



**AUDIT COMMITTEE  
MEETING AGENDA**

**TUESDAY, JUNE 28, 2016  
6 P.M.**

**COUNCIL CHAMBERS  
AURORA TOWN HALL**

PUBLIC RELEASE  
June 23, 2016



**TOWN OF AURORA  
AUDIT COMMITTEE  
MEETING AGENDA**

Tuesday, June 28, 2016  
6 p.m.  
Council Chambers

**1. DECLARATION OF PECUNIARY INTEREST AND GENERAL NATURE  
THEREOF**

**2. APPROVAL OF THE AGENDA**

RECOMMENDED:

THAT the agenda as circulated by Legal and Legislative Services be approved as presented.

**3. DELEGATIONS**

(a) **Giselle Bodkin, Partner, and Andrea Nauss, Manager, BDO Canada LLP**  
**Re: Item 1 – CFS16-024 – 2015 Year-End Audited Financial Statements**  
**and 2016 Year-End Audit Plan**

**4. CONSIDERATION OF ITEMS**

**5. CLOSED SESSION**

**6. ADJOURNMENT**

## AGENDA ITEMS

1. **CFS16-024 – 2015 Year-End Audited Financial Statements and 2016 Year-End Audit Plan** pg. 1

RECOMMENDED:

THAT Report No. CFS16-024 be received; and

THAT the 2015 Audit Reports and Financial Statements for the year ended December 31, 2015, be approved and published in accordance with the *Municipal Act, 2001*, S.O. 2001, c25, Section 295, on the Town's website; and

THAT the 2016 year-end Audit Plan, as proposed by BDO Canada LLP, be endorsed.



**TOWN OF AURORA  
AUDIT COMMITTEE REPORT**

**No. CFS16-024**

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**SUBJECT:** *2015 Year-End Audited Financial Statements and 2016 Year-End Audit Plan*

**FROM:** *Dan Elliott, Director of Corporate & Financial Services - Treasurer*

**DATE:** *June 28, 2016*

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**RECOMMENDATIONS**

*THAT Report CFS16-024 be received; and*

*THAT the 2015 Audit Reports and Financial Statements for the year ended December 31, 2015, be approved and published in accordance with the Municipal Act, 2001, S.O.2001, c25, Section 295, on the Town's website; and*

*THAT the 2016 year-end Audit Plan as proposed by BDO Canada LLP be endorsed.*

**PURPOSE**

To present for approval, the audited financial statements for the year ended December 31, 2015, and the auditor's report thereon. Also, in accordance with the Audit Committee Terms of Reference, the Audit Committee is responsible to "review the 2016 audit plan and audit fee schedule for the ensuing year end".

**BACKGROUND**

Attached hereto is the entire audit package as presented by our auditors BDO Canada LLP, which include the 2015 Year End Audit Report, Letter to the Audit Committee and the audited financial statements which can all be found under Attachment 1. The actual financial statements have been prepared by staff and audited by BDO Canada LLP. The results shown in these consolidated statements differ from the traditionally prepared year-end report card due to the inclusion of tangible capital assets and other PSAB reporting differences. They have been marked DRAFT by the auditors, as the audit cannot be technically completed until after the approval of the statements by Council. Council is required to approve these statements as part of the finalization of the audit. Once the auditors sign their final report in the coming days, the financial statements will be made publicly available by being placed on the Town website, a requirement under Section 295 of the *Municipal Act, 2001*, S.O. 2001, c. 25 as amended. BDO also provides a letter to management on internal controls and other matters that they feel should be brought to their attention.

**June 28, 2016**

**- 2 -**

**Report No. CFS16-024**

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Also attached (Attachment 2) is the Audit Plan for the 2016 Year End audit as prepared by the firm of BDO Canada LLP (BDO).

Representatives from BDO Canada LLP will be in attendance to present their report and findings; as well as to make a short presentation to the Committee in order to review the details of its 2016 audit plan.

### **COMMENTS**

The Audited Financial Statements present a consolidation of the Town's finances and include the combined results of the General Operations of The Town, the Library Board, and the Water/Wastewater Sewer Operations.

Staff continue to monitor the Town's financial processes in an attempt to identify further opportunities for efficiency. Any time that a change in process is considered, staff give full consideration to any impact that these proposed changes may have on the existing internal controls, and the adequacy thereof. Any deliberated changes made are approved by the Director of Corporate & Financial Services - Treasurer, and drawn to the auditors' attention during the next audit.

During the course of this audit, BDO Canada LLP reviewed their previous management letter items.

Also attached is a report prepared by BDO that addresses the audit plan for 2016 fiscal year end, including the scope and approach to their audit. Staff are not in a position to comment or challenge the approach that the auditors have chosen in order to fulfil their professional obligations required when rendering an audit opinion report. From the perspective of the Financial Services group, we continue to be committed to the provision of any requested documentation to the auditor in a prompt fashion in an effort to facilitate the audit in a timely manner.

Audit fees are always quoted on the presumption that staff will have completed all requested schedules and support materials in advance of the audit, and that the financial statements and associated notes have been properly and fully prepared by staff. The fee also anticipates not finding any item of substance requiring extensive additional audit effort to resolve or report.

The auditors are required to review all Council minutes, including closed session minutes. They are also required to review the prior year's internal control letters and consider any concerns raised therein during their current audit, looking for continuing circumstances, weaknesses or concerns as raised in the prior year, and how such may affect the outcome of their current audit, and the opinion to be expressed therefrom.

June 28, 2016

- 3 -

Report No. CFS16-024

### **LINK TO STRATEGIC PLAN**

None: The annual audit is a statutory requirement, and is guided by professional standards applicable to all Canadian licensed audit practitioners. Preparation and publication of the annual audited financial statements supports the Strategic Plan principles of integrity, and progressive corporate excellence and continuous improvement.

### **ALTERNATIVE(S) TO THE RECOMMENDATIONS**

n/a

### **FINANCIAL IMPLICATIONS**

There are no financial implications in regards to the 2015 year-end audit report, the purpose of which is for its receipt by the Audit Committee as well as to obtain approval of the Consolidated 2015 Financial Statements of the Town so that the Statements may be published as required by legislation.

In regards to the 2016 audit plan, the cost for this audit has been provided for within the 2016 budget.

An amount of \$40,900 has been budgeted for the 2016 audit with anticipated fees of \$28,200 for the audit of the consolidated financial statements, excluding administration charges and taxes. Additional audit expenses from this budget include independent actuarial valuations separately commissioned by staff.

### **CONCLUSIONS**

The auditors are ready to issue an unqualified opinion on the fairness and completeness of the corporation's financial statements for the year ended December 31, 2015. Staff recommend the approval of the statements. Once approved and final versions are prepared, the Mayor and Treasurer will sign the statements.

In addition it is recommended that Council endorse the proposed 2016 audit plan as presented by BDO.

June 28, 2016

- 4 -

Report No. CFS16-024

**PREVIOUS REPORTS**

General Committee, March 29, 2016, CFS16-013, Audit Plan for 2015 Fiscal Year

**ATTACHMENTS**

Attachment #1 - 2015 Year-End Auditor's Reporting Package for Council  
Attachment #2 – 2016 Audit Plan

**PRE-SUBMISSION REVIEW**

CAO and Treasurer only.

*Prepared by: Dan Elliott, Director of Corporate & Financial Services - Treasurer*



**Dan Elliott, CPA, CA  
Director of Corporate & Financial  
Services - Treasurer**



**Doug Nadorozny  
Chief Administrative Officer**

# Year End Report for The Corporation of the Town of Aurora

Presented by

Giselle Bodkin, CPA, CA



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**TABLE OF CONTENTS**

Where are you today?

<i>Key Performance Results</i> .....	2-7
<i>Industry Comparison</i> .....	9-13

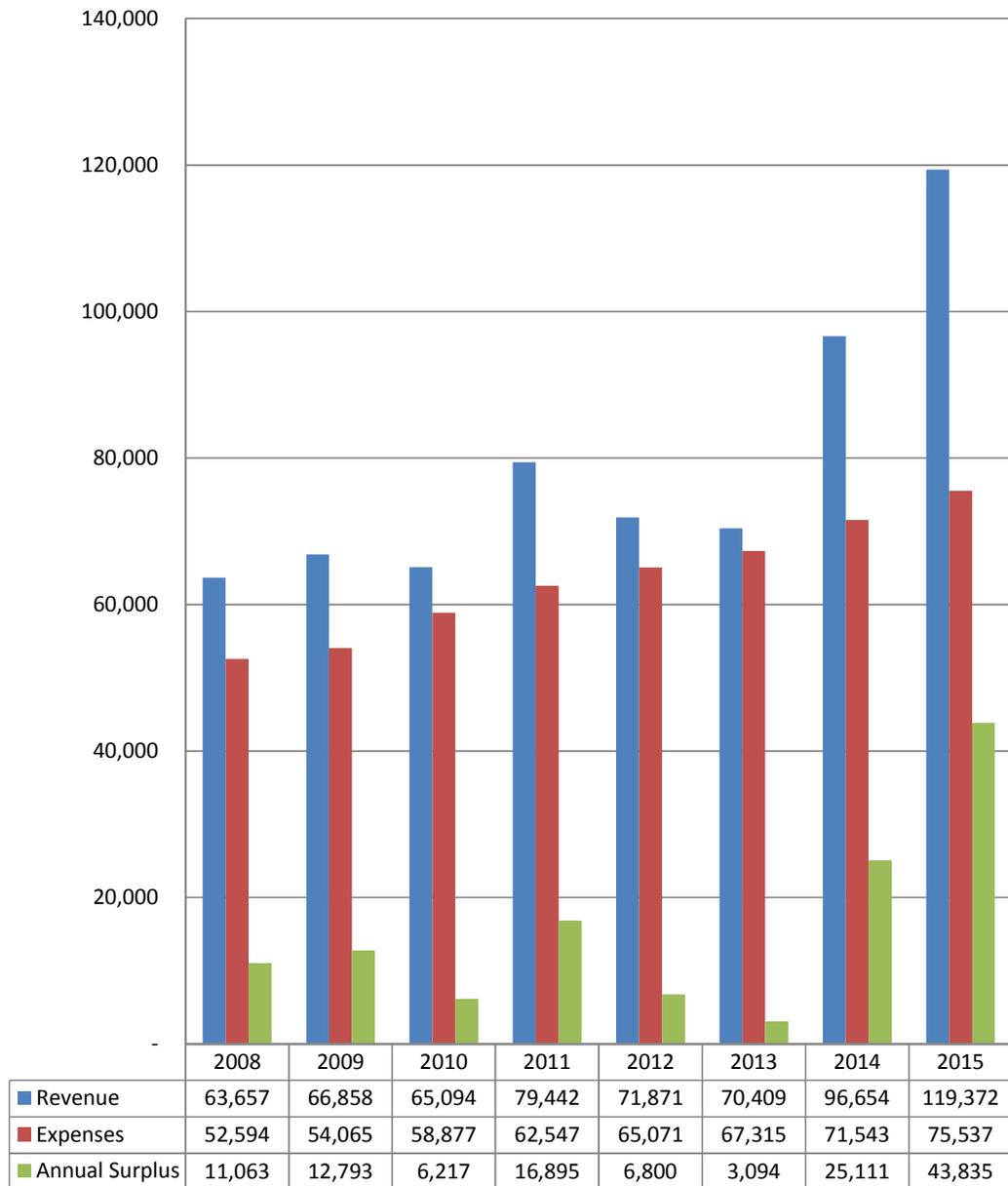
Audit Committee Best Practice Recommendations..... 14

