



**Deloitte.**

The Corporation of the  
City of Barrie

Report to the Finance and  
Corporate Services Committee  
on the 2015 audit





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June 14, 2016

**Private and confidential**

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

Dear Finance and Corporate Services Committee Members:

**Report on audited annual financial statements**

We are pleased to submit this report on the status of our audit of the consolidated financial statements of the City of Barrie (the "City") for the 2015 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

We expect to issue our Independent Auditor's Reports on the financial statements of the City upon approval of the financial statements. Our audit was conducted in accordance with the audit plan dated November 16, 2015.

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

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

Yours truly,

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

Chartered Professional Accountants  
Licensed Public Accountants

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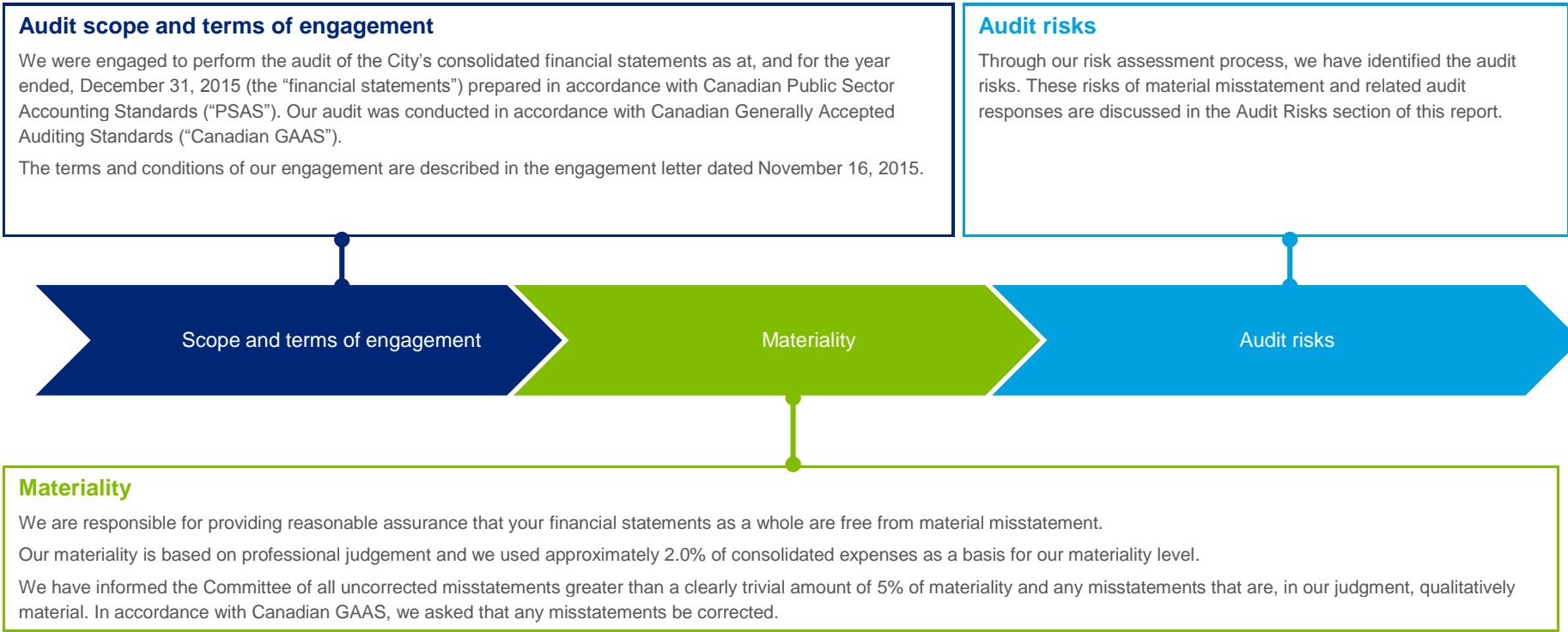
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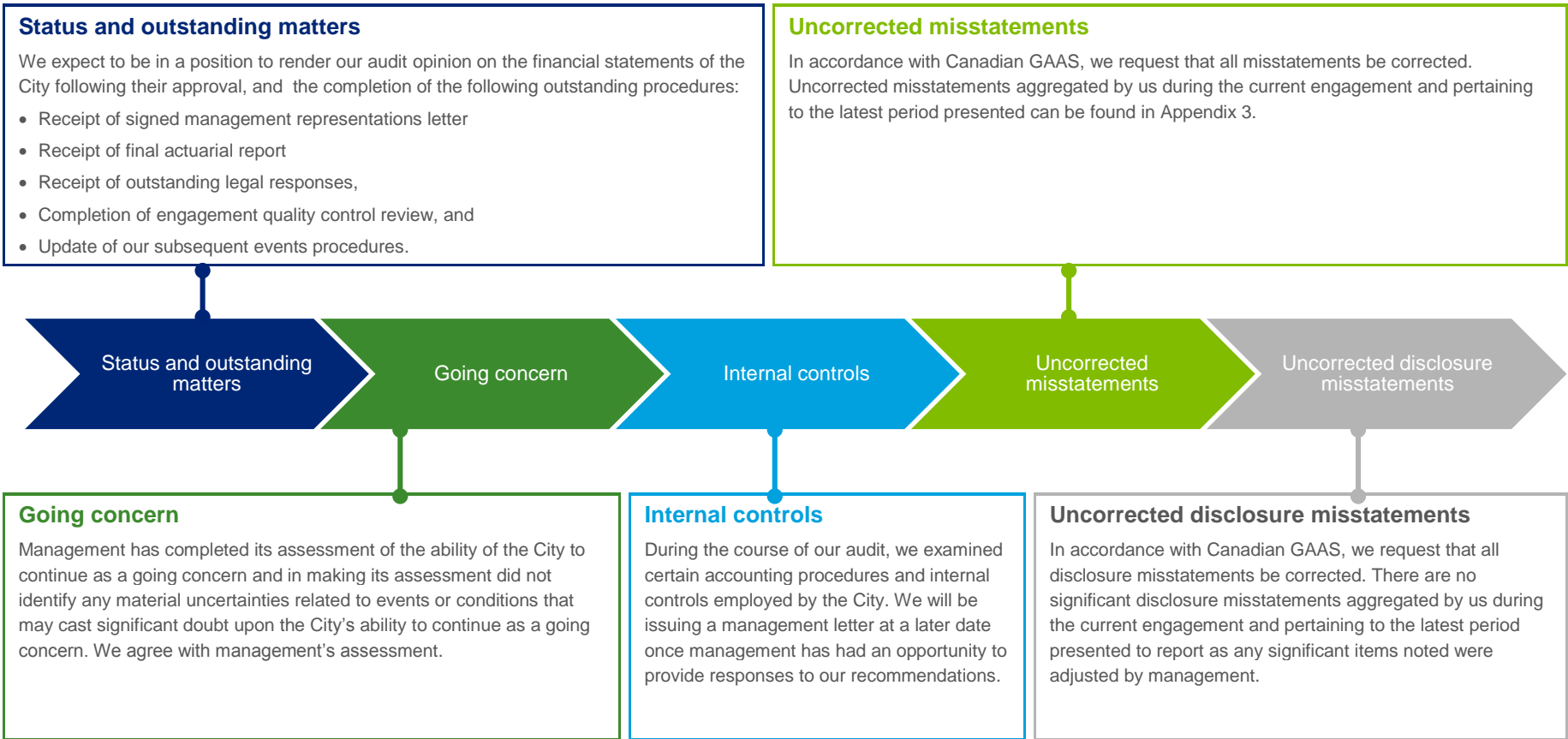
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# Our audit explained

