confirmation of changes letter dated February 19, 2019.

As applicable, we reported separately to *Those Charged with Governance* of the City controlled entities where we provide external audit services.

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

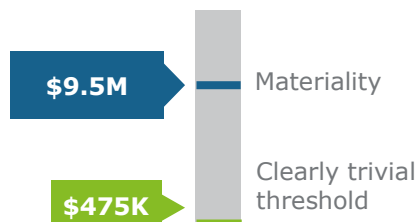


Audit risks

- 1 Revenue recognition
- 2 Management override of controls



Uncorrected misstatements



Materiality levels for the City's consolidated financial statements are determined on the basis of consolidated expenses.

Our materiality for the year ended December 31, 2020 was \$9,500,000 (2019, \$9,500,000).

Uncorrected misstatements are included in Appendix 3 – Draft management representation letter.



Outstanding Matters & Next Steps

Receipt of legal letters

Receipt of signed Management's representation letter

Completion of engagement quality control review

Completion of minor audit documentation matters



Going Concern

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.
We agree with management's assessment.



Results

No restrictions have been placed on the scope of our audit.
We intend to issue an unmodified Independent Auditor's Report on the consolidated financial statements of the City for the year ended December 31, 2020, once the outstanding items referred to above are completed satisfactorily and the financial statements are approved.

Significant audit risks and significant events

The significant audit risks identified as part of our risk assessment, together with our audit responses and results, are described below.

Significant audit risks*

Revenue recognition *

| Audit risk | Audit response and results |
|--|---|
| <ul style="list-style-type: none"> Canadian GAAS include the presumption of a fraud risk involving improper revenue recognition. We have pinpointed this fraud risk to occurrence, accuracy and cut-off of grant revenue, assumed assets, and utilization of obligatory reserve funds. We have also identified areas related to these revenue streams as a significant risk that require accounting estimates and professional judgement, including deferred revenue, grant receivable and the year end water/wastewater accrual. | <ul style="list-style-type: none"> We evaluated the design and implementation of key internal controls related to these revenue streams. We performed substantive audit procedures to determine if restricted contributions (i.e., development charges), and government transfers/grants have been recognized appropriately (revenue vs. deferred revenue) in the proper period, particularly in light of the impacts of COVID-19. We reviewed management's assessments and underlying assumptions for accounting estimates. <p><i>Results:</i></p> <ul style="list-style-type: none"> We obtained sufficient audit evidence to conclude that there were no material misstatements. |

Management override of controls*

| Audit risk | Audit response and results |
|---|--|
| <ul style="list-style-type: none"> Under Canadian GAAS, it is the responsibility of the management, with the oversight of those charged with governance, to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process. Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant audit risk. | <ul style="list-style-type: none"> Engaged in periodic fraud discussions with those involved in the financial reporting process and others, including internal audit. 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. <p><i>Results:</i></p> <ul style="list-style-type: none"> Our audit procedures did not indicate any evidence of management override of controls. |

*Significant audit risks – presumed areas of audit risk.

Significant events

COVID-19

Impact on our 2020 audit

Due to the ongoing COVID-19 pandemic, the audit work was performed remotely, and the risk assessment and analytical procedures were considered with the potential impact of the pandemic in mind. Despite the audit taking place in a remote work environment, we were able to obtain sufficient evidence for our audit and controls testing with minimal delay. There were no significant changes to the nature of our audit procedures as a result.

Significant accounting policies, judgments and estimates

Significant accounting policies

Significant accounting policies are those that are most important and representative of the City's financial condition 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.

The significant accounting policies of the City are disclosed in Note 1 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. There were no significant changes in previously adopted accounting policies or their application at the City.

Management judgments and accounting estimates

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.

Significant accounting estimates recorded in the financial statements include:

| | 2020 | 2019 |
|---|--------------|--------------|
| Post-employment benefits liabilities | \$82,186,374 | \$72,535,022 |
| Landfill closure and post-closure liabilities | \$10,809,833 | \$8,989,282 |

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, 2020. 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.