Summary of Audit Process..... 15-16

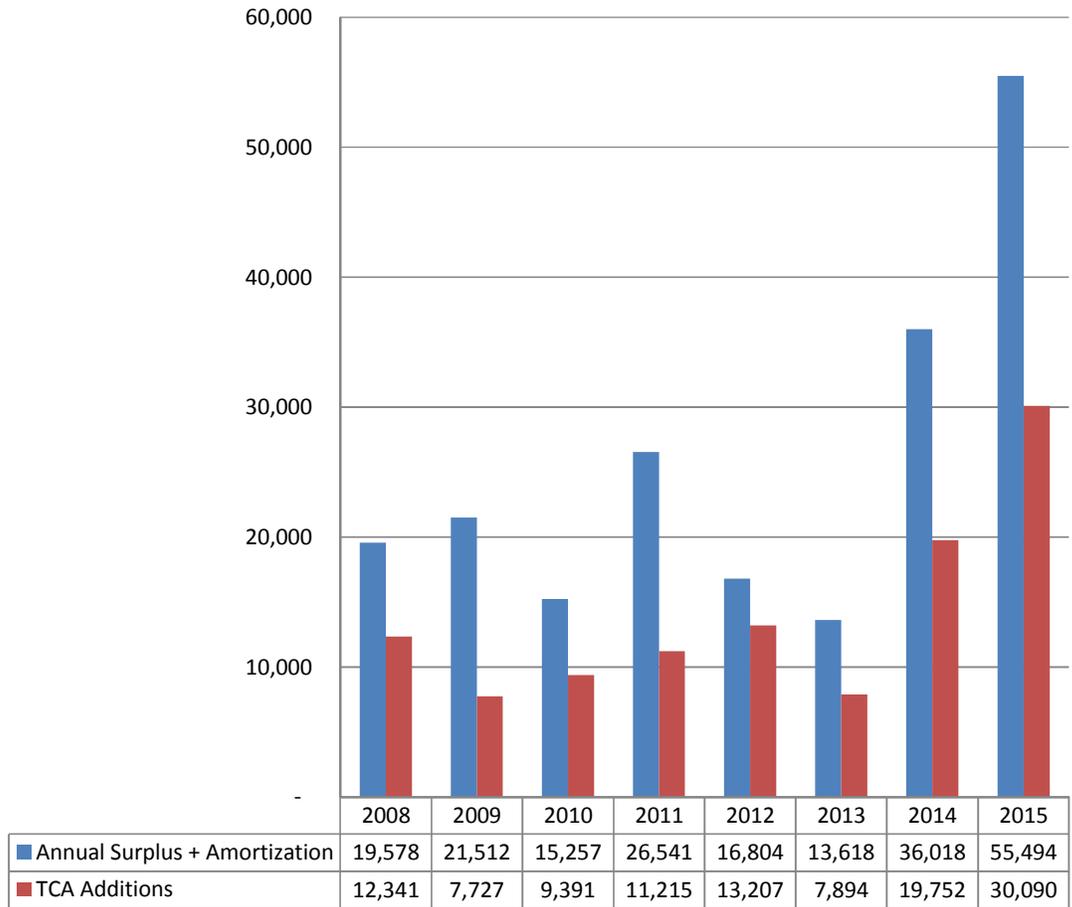


**TOTAL REVENUE, EXPENSES AND ANNUAL SURPLUS**

(IN THOUSANDS '000)