This report summarizes the main findings arising from our audit.





### Fraud risk

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

### Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level. We confirm that we have complied with relevant ethical requirements regarding independence. Our annual independence letter is included in Appendix 2.



### Significant accounting practices, judgments and estimates

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards. See pages 7 and 8 for further details related to this area.

### Conclusion

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

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

We intend to issue an unmodified audit report on the financial statements of the City for the year ended December 31, 2015 once the outstanding items, referred to previously in this report, are completed satisfactorily and the financial statements are approved.

# Audit risks

## Revenue recognition\*

### Audit risk

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

### Our proposed audit response

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

### Audit results

See Summary of Uncorrected misstatements

## Management override of controls\*

### Risk identified

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

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

### Our proposed audit response

To address the risk of management override of controls we will:

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

### Audit results

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

\*Significant risks

## Management estimates

### Audit risk

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

### Our proposed audit response

- 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, and
- Assess outcome of retrospective review of estimates from prior years.

### Audit results

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

## Recreation system conversion

### Risk Identified

Implementation of new recreation software (Activenet) requires conversion of data from the Class system

### Our proposed audit response

- Test data conversion results, reconciliations and management reviews and sign offs over data migration
- Test on a sample basis, completeness and accuracy of data migrated
- Test access controls to selected high risk or critical transactions and segregation of duties between key roles
- Test key interfaces as applicable.

### Audit results

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



## Implementation of PS 3260 – Liability for Contaminated Sites

### Risk Identified

Appropriate implementation of PS 3260 – Liability for Contaminated Sites which is effective for years commencing on or after April 1, 2014

### Our proposed audit response

- Obtain inventory of all sites and management's analysis and assessment of applicable sites.
- Test for completeness
- Test sites to criteria in PS 3260
- Test valuation of liability for relevant sites
- Test accounting applied for adopting the new standard (i.e. prospective or retrospective application)
- Review related financial statement disclosures for accuracy and completeness.

### Audit results

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

# Significant accounting practices, judgments and estimates

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.

During the year ended December 31, 2015, the City implemented PS3260, Liability for Contaminated sites. Further information relating to this implementation is disclosed in Note 2 of the City's financial statements. The implementation of this new standard did not have any impact on the financial position or results of operations of the City.