During the year ended December 31, 2020, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

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.

Restatement of Tangible Capital Assets

Tangible Capital Assets ("TCA") of the City are significant economic resources and a key component in the delivery of many municipal programs and services. In the year ended December 31, 2020, the City identified TCA misstatements that related to prior periods. Note 19 to the financial statements provides details of the adjustments that were recorded in the December 31, 2019 comparative financial statements.

We applied audit procedures, on a test basis, to the TCA misstatements identified by Administration to test the restatement of 2019 balances.

It is also important to note that these restated amounts related solely to the accounting for TCA and had no effect on The City's cash balances, net financial asset position, property tax revenues or any other balances influencing The City's operating budget, capital budget, grants received, property tax assessments or any other related balances.

Appendix 1 – Communication requirements and other reportable matters

| Required communication | Reference | Refer to this report or document described below |
|--|----------------------------|---|
| Audit service plan | | |
| 1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements | CAS ¹ 260.14 | Master Services Agreement for Professional Services dated August 18, 2017 and confirmation of changes 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 c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk | CAS 260.15 | Audit service plan presented to the Finance and Corporate Services Committee on December 14, 2020. |
| 3. Significant transactions outside of the normal course of business, including related party transactions | CAS 260 App. 2, CAS 550.27 | 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 | CAS 240.21 | Audit service plan presented to the Finance and Corporate Services Committee on December 14, 2020. |
| 5. Any known suspected or alleged fraud affecting the City | CAS 240.22 | None noted. |

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

| Required communication | Reference | Refer to this report or document described below |
|---|----------------|--|
| 6. Whether the City is in compliance with laws and regulations | CAS 250.15 | <p>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</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the City.</p> |
| Year-end communication | | |
| 7. Modification to our audit plan and strategy | CAS 260.A26 | <p>The audit was conducted in accordance with our Audit Service Plan, which was communicated to the Committee.</p> <p>We extended our audit procedures on tangible capital assets under construction and a prior period adjustment has been reflected in the City's financial statements and disclosed in Note 19.</p> <p>Other than the aforementioned prior period adjustment, we confirm that there have been no amendments to the audit scope and approach communicated in the Audit Service Plan.</p> |
| 8. Fraud or possible fraud identified through the audit process | CAS 240.40-.42 | None identified through the audit process. |
| 9. Significant accounting policies, practices, unusual transactions, and our related conclusions | CAS 260.16 a. | See page 5 of this report. No unusual transactions noted. |
| 10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period | CAS 260.16 a. | None. |
| 11. Matters related to going concern | CAS 570.25 | We concluded that there was no substantial doubt about the City's ability to continue as a going concern. |
| 12. Management judgments and accounting estimates | CAS 260.16 a. | See page 5 of this report. |
| 13. Significant difficulties, if any, encountered during the audit | CAS 260.16 b. | None. |
| 14. Material written communications between management and us, including management representations letter | CAS 260.16 c. | <p>Management representations letter will be signed by management as at the date of financial statement approval.</p> <p>See Appendix 3 – Draft management representations letter.</p> |
| 15. Circumstances that affect the form and the content of the auditor's report | CAS 260.16.d. | None |
| 16. Other matters that are significant to the oversight of the financial reporting process | CAS 260.16e. | No other matters to report. |

| Required communication | Reference | Refer to this report or document described below |
|--|---------------|--|
| 17. Modifications to our opinion | CAS 260.A21 | None. |
| 18. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns | CAS 260.A22 | None. |
| 19. Other significant matters discussed with management | CAS 260.A22 | None. |
| 20. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including Illegal or possibly illegal acts that come to our attention | CAS 250.23 | Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the City, that are not otherwise prohibited to disclosed by law or regulation. |
| 21. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements | CAS 265 | No deficiencies to report. |
| 22. Uncorrected misstatements and disclosure items | CAS 450.12-13 | In accordance with Canadian GAAS, we request that all misstatements be corrected. Refer to Appendix 3 for the uncorrected misstatements and disclosure misstatements. |
| 23. Any significant matters arising during the audit in connection with the City's related parties | CAS 550.27 | None noted. |
| Other reportable matters | | |
| 24. Significant difficulties encountered in performing the audit | | We did not encounter any significant difficulties while performing the audit. Due to COVID-19 physical distancing measures, the audit evidence was provided electronically as the audit team worked remotely for our audit fieldwork. |
| 25. Related party transactions | | Related party transactions or balances have been properly disclosed in the financial statements. We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure. |
| 26. 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. |
| 27. Subsequent events | | None noted. |
| 28. Other significant matters arising from the audit | | None noted. |