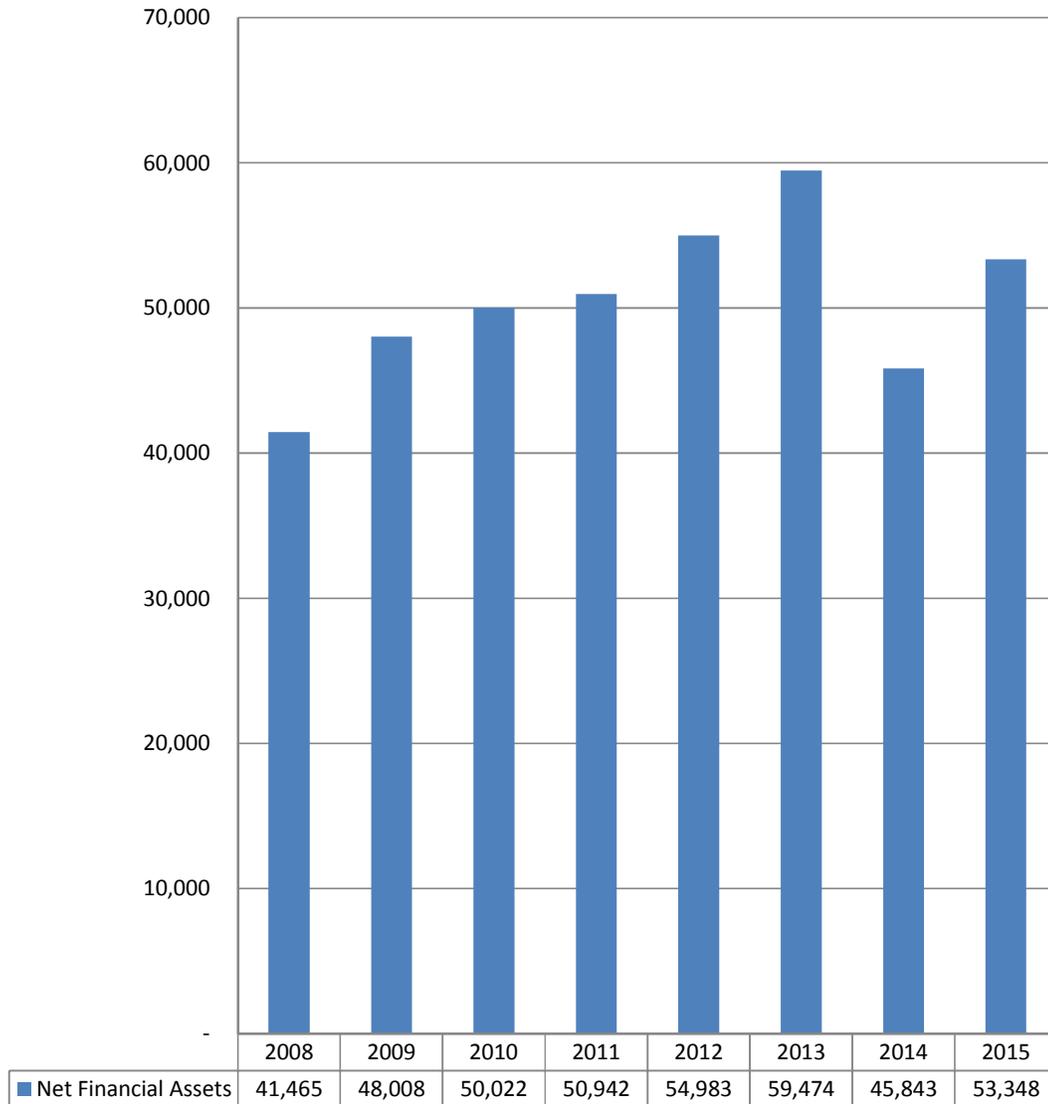


**ANNUAL SURPLUS PLUS AMORTIZATION AND TCA ADDITIONS**

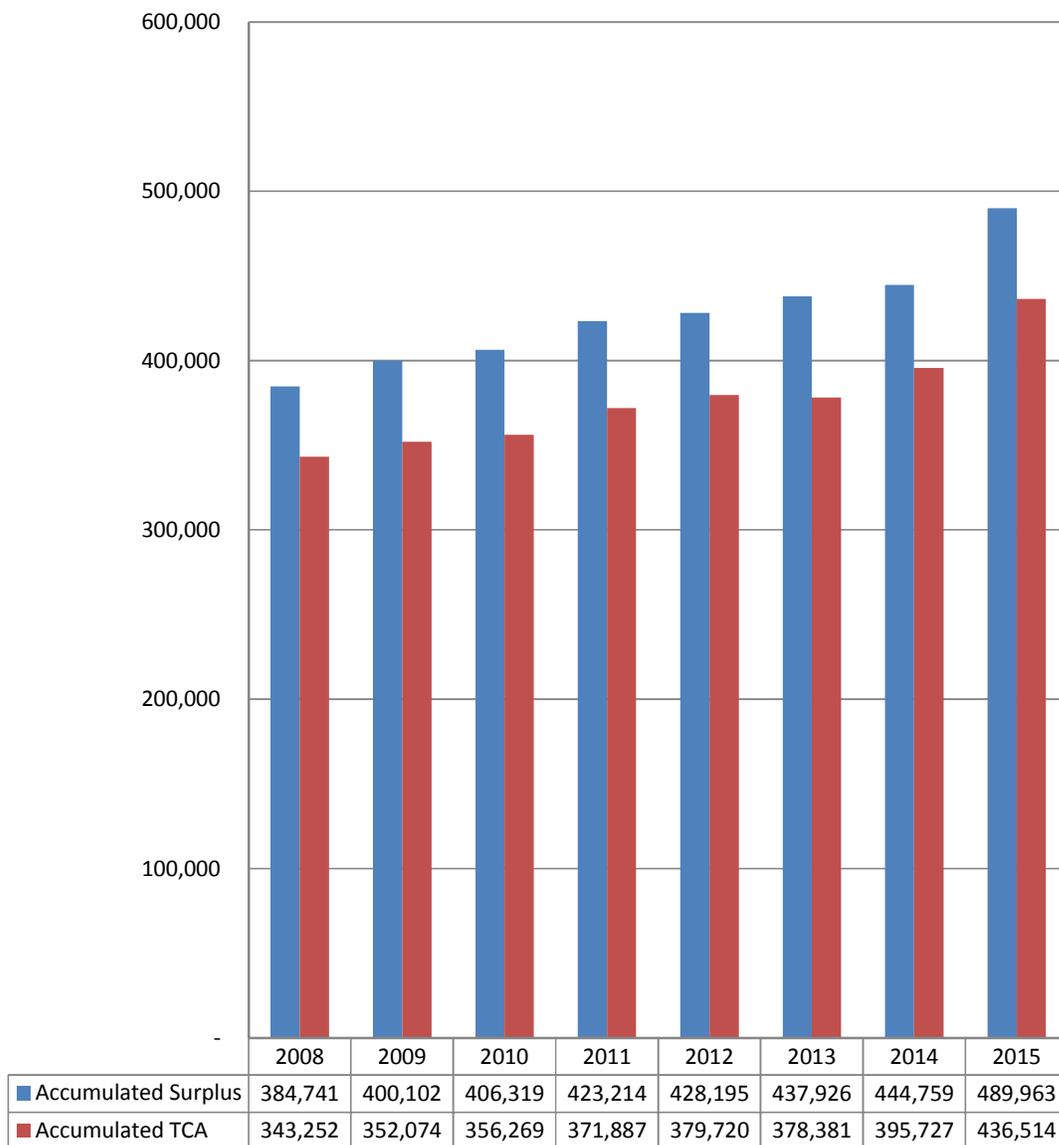


**TOTAL NET FINANCIAL ASSETS**

(IN THOUSANDS '000)

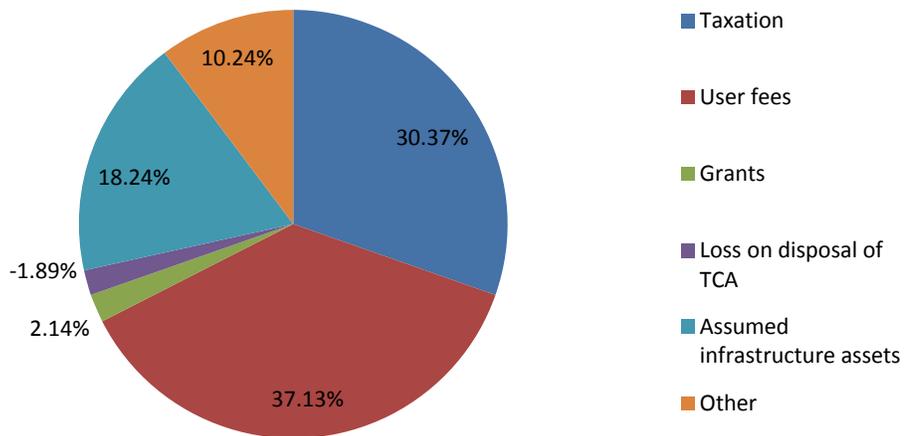


**TOTAL ACCUMULATED SURPLUS AND TANGIBLE CAPITAL ASSETS**  
 (IN THOUSANDS '000)



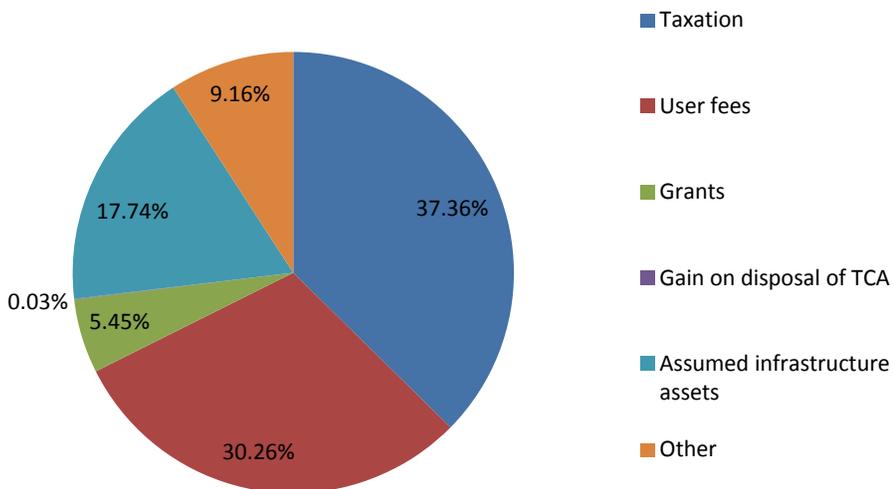
**2015 REVENUE**

**Revenue**



**2011 REVENUE**

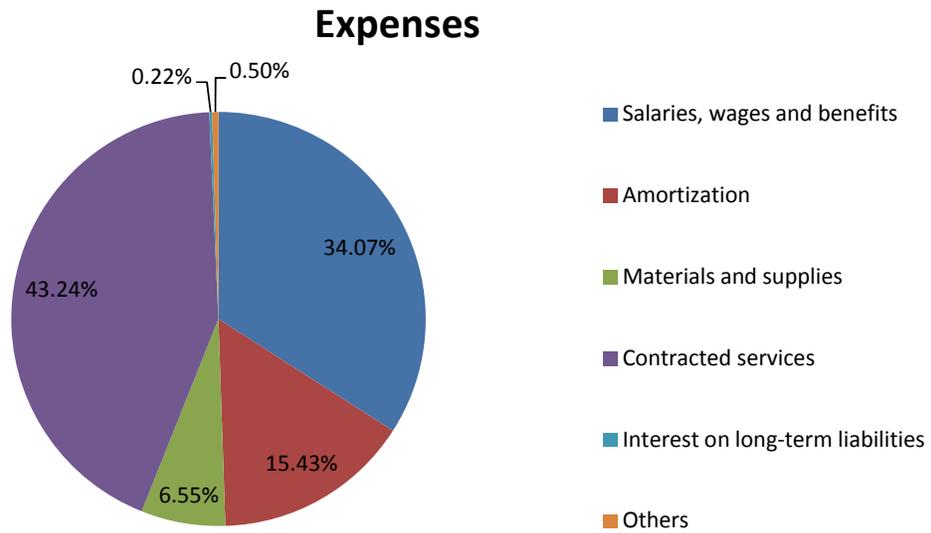
**Revenue**



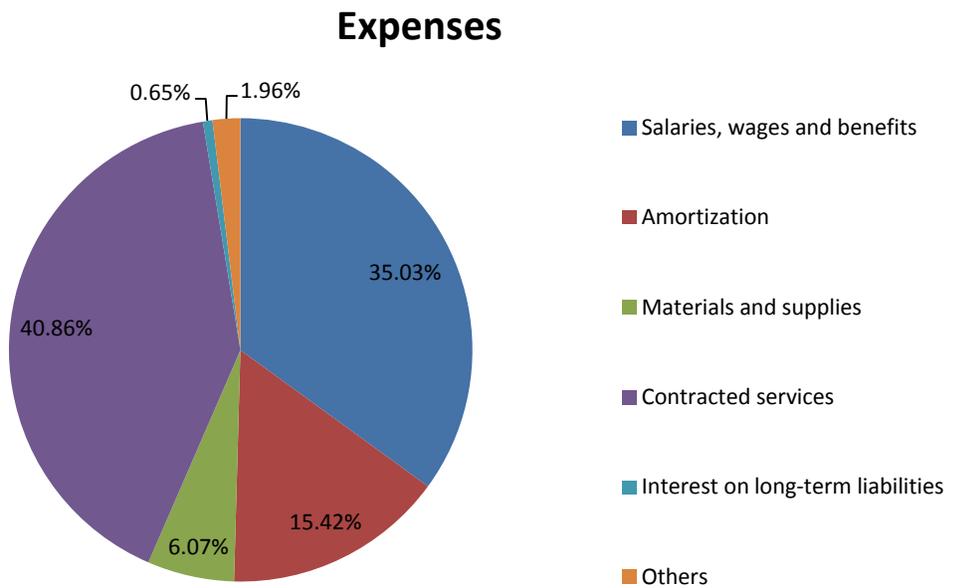
**FIVE YEAR EXPENSE COMPARISON**  
(IN THOUSANDS '000)

	2015	2014	2013	2012	2011
General government	12,006	12,078	11,677	9,076	9,433
Protection to person and property	12,654	12,254	10,875	10,386	10,090
Transportation services	8,399	8,236	7,652	7,996	7,237
Environmental services	21,478	20,176	18,714	18,539	16,981
Leisure and cultural services	19,056	16,883	16,485	17,656	17,267
Planning and development	1,944	1,916	1,912	1,418	1,539
	<b>75,537</b>	<b>71,543</b>	<b>67,315</b>	<b>65,071</b>	<b>62,547</b>