There were no other significant changes in previously adopted accounting policies or their application at the City

In addition, the City has entered into a multiple-year public private partnership (P3) contract to design, build, finance, operate, and maintain the Barrie Transit Facility. The facility reached substantial completion in 2015 and the financial statements reflect the cost of the facility, the capital financing, the related capital lease obligation and the funding receivable from P3 Canada.

## 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	\$45,686,046	(2014 - \$39,206,241)
Landfill closure and post-closure liabilities	\$6,268,617	(2014 - \$6,263,920)

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 the assumptions used in the extrapolation of the 2015 liability.

We also used the work of the City's engineers and their consultants in their determination of the City's landfill closure and post-closure liability. We reviewed assumptions used in measuring the liability. A new study on the closure and post-closure costs and capacity of the landfill will be completed in fiscal 2016. This study should have been completed in fiscal 2015 for accounting purposes but management used the costs from the prior study as well as an estimate of the capacity as of December 18, 2015 provided by the consultant in order to develop a reasonable estimate of the liability as at December 31, 2015.

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

# Other reportable matters

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

	Comment
<b>Changes to the audit plan</b>	The audit was conducted in accordance with our audit plan, which was communicated to the Committee. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.
<b>Significant difficulties encountered in performing the audit</b>	We did not encounter any significant difficulties while performing the audit.
<b>Related party transactions</b>	<p>Related party transactions or balances have been properly disclosed in the financial statements.</p> <p>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.</p>
<b>Disagreements with management</b>	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.
<b>Consultation with other accountants</b>	Management has informed us that the City has not consulted with other accountants about auditing or accounting matters.
<b>Legal and regulatory compliance</b>	<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>
<b>Post-balance sheet events</b>	At the date of finalizing this report, we are not aware of any significant post balance sheet events that would require adjustment or disclosure in the financial statements at December 31, 2015 that are not already disclosed.



# Appendix 1 – Communication requirements

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

Required communication	Reference	Comments
<b>Audit service plan</b>		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the consolidated financial statements	CAS <sup>1</sup> 260.14	Engagement letter dated November 16, 2015
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a) Timing of the audit</li> <li>b) Significant risks, including fraud risks, and</li> <li>c) Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk.</li> </ul>	CAS 260.15	Audit plan dated November 16, 2015
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	None noted
<b>Enquiries of those charged with governance</b>		
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 240.20	Discussed when presenting the Audit Service Plan
5. Any known suspected or alleged fraud affecting the City	CAS 240.21	Discussed when presenting the Audit Service Plan and the Report on the 2015 Audit
6. Whether the City is in compliance with laws and regulations	CAS 250.14	Refer to "Other reportable matters" section
<b>Year end communication</b>		
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	None identified through the audit process

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

Required communication	Reference	Comments
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	See page 7
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	None
10. Matters related to going concern	CAS 570.23	None
11. Management judgments and accounting estimates	CAS 260.16 a.	See pages 7 and 8
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	None
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Management representation letters will be signed by management as at the date of financial statement approval.
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16d.	None
15. Modifications to our opinion	CAS 260.A18	None
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19	We are not aware of any such consultations
17. Significant matters discussed with management	CAS 260.A.19	None
18. Illegal or possibly illegal acts that come to our attention	CAS 250.23	None noted
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the consolidated financial statements	CAS 265	No significant deficiencies noted.
20. Uncorrected misstatements and disclosure items	CAS 450.12-13	See Appendix 3

# Appendix 2 – Independence letter



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June 14, 2016

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, 2015.

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 June 10, 2015, the date of our last letter to June 14, 2016.



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 matters 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 14, 2016.

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  
Licensed Public Accountants

# Appendix 3 – Uncorrected misstatements

## Uncorrected amounts

	Debit	Credit
1. DR. Revenue	\$3,754,704	
CR. Accumulated surplus		\$3,754,704
<i>To reverse obligatory reserve fund revenue recognized in current year related to recreation centre principal and debt payments made in prior years</i>		
2. DR. Revenue	\$3,207,733	
CR. Accumulated surplus		\$3,207,733
<i>To reverse obligatory reserve fund revenue recognized in current year related to capital expenditures spent in prior years</i>		
3. DR. Accumulated surplus	\$6,229,717	
CR. Revenue		\$6,229,717
<i>To adjust for understatement of grant revenue in current year recorded due to overstatement of grant revenue in prior years</i>		
4. DR. Revenue	\$1,384,913	
CR. Accumulated surplus		\$1,384,913
<i>To adjust for local improvement revenue recorded in current year related to prior years</i>		
5. DR. Expenses	\$360,038	
CR. Accounts payable and accrued liabilities		\$360,038
<i>To adjust for understatement of expenses and liabilities in current year</i>		
6. DR. Expenses	\$350,000	
CR. Accounts payable and accrued liabilities		\$350,000
<i>To adjust for potential legal liability in current year</i>		

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