Appendix 2 – Independence letter



Deloitte LLP
400 Applewood Crescent
Suite 500
Vaughan ON L4K 0C3
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

June 2, 2021

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 City of Barrie (the "City") for the year ended December 31, 2020.

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/order 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 matters arising since June 19, 2020, 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 19, 2020 to June 2, 2021.

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 June 2, 2021.

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 very truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants

Appendix 3 – Draft management representation letter

CLIENT LETTERHEAD

June 8, 2021

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, 2020.

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, 2020 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").

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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, 2020 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, 2020 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. 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, 2020 and up to the date of this letter.
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.

Internal Controls

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. 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

8. 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.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and,
 - d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
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 no knowledge of any 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
 - c. Others where the fraud could have a material effect on the Financial Statements
 - d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
11. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the City.

12. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices. There are also no known or possible instances of non-compliance with the requirements of regulatory or governmental authorities.
13. We have disclosed to you the identities 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.

Independence matters

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

14. 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 Finance and Corporate Services Committee.

Except where otherwise stated below, immaterial matters less than \$475,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

15. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
16. 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.
17. There are no instances of identified or suspected noncompliance with laws and regulations.
18. 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.
19. 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.
20. 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.
21. 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.
22. 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.

Going concern

23. 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

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

Communications with taxation and regulatory agencies

25. We have disclosed to you all communications from:
- taxation authorities concerning assessments or reassessments that could have a material effect on the Financial Statements; and
 - regulatory agencies concerning noncompliance with or potential deficiencies in, financial reporting requirements.

Deficiencies in internal control

26. 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

27. 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

28. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- losses arising from sale and purchase commitments;
 - agreements to buy back assets previously sold;
 - provisions for future removal and site restoration costs;
 - financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
 - arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
 - all impaired loans receivable;
 - 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

29. 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

30. 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, 2020 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

31. 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.
32. 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

33. 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

34. 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

35. 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.
36. 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.
37. 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

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

Tax Revenues

- 41. 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

- 42. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, Tangible Capital Assets.
- 43. 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.
- 44. 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

- 45. The City has appropriately classified its investment in Barrie Hydro Holdings Inc. as a Government Business Enterprise.
- 46. 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

- 47. 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.
- 48. 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

49. 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

Summary of uncorrected financial statement misstatements and disclosure deficiencies

Year ended December 31, 2020

Uncorrected misstatements

| | Debit | Credit |
|---|--------------|--------------|
| 1. DR. Deferred Revenue (Liability) | \$ 1,581,540 | |
| CR. Accumulated Surplus, beginning of year | | \$ 1,581,540 |
| <i>Likely misstatement - to adjust deferred revenue that should have been recognized as revenue in a prior year. This account has not been fully reconciled for a number of years. The likely misstatement is in a range between \$1,581,540 and \$2,243,356.</i> | | |
| 2. DR. Tangible Capital Assets – Work in Progress | \$660,768 | |
| CR. Accrued Liabilities | | \$660,768 |
| <i>To adjust for late invoices received for work in progress relating to fiscal year 2020.</i> | | |
| 3. DR. Revenue | \$4,589,445 | |
| CR. Deferred Revenue – Obligatory Reserve Funds | | \$4,589,445 |
| <i>To adjust for the duplication of funding on a capital project.</i> | | |