**2015 EXPENSES**

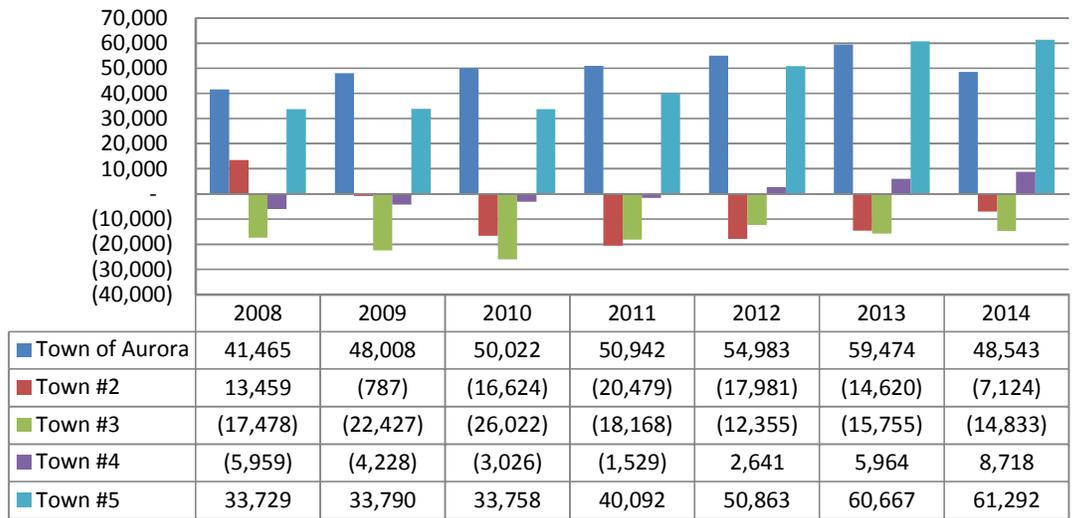


**2011 EXPENSES**

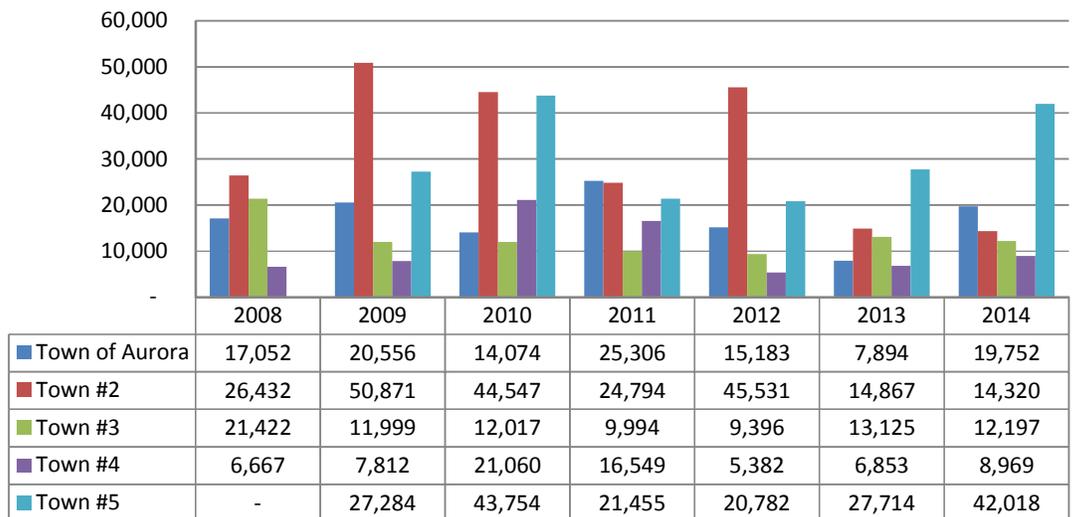


**INDUSTRY COMPARISON**

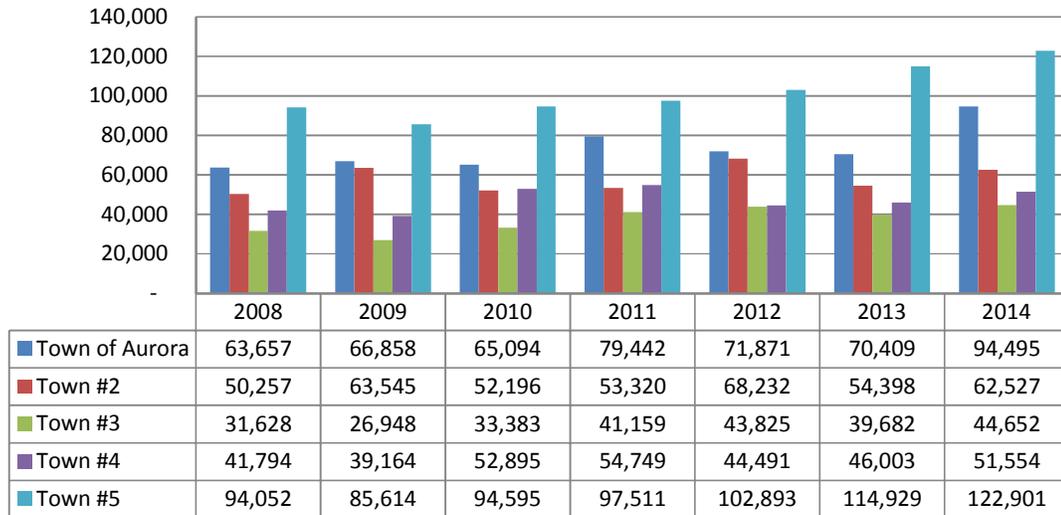
**NET FINANCIAL ASSETS (DEBT)**



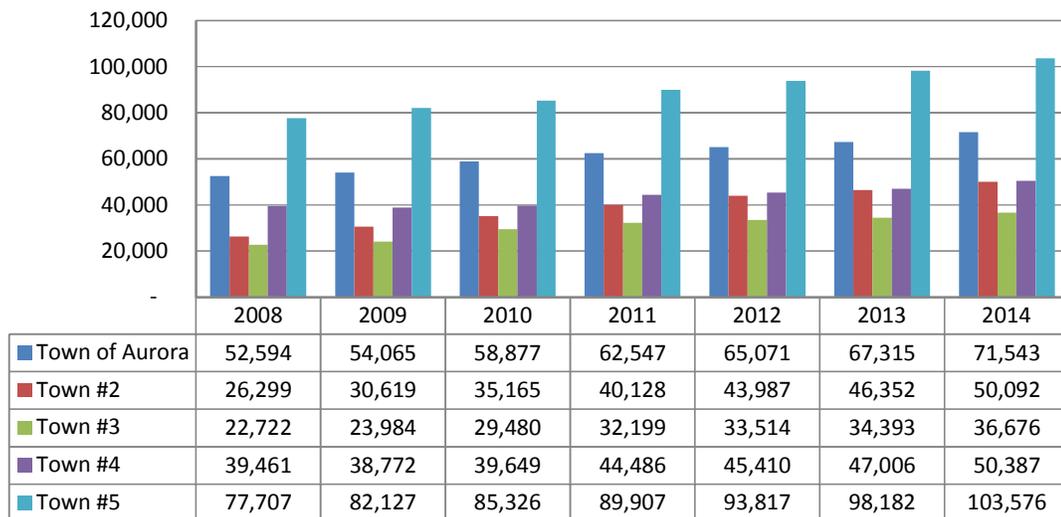
**TCA ADDITIONS**



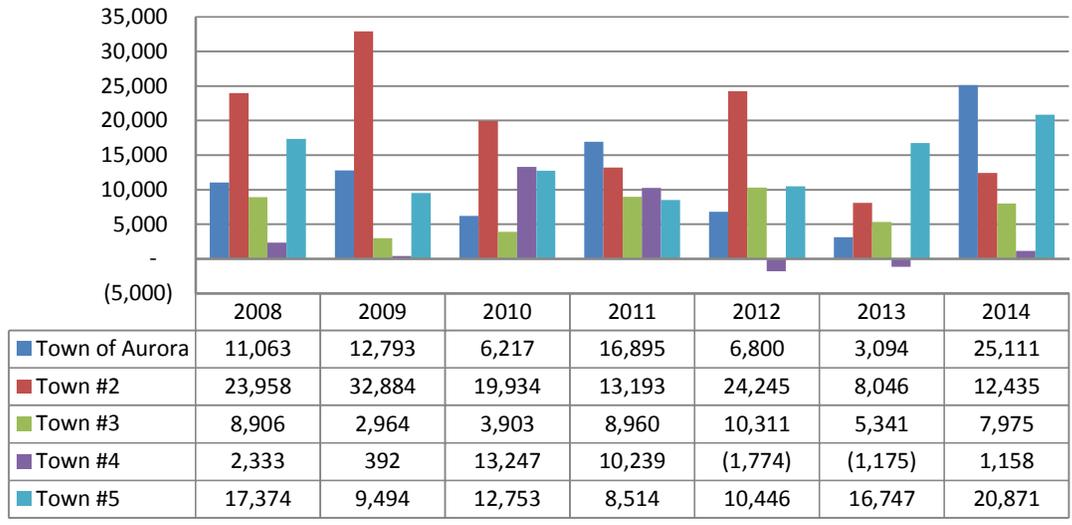
**REVENUE**



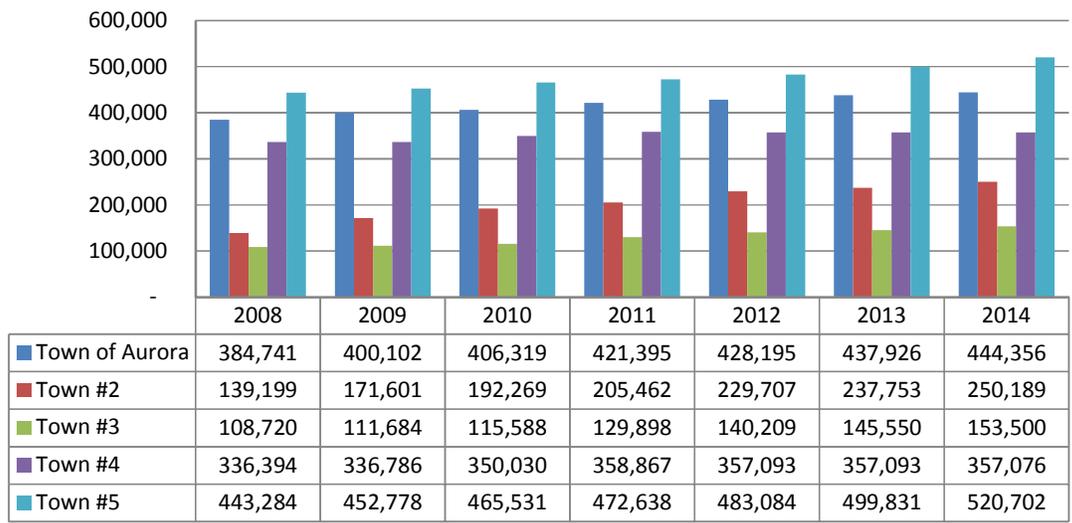
**EXPENSES**



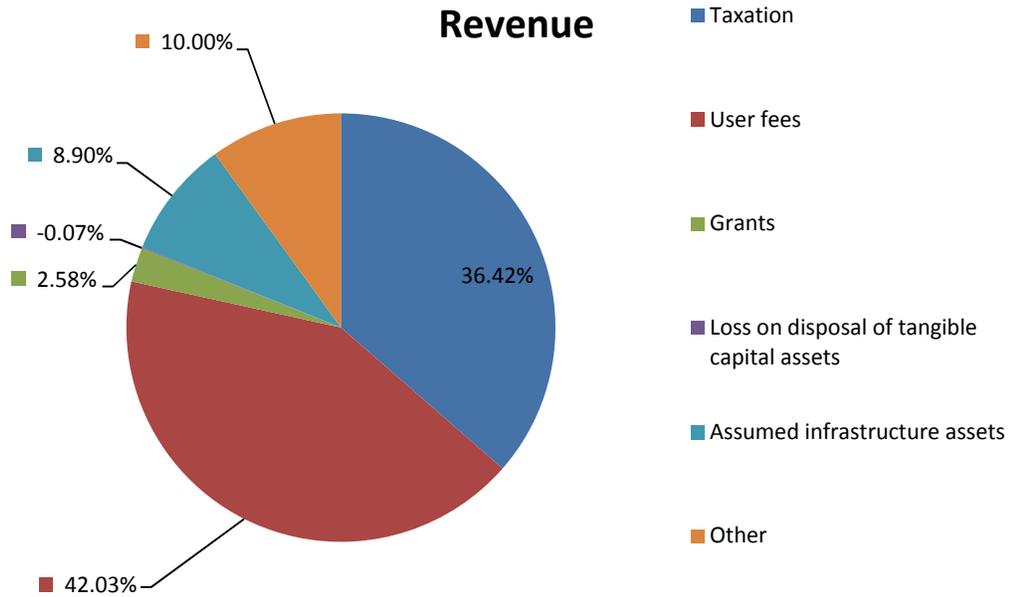
**ANNUAL SURPLUS (DEFICIT)**



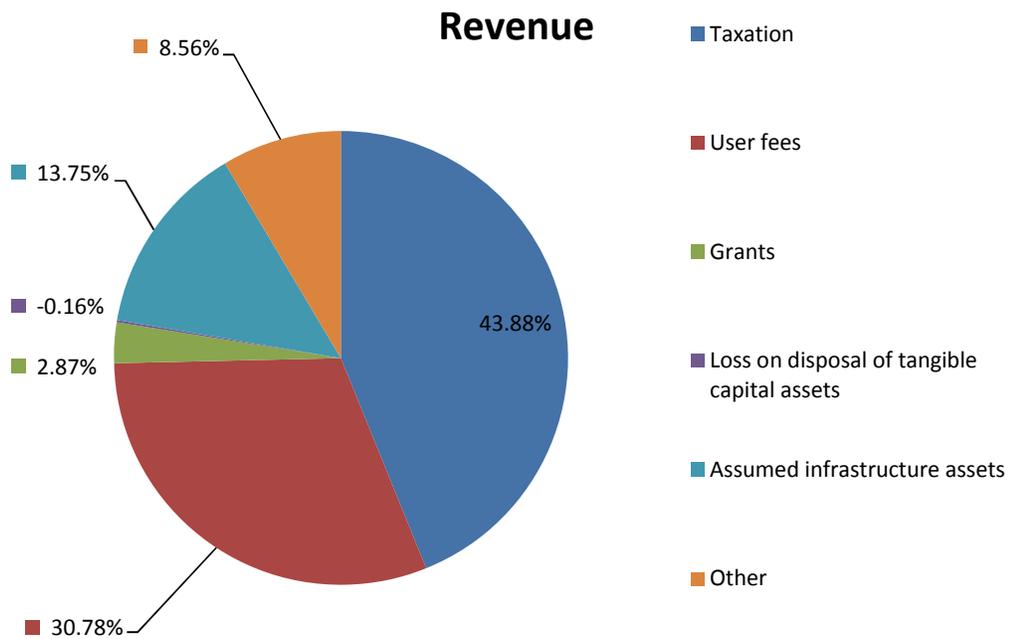
**ACCUMULATED SURPLUS**



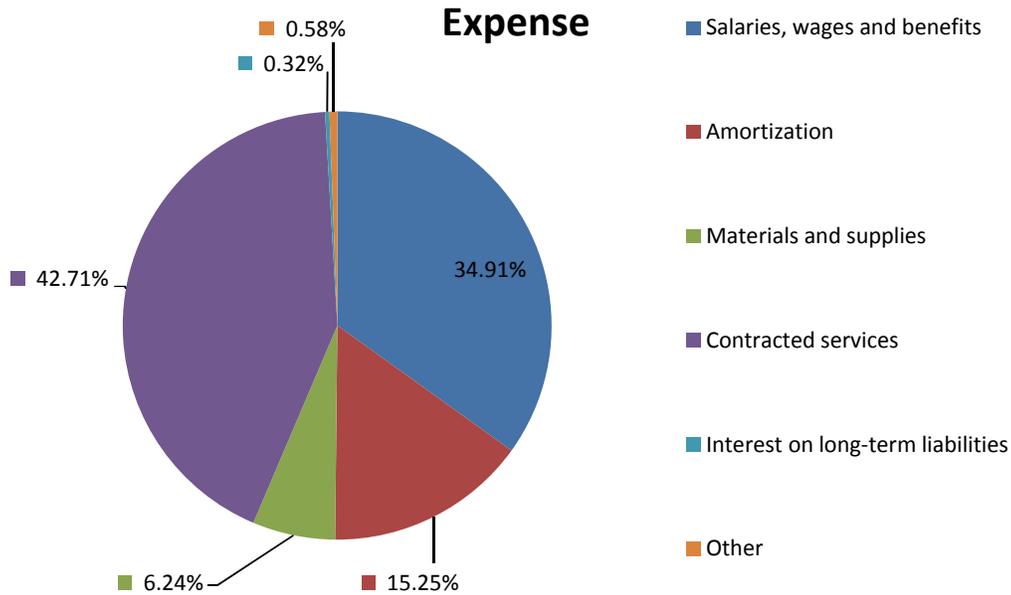
**2014 TOWN OF AURORA REVENUE**



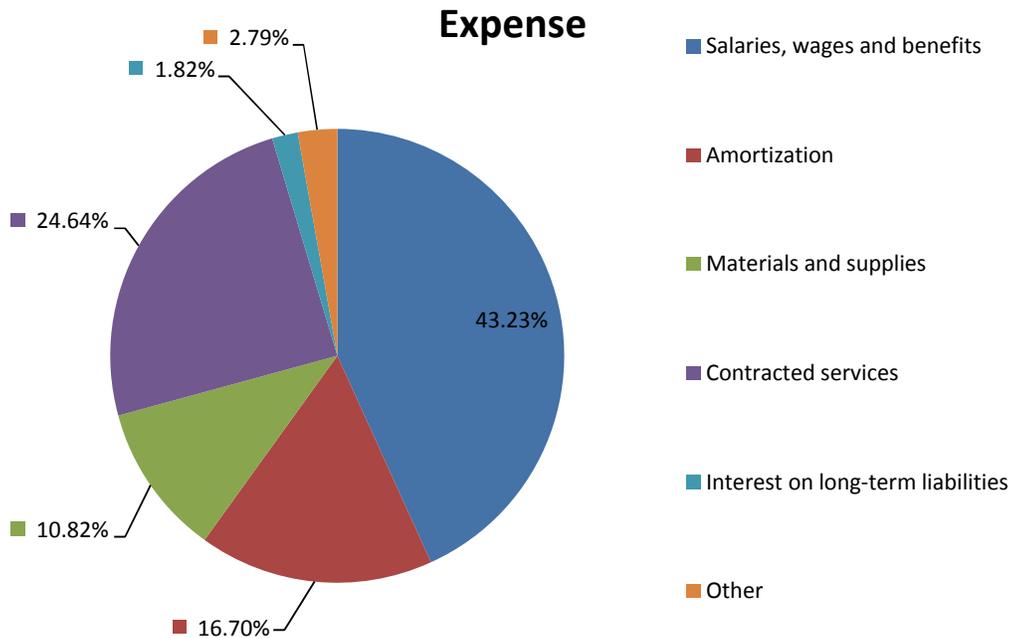
**2014 INDUSTRY AVERAGE REVENUE**



**2014 TOWN OF AURORA EXPENSE**



**2014 INDUSTRY AVERAGE EXPENSE**



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**Audit Committee Best Practice Recommendations**

- **Financial Reporting**
  - The Committee should receive monthly internal financial statements and ensure that the financial statements clearly reflect the true performance of the Organization.
  - The Committee should review audit adjustments made and those waived because of immateriality.
  - The Committee should review and approve the draft audited financial statements.
  - Is there a financial expert on the Committee? The financial expert would have the following 5 attributes:
    - Understanding of the financial statements and accounting principles used to prepare the issuer's financial statements;
    - Ability to assess the application of such accounting policies;
    - Experience preparing, auditing, analyzing or evaluating financial statements, or experience supervising individuals engaged in preparing, auditing, analyzing or evaluating financial statements;
    - An understanding of internal controls and procedures for financial reporting;
    - An understanding of audit committee functions
  
- **Risks and Controls**
  - The Committee should create the right tone at the top to foster growth of suitable controls.
  - The Committee should have a sufficient understanding of the risks at the Organization.
  - The Committee should analyze the internal control system to ensure that the risks are adequately mitigated.
  
- **Audit Function**
  - The Committee should ensure that the external auditor selected has sufficient knowledge of and experience in the Organization's industry.
  - The Committee should review the audit fee and ensure that it is in line with the scope of the audit.
  - The Committee should confirm and discuss the auditor's independence.
  - The Committee should keep an open line of communication with the external auditors, including such items as:
    - The auditor's responsibility under Canadian Auditing Standards.
    - The quality of the accounting principles followed by the Organization.
    - Disagreements with management.
    - Difficulties in performing the audit.
    - Major issues management discussed with the auditors before their retention.
  
- **Other Issues to Consider:**
  - Is the Committee independent from the Organization?
  - Is the Committee sufficiently financially literate?
  - Are there clear position descriptions for directors?
  - Is there orientation and continuing education for all directors in place?
  - Is there a written code of business conduct and ethics?
  - Is there a nominating committee?

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Summary of Audit Process

- **Overall Approach**
  - Attain an understanding of processes and controls within the departments by performing system descriptions and walkthroughs.
  - Attain an understanding of internal IT and software, through discussions with the IT department and our systems descriptions.
  - Identify specific areas of the financial information which contain risk, and significant judgment.
  - From these initial stages, we determine what procedures to be performed on the specific areas of the financial statements.
  
- **Income Statement Approach**
  - **Revenue**
    - **Taxation** - we obtain the annual by-law and compare to the revenue recorded following-up on significant differences.
    - **Grants and government transfers** - we obtain a sample of revenue received and agree to the funding documents, following up on differences.
    - **Interest income** - Interest reasonability tests are performed on tax interest, reserve interest, bank and investments.
    - **Assumed infrastructure assets** - we obtain the asset registers and recalculate. We take a sample of additions and trace to the supporting documentation to ensure the amounts agree. We then compare the overall asset registers to that recorded and follow-up on any significant differences.
    - **Gain on disposal of tangible capital assets** - we review the disposals and compare to the asset registers to ensure the cost was removed appropriately. Also, if the assets were sold we obtain documentation on the proceeds to ensure the calculation of the gain/loss is appropriate.
    - **User fees, fines, licenses, permits and other revenue** - we performed a detailed comparison of current year to the prior five years and budget on an account by account basis, using a threshold to determine the significant changes. We then review the significant changes with management and obtain supporting documentation.
  
  - **Expenses**
    - **Salaries, wages and employee benefits** - we perform test of controls on a cyclical basis. This tests various input and output controls for salaries. With regards to benefits we perform a reasonability test based on yearly percentages of CPP, EI, and benefits as a percentage of salaries. These are compared to the stated rates and differences are followed up.
    - **Materials and supplies, contracted services and other** - we perform substantive tests on these expenses and vouch to supporting documentation on a sample basis, following up on any differences.
    - **Interest on long-term liabilities** - we review the various debenture contracts and agree the interest expensed to the interest indicated in those.
    - **Amortization** - we recalculate the amortization on a test basis and compare to the actual amounts recorded, following up on any significant differences.

- **Balance Sheet Approach**
  - **Assets**
    - **Cash** - test of controls are performed on bank reconciliations, and a bank confirmation is sent to the bank and agreed to the general ledger.
    - **Taxes receivable** - we perform a detailed five year comparison by aging following-up on significant differences. We also perform a large arrears check and follow-up to determine what the approach is to collect from that resident.
    - **User fees and accounts receivable** - we obtain the various accounts receivable account details and for significant balances agree to the supporting documentation or calculations. We also perform reasonability tests on various specific balances. We perform cut-off tests to ensure that amounts have been recorded in the proper period. We also check for deferred revenue or amounts that have been outstanding for significant periods of time and ensure they should not be written off.
    - **Portfolio investments** - Confirmations are sent to the investment advisors and review of investment certificates and continuity schedules is performed.
    - **Land listed for sale** - we obtain the current year listing and for any purchases or sales obtain the agreement and agree the amounts and recalculate any gains/losses.
    - **Tangible capital assets and tangible capital assets under construction** - we obtain the asset registers and recalculate. We take a sample of additions and trace to the supporting documentation to ensure the amounts agree. We then compare the overall asset registers to that recorded and follow-up on any significant differences.
    - **Prepaid expenses** - we obtain supporting documentation for any material items included in prepaid.
  - **Liabilities**
    - **Accounts payable and accrued liabilities** - we obtain supporting documentation for significant liabilities outstanding. We perform cut-off testing to ensure they have been recorded in the proper period. We test to ensure that accruals are reasonable.
    - **Deposits** - we review the deposits and ensure that amounts received should not be recognized through a sample of items, following up with the specific departments.
    - **Deferred revenue** - we obtain the continuity schedule. For additions we test the supporting grant funding letters, test the calculation of developer charges and the reasonability of interest. For decreases we ensure they are approved in the budget.
    - **Employee benefits liabilities** - we obtain the actuarial report, and review the assumptions made and ensure they are reasonable. We then ensure that the appropriate accounting method has been applied. We follow-up with both the actuary and the Town's Finance department on any unusual items, differences.
    - **Net long-term liabilities** - we obtain third party confirmation on the balance, terms and interest rate, following up on any significant differences.

**Audit Committee Meeting Agenda**  
**Tuesday, June 28, 2016**

**Item 1 Page - 22**



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300 Lakeshore Drive, Suite 300  
Barrie ON L4N 0B4 Canada

Private & Confidential

June 28, 2016

Members of the Audit Committee  
The Corporation of the Town of Aurora  
100 John West Way  
Box 1000  
Aurora Ontario L4G 6J1

Dear Sir/Madam:

Re: Audit of the Consolidated Financial Statements of The Corporation of the Town of Aurora  
For the year ended December 31, 2015

The purpose of our report is to summarize certain aspects of the audit that we believe would be of interest to the Members of the Audit Committee and should be read in conjunction with the consolidated financial statements and our report thereon.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Members of the Audit Committee in fulfilling its responsibilities.

This report has been prepared solely for the use of the Members of the Audit Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

**Independence**

At the core of the provision of external audit services is the concept of independence. We are communicating all relationships between BDO Canada LLP and its related entities and The Corporation of the Town of Aurora and its related entities that, in our professional judgment, may reasonably be thought to have influenced our independence during the audit engagement.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/ordre covering such matters as the following:

- holding of a financial interest, either directly or indirectly in a client;

1

- 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;
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- economic dependence on a client; and
- provision of services in addition to the external audit engagement.

We are aware of the following relationships between the municipality and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from January 26, 2016 to June 28, 2016.

- We have provided assistance in the preparation of the financial statements, including adjusting journal entries. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Canadian public sector accounting standards.
- We, therefore, required that the following safeguards be put in place related to the above:
  - Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
  - Someone other than the preparer reviewed the proposed journal entries and financial statements.
  - Someone other than the preparer reviewed the proposed journal entries and financial statements.

We are not aware of any relationships between the municipality and us that, in our professional judgment, may reasonably be thought to bear on our independence to date.

#### **Materiality**

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As communicated to you in our Planning Report to the Members of the Audit Committee, preliminary materiality was \$1,450,000. Final materiality was increased to \$1,550,000 to reflect

increased revenues.

We communicated all corrected and uncorrected misstatements identified during our audit to the Members of the Audit Committee, other than those which we determine to be “clearly trivial”. Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

We encouraged management to correct any misstatements identified throughout the audit process.

**Likely Aggregate Misstatements**

We have disclosed all significant adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement. Each of these items has been discussed with Management.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the consolidated financial statements taken as a whole. Should the Members of the Audit Committee agree with this assessment, we do not propose further adjustments.

Uncorrected misstatements aggregated during the audit that were determined by management to be immaterial amounted to \$592,580. A summary of the statement of likely aggregate misstatements is attached to this letter.

**Auditor’s considerations of possible fraud and illegal activities**

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Report to the Members of the Audit Committee.

**Subsequent Events**

The Town sold a parcel of land on January 8, 2016 for a sale price of \$2,040,000. This parcel of land had been listed for sale as at December 31, 2015.

The Town drew upon a pre-approved contractor's line of credit, subsequent to year end, in the amount of \$2,308,000 bringing its cumulative outstanding balance to \$11,678,000 in relation to its Joint Operations Centre construction.

**Other Matters**

- The Town identified that deferred developer charges revenue had been overdrawn in 2012 and 2013. The deferred developer charges revenue was in a negative position at the end of 2012, 2013 and 2014. Consequently, a prior period adjustment was recorded to correct the opening deferred developer charges revenue and the opening surplus in the amount of \$18,681,000. This prior period adjustment also resulted in an additional \$2,159,000 of revenue being recognized in 2014 as it related to expenses from prior periods. This has increased the annual surplus in 2014 by \$2,159,000 decreased the accumulated surplus at the end of 2014 by \$16,522,000. The comparative balances for December 31, 2014 that are reported in the December 31, 2015 consolidated financial statements have been revised to reflect the impact of the prior period adjustment.

**Management Representations**

During the course of the audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the consolidated financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base the audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

Management's representations included, but were not limited to:

- matters communicated in discussions with us, whether solicited or unsolicited;
- matters communicated electronically to us;
- schedules, analyses and reports prepared by the entity, and management's notations and comments thereon, whether or not in response to a request by us;
- internal and external memoranda or correspondence;
- minutes of meetings of the Board of Directors or similar bodies such as audit committees and compensation committees;

- a signed copy of the consolidated financial statements; and
- a representation letter from management.

**Management Letter**

We will be submitting to management a letter on internal controls and other matters that we feel should be brought to their attention.

We wish to express our appreciation for the co-operation we received during the audit from the municipality's management and staff who have assisted us in carrying out our work. We would be pleased to discuss with you the contents of this report and any other matters that you consider appropriate.

Yours truly,



Giselle Bodkin, CPA, CA  
Partner through a corporation  
BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants

**The Corporation of the Town of Aurora  
Summary of Unadjusted Misstatements  
December 31, 2015**

Description of the Misstatement	Identified Misstatement	Projected Misstatement	Estimates	Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening Fund Balance Dr(Cr)	Income Dr(Cr)
Overstatement of building revenue. The amount of the overstatement relates to the prior year.	402,800	-	-	-	-	(402,800)	402,800
Overstatement of the Town's portion of the annual surplus of Central York Fire Services. The amount of the overstatement relates to prior years.	189,780	-	-	-	-	(189,780)	189,780
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	<b>592,580</b>	-	-	-	-	<b>(592,580)</b>	<b>592,580</b>
Effect of Previous Year's Errors				-	-	-	-
Likely Aggregate Misstatements				-	-	<b>(592,580)</b>	<b>592,580</b>

Details of why no adjustment has been made to the financial statements for the above items:  
Discussed with Deputy Treasurer Jason Gaertner on April 27 and June 16, 2016. Amounts are not significant to adjust through a prior period adjustment.

The Corporation of the Town of Aurora  
Consolidated Financial Statements  
For the year ended December 31, 2015

DRAFT - subject to change

**The Corporation of the Town of Aurora  
Consolidated Financial Statements  
For the year ended December 31, 2015**

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	<b>Contents</b>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Change in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
<b>Notes to the Consolidated Financial Statements</b>	<b>6 - 22</b>
<b>Schedule 1 - Consolidated Schedule of Segmented Disclosure</b>	<b>23 - 24</b>

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## **Independent Auditor's Report**

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To the Mayor and Councillors of  
The Corporation of the Town of Aurora

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Aurora, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Aurora as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario  
June 28, 2016

**The Corporation of the Town of Aurora**  
**Consolidated Statement of Financial Position**

<u>December 31</u>	<u>2015</u>	<u>2014</u>
(Dollar amounts presented in '000's)		Restated (Note 2)
<b>Financial assets</b>		
Cash (note 4)	\$ 16,702	\$ 8,106
Taxes receivable	6,677	6,163
User fees receivable	3,666	3,344
Accounts receivable	6,638	6,281
Portfolio investments (note 6)	83,951	68,444
Land listed for sale (note 7)	3,654	9,500
	<u>121,288</u>	<u>101,838</u>
<b>Liabilities</b>		
Notes payable and bank indebtedness (note 8)	9,370	-
Accounts payable and accrued liabilities	14,350	14,290
Deposits (note 9)	4,478	4,024
Deferred revenue (note 10)	36,181	29,732
Employee benefits liabilities (note 11)	984	963
Net long-term liabilities (note 12)	2,577	4,286
	<u>67,940</u>	<u>53,295</u>
<b>Net financial assets</b>	<u>53,348</u>	<u>48,543</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 25)	434,742	395,727
Prepaid expenses	101	86
	<u>434,843</u>	<u>395,813</u>
<b>Accumulated surplus (note 13)</b>	<b>\$ 488,191</b>	<b>\$ 444,356</b>

Contingencies and contractual obligations (notes 19 and 20)

Approved by Council

\_\_\_\_\_ Mayor

\_\_\_\_\_ Chief Administrative Officer

**The Corporation of the Town of Aurora**  
**Consolidated Statement of Operations and Accumulated Surplus**

For the year ended December 31	Budget 2015	2015	2014
(Dollar amounts presented in '000's)			Restated (Note 2)
	(note 5)		
<b>Revenue</b>			
Taxation (note 14)	\$ 46,774	\$ 38,115	\$ 35,249
User fees	31,365	46,607	40,681
Grants (note 15)	1,995	2,680	2,493
Gain on disposal of land available for sale	-	3,385	-
Loss on disposal of tangible capital assets	-	(461)	(63)
Assumed infrastructure assets	-	15,796	8,618
Other (note 16)	6,883	13,250	9,676
	<u>87,017</u>	<u>119,372</u>	<u>96,654</u>
<b>Expenses</b>			
General government	12,102	12,006	12,078
Protection to person and property	12,210	12,654	12,254
Transportation services	11,081	8,399	8,236
Environmental services	22,337	21,478	20,176
Leisure and cultural services	18,165	19,056	16,883
Planning and development	2,016	1,944	1,916
	<u>77,911</u>	<u>75,537</u>	<u>71,543</u>
<b>Annual surplus</b>	<u>9,106</u>	<u>43,835</u>	<u>25,111</u>
<b>Accumulated surplus</b> , beginning of year	444,356	444,356	437,926
Prior period adjustment (note 2)	-	-	(18,681)
<b>Accumulated surplus</b> , beginning of year, as restated	<u>444,356</u>	<u>444,356</u>	<u>419,245</u>
<b>Accumulated surplus</b> , end of year	<u>\$ 453,462</u>	<u>\$ 488,191</u>	<u>\$ 444,356</u>

**The Corporation of the Town of Aurora**  
**Consolidated Statement of Change in Net Financial Assets**

<b>For the year ended December 31</b>	Budget 2015	2015	2014
(Dollar amounts presented in '000's)			Restated (Note 2)
	(note 5)		
<b>Annual surplus</b>	\$ 9,106	\$ 43,835	\$ 25,111
Amortization of tangible capital assets	11,659	11,659	10,907
Net proceeds on disposal of tangible capital assets	-	47	54
Loss on disposal of tangible capital assets	-	461	63
Acquisition of tangible capital assets	(35,386)	(35,386)	(19,752)
Assumed infrastructure assets	-	(15,796)	(8,618)
Change in prepaid expenses	-	(15)	(15)
<b>Change in net financial assets</b>	(14,621)	4,805	7,750
<b>Net financial assets, beginning of year</b>	48,543	48,543	59,474
Prior period adjustment (note 2)	-	-	(18,681)
<b>Accumulated surplus, beginning of year, as restated</b>	48,543	48,543	40,793
<b>Net financial assets, end of year</b>	\$ 33,922	\$ 53,348	\$ 48,543

DRAFT - subject to change

**The Corporation of the Town of Aurora**  
**Consolidated Statement of Cash Flows**

For the year ended December 31	2015	2014
(dollar amounts presented in '000's)		Restated (note 2)
<b>Operating transactions</b>		
Annual surplus	\$ 43,835	\$ 25,111
Non-cash charges to operations:		
Amortization of tangible capital assets	11,659	10,907
Gain on disposal of land listed for sale	(3,385)	-
Loss on disposal of tangible capital assets	461	63
Assumed infrastructure assets	(15,796)	(8,618)
Changes in non-cash operating working capital:		
Taxes receivable	(514)	840
User fees receivable	(322)	17
Accounts receivable	(357)	159
Land listed for sale	5,295	(227)
Accounts payable and accrued liabilities	60	2,441
Deposits	454	(1,124)
Deferred revenue	6,449	(3,536)
Employee benefits liabilities	21	145
Prepaid expenses	(15)	(15)
<b>Total Operating Transactions</b>	<b>47,845</b>	<b>26,163</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(35,386)	(19,752)
Net proceeds on disposal of land listed for sale	3,936	-
Net proceeds on disposal of tangible capital assets	47	54
<b>Total Capital Transactions</b>	<b>(31,403)</b>	<b>(19,698)</b>
<b>Investing transactions</b>		
Increase in portfolio investments	(15,507)	(5,719)
<b>Financing transactions</b>		
Principal repayment on long-term liabilities	(1,709)	(1,642)
Advances of notes payable and bank indebtedness	9,370	-
<b>Total Financing Transactions</b>	<b>7,661</b>	<b>(1,642)</b>
<b>Increase / (Decrease) in cash</b>	<b>8,596</b>	<b>(896)</b>
Cash, beginning of year	8,106	9,002
<b>Cash, end of year</b>	<b>\$ 16,702</b>	<b>\$ 8,106</b>

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**1. Summary of Significant Accounting Policies**

The Corporation of the Town of Aurora (the "Town") is a municipality in the Province of Ontario. The Town conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

**Management's Responsibility**

The consolidated financial statements of the Town are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of The Chartered Professional Accountants of Canada.

**Basis of Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenue, expenditures and fund balances of the Town and comprise all of the organizations that are accountable for the administration of their financial affairs and resources to the Town and are owned or controlled by the Town. These boards include:

The Aurora Public Library Board

All inter-organizational and inter-fund transactions and balances are eliminated.

**Basis of Accounting**

Revenue and expenses are reported on the accrual basis of accounting whereby revenue is recognized as it is earned and measurable; and expenses are recognized in the period that goods and services are acquired, a liability is incurred, or transfers are due.

**Cash**

Cash and cash equivalents are comprised of cash on hand, cash held in financial institutions and temporary investments with maturities of 90 days or less.

**Government Transfers**

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except to the extent possible that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulated liabilities are settled.

**Tangible Capital Assets**

Tangible capital assets are recorded at cost, less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset using the following rates.

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

December 31, 2015

(Dollar amounts presented in '000's)

**1. Summary of Significant Accounting Policies (continued)**

**Tangible Capital Assets (continued)**

Buildings	10 - 50 years
Vehicles	7 - 15 years
Other	
Machinery and Equipment	7 - 15 years
Library Collection	7 years
Computer Equipment	4 - 10 years
Facilities (excluding Buildings)	5 - 80 years
Transportation Infrastructure	
Roads	20 - 36 years
Bridges and Other Structures	30 - 40 years
Environmental Infrastructure	
Underground and Other Networks	15 - 100 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal.

**Non-pension Post-employment Benefits, Compensated Absences & Termination Benefits**

The Town accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The Town has adopted the following valuation methods and assumptions:

- a) Actuarial cost method:  
Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PSAB 3250 and PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.
- b) Accounting policies:  
Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ("EARSLS") (expected remaining payment period in respect of the retiring allowance) of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death or retirement, depending on the benefit value.
- c) Workplace Safety and Insurance Board (WSIB):  
The costs of WSIB obligations are actuarially determined and are expensed in the period they occur. Any actuarial gains and losses that are related to WSIB benefits are recognized immediately in the period they arise.

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**1. Summary of Significant Accounting Policies (continued)**

**Pension agreements**

The Town makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), a multi-employer public sector pension fund, based on the principles of a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees on the basis of predefined retirement age, length of eligible service and rates of remuneration over a fixed period of time.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all participating Ontario municipalities and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. Accordingly, contributions made during the year are expensed.

**Deposits**

The Town receives deposits on building permits and site plan applications that ensure restitution of any potential damage caused by the developer. These deposits are held in trust until the work has been completed, at which point in time, the deposit is returned.

**Deferred Revenue**

Deferred revenue represents user charges and fees which have been collected, but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

The Town receives development charges under the authority of provincial legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue (formerly obligatory reserve funds).

**Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the post-employment benefits liabilities, the estimated useful lives of tangible capital assets and valuation of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Assumed Infrastructure Assets**

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are assumed by the Town and recorded at fair value at the date of assumption. The Town is not involved in the construction and does not budget for either the contributions from the developer or the capital expenditure.

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

December 31, 2015

(Dollar amounts presented in '000's)

**1. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

Revenues are recognized as follows:

- a) Taxation revenue is recognized as revenue when it is authorized and the taxable event occurs. Related penalties and interest are recognized as revenue in the year that they are earned.
- b) User fees are reported on an accrual basis.
- c) Grants
  - Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled.
  - Unconditional grant revenue is recognized when monies are receivable.
- d) Investment income earned on surplus funds is reported as revenue in the period earned.

Investment income earned on deferred revenue amounts such as development charges and parkland allowances, is added to the associated funds and forms part of the respective deferred revenue balance.

Investment income earned on the Town's reserve fund balances is added to the associated funds and forms part of the respective period ending reserve fund balance. Reserve fund balances in a credit position are similarly charged interest.

- e) Development related fees and charges are recognized over the period of services or when required expenses occur if applicable.

DRAFT - SUBJECT TO CHANGE

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

December 31, 2015

(Dollar amounts presented in '000's)

**2. Restatement of Prior Period**

Development Charge Revenue Re-Statement:

Development charge (DC) revenues can only be utilized for specifically defined eligible expenditures as set out in the Development Charge Act. Eligible DC expenditures relate to the one-time costs that are put in place for the necessary infrastructure that is required in order to maintain a consistent level of town services to a growing community. In support of this goal, strategically the Town at times will put in place this noted infrastructure ahead of the growing community's incremental demand. Occasionally this may mean that the costs of this infrastructure exceeded the DC fees collected at the time. Historically, the Town has fully recognized DC revenues equivalent to the eligible expenditures that it has incurred each year.

Development charges are recorded as deferred revenue as they are collected, and then recognized as part of the Town's annual revenue when the associated infrastructure costs are incurred. In prior years the Town recognized more DC revenue than was available in deferred DC fee balances. The recognition of DC revenues in 2014 is herein being restated by a prior period adjustment in order to report less recognized DC revenue for 2014 than what was previously reported as follows:

The net effect of all of the above noted prior period adjustment is as follows:

	<u>2014</u>
Statement of Financial Position:	
Increase in liabilities	\$ <u>16,522</u>
Decrease in accumulated surplus	\$ <u>16,522</u>
Statement of Operations:	
Decrease in accumulated surplus, beginning of year	\$ 18,681
Increase in user fee revenue and annual surplus	<u>(2,159)</u>
Decrease in accumulated surplus, end of year	<u>\$ 16,522</u>

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**3. Change in Accounting Policy**

On January 1, 2015 the Town of Aurora adopted the new requirements of the Chartered Professional Accountants of Canada related to Section PS3260 - Liability for Contaminated Sites standard. This section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. The standard was adopted prospectively from the date of adoption. The adoption of the new PS3260 standard has not resulted in any changes to the measurement and recognition of liabilities in the Town of Aurora's December 31, 2015, financial statements.

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**4. Cash**

The Town's bank accounts are held at one chartered bank. The bank accounts earn interest at composite prime rate minus 1.75%. As at December 31, 2015, the rate is 0.95% (2014 - 1.25%).

The Town has an overdraft credit facility agreement with TD Bank, to be used for day to day operations. The maximum credit limit is \$1,000 with interest calculated using the composite prime rate minus 0.25%. As at December 31, 2015, the rate is 2.45% (2014 - 2.75%) and the outstanding balance is \$Nil (2014 - \$Nil).

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**5. Budget Reconciliation**

The Budget for 2015 adopted by Council on May 26, 2015 was prepared on a basis not consistent with that used to report actual results (Canadian public sector accounting standards). The budget was prepared on a modified accrual basis, while Canadian public sector accounting standards now require financial statements to be prepared on a full accrual basis. Accordingly, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the 2015 budget adopted by Council with adjustments as follows:

**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**5. Budget Reconciliation (continued)**

	Revenue	Expense	Net
<b>Council approved budget:</b>			
Operating - Town & Library	\$ 56,021	\$ 56,021	\$ -
Operating - water/sewer	19,250	19,250	-
Capital (for multiple years)	17,933	17,933	-
<b>Total Council approved budget</b>	<b>93,204</b>	<b>93,204</b>	<b>-</b>
<b>Less:</b> Multiple years capital debt principal payments <sup>1</sup>	(17,933)	(17,933)	-
	-	(1,703)	1,703
<b>Plus:</b> 2015 Non-TCA capital budget change	-	1,893	(1,893)
	593	593	-
transfers to/from other funds <sup>2</sup>	(4,173)	(9,802)	5,629
transfers from deferred revenue	15,326	-	15,326
amortization expense <sup>3</sup>	-	11,659	(11,659)
<b>Adjusted budget per the consolidated statement of operations</b>	<b>\$ 87,017</b>	<b>\$ 77,911</b>	<b>\$ 9,106</b>

<sup>1</sup> "Debt principal payments" are considered a repayment of a long-term liability and are not considered an expense under accrual accounting - only the related interest portion remains a valid expense under accrual accounting.

<sup>2</sup> "Transfers to/from other funds" represents transfer to/from reserves for expenditures and is not considered a revenue source under accrual accounting.

<sup>3</sup> Under accrual accounting, costs related to the acquisition of "Tangible Capital Assets" are recorded on the balance sheet - only the amortization of existing Tangible Capital Assets is included as an expense.

**6. Portfolio Investments**

Portfolio investments are comprised of fixed income securities that are primarily federal, provincial and municipal government bonds, debentures and promissory notes and bearer deposits that mature after more than 90 days. Portfolio investments are valued at the lower of cost or market value.

Portfolio investments of \$83,951 (2014 - \$68,444) have a market value of \$85,093 (2014 - \$71,287).

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**7. Land Listed for Sale**

The Town owns three parcels of land, which are surplus to the Town's needs and were listed for sale in 2010.

In 2015, the servicing of one of the above noted three parcels of land was completed with a total of \$4,464 being invested net of all recoveries over the course of the past four years. These noted services as well as the associated land under these services' related value were formally transferred to the Town's tangible capital asset balance in 2015.

Subsequent to the year end, a portion of one of these parcels was sold. The details of this transaction can be found in note 21.

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**8. Notes Payable and Bank Indebtedness**

For the purposes of constructing a new Joint Operations Centre, the Town arranged for a construction line of credit through Infrastructure Ontario. The line of credit is fully open, bears a monthly variable interest rate, interest is paid monthly, and the line of credit is to be refinanced within 120 days of completion of the project. It is the Town's intent to pay down the line of credit to the extent possible as planned project funding sources materialize prior to refinancing. During 2016, subsequent to the completion of the facility, the 120 day refinancing period was extended by Infrastructure Ontario to allow more time for the Town to receive anticipated revenues in the short term. Refinancing of any balance then remaining is now to occur prior to January 31, 2018.

As of December 31, 2015 the Town has received \$9,370 of advances from Infrastructure Ontario related to this line of credit.

Subsequent to year end, the Town drew upon the line of credit in the amount of \$2,308 bringing its cumulative outstanding balance to \$11,678 in relation to its Joint Operations Centre construction.

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**9. Deposits**

	Beginning Balance 2015	2015 Inflows	2015 Outflows	Ending Balance 2015
Refundable Damage Deposits	\$ 4,024	1,746	(1,292)	\$ 4,478

**The Corporation of the Town of Aurora  
Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**10. Deferred Revenue**

	Beginning Balance 2015	2015 Inflows	2015 Outflows	Ending Balance 2015
	Restated (Note 2)			
Development charges	\$ 7,623	21,088	(13,116)	\$ 15,595
Parkland purposes	14,508	1,913	(7,825)	8,596
Building Code Act, 1992	403	-	(403)	-
Federal Gas Tax	2,286	1,541	(1,286)	2,541
Revenue Deferral - General	2,194	3,638	(1,345)	4,487
	27,014	28,180	(23,975)	31,219
Deferred Revenue transferred to capital but unexpensed at the end of the year	2,718	11,172	(8,928)	4,962
	<b>\$ 29,732</b>	<b>39,352</b>	<b>(32,903)</b>	<b>\$ 36,181</b>

**11. Employee Benefits Liabilities**

	2015	2014
Post-employment benefits	\$ 663	\$ 638
Accrued sick leave	166	183
	829	821
WSIB benefits	155	142
	<b>\$ 984</b>	<b>\$ 963</b>

**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

December 31, 2015

(Dollar amounts presented in '000's)

**11. Employee Benefits Liabilities (Continued)**

**Post-employment benefits**

Post-employment benefits are health and dental benefits that are provided to early retirees and employees currently on a long term disability. The Town recognizes these post-employment costs as they are earned during the employee's tenure of service. The accrued benefit obligations for the Town's post-employment benefits and accrued sick leave liabilities as at December 31, 2015 are as follows:

	<u>2015</u>	<u>2014</u>
Accrued benefit obligation, beginning of year	\$ 1,285	\$ 1,318
Add: Benefit expense	67	63
Interest cost	57	60
Less: Benefits paid for the period	<u>(152)</u>	<u>(156)</u>
Accrued benefit obligation, end of year	1,257	1,285
Unamortized actuarial losses	<u>(428)</u>	<u>(464)</u>
Accrued benefit liability	<u>\$ 829</u>	<u>\$ 821</u>

The accrued benefit obligations for the Town's post-employment benefits liability and accrued sick leave as at December 31, 2015 are based on actuarial valuations for accounting purposes as at December 31, 2013 with projections to December 31, 2016. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are management's best estimates of expected rates of:

	<u>2015</u>	<u>2014</u>
Expected future inflation rates	2.0%	2.0%
Discount on accrued benefit obligations	4.75%	4.75%
Health care costs escalation	5.33%	5.67%
Dental costs escalation	4.0%	4.0%

The amount of benefits paid by the Town during the year was \$25 (2014 - \$38).

**Workplace Safety and Insurance Board (WSIB) benefits**

The Town is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety and insurance costs. The accrued WSIB benefit obligations for the Town's WSIB benefits liability as at December 31, 2015 are based on actuarial valuations for accounting purposes as at December 31, 2013 with projections to December 31, 2016. These actuarial valuations were based on assumptions about future events.

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

December 31, 2015

(Dollar amounts presented in '000's)

**12. Net Long-term Liabilities**

	2015	2014
Debenture, bearing interest at rates varying from 3.1% to 4.1%, maturing in September 2015. Principal is repayable in annual installments, and interest is payable in semi-annual installments.	\$ -	\$ 1,502
Debenture, bearing interest at 4.37%, maturing in September 2025. Principal and interest is repayable in semi-annual installments of \$160.	2,574	2,776
Capital leases, bearing interest at 3.80%, maturing in July 2016. Principal and interest is repayable in quarterly installments.	3	8
	\$ 2,577	\$ 4,286

Principal repayments for each of the next five years and thereafter are as follows:

2016	\$ 213
2017	220
2018	229
2019	239
2020	250
Thereafter	1,426
	\$ 2,577

The interest expense related to the above long-term debt was \$163 (2014 - \$230).

The debentures were issued by The Regional Municipality of York in the name of the Town to fund the construction of a recreation complex. The long-term liabilities have been approved by municipal and regional by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**13. Accumulated Surplus**

Accumulated surplus is comprised of the following:

	<u>2015</u>	<u>2014</u>
		Restated (note 2)
<b>Non Financial Surpluses</b>		
General revenue	\$ (13,346)	\$ (11,166)
Land listed for sale	3,654	9,500
Invested in tangible capital assets	434,742	395,727
Less: financed by long-term liabilities	<u>(2,577)</u>	<u>(4,286)</u>
<b>Total non-financial surpluses</b>	<u>422,473</u>	<u>389,775</u>
<b>Reserves set aside by Council for Infrastructure</b>		
Infrastructure Sustainability - Water Rate Funded	4,958	3,902
Infrastructure Sustainability - Tax Rate Funded	<u>9,341</u>	<u>9,809</u>
	14,299	13,711
<b>Reserve funds, set aside for specific purposes by Council</b>	14,790	5,282
<b>Proceeds of sale of Aurora Hydro</b>	<u>36,629</u>	<u>35,588</u>
<b>Total reserves and reserve funds</b>	<u>65,718</u>	<u>54,581</u>
<b>Accumulated surplus</b>	<u>\$ 488,191</u>	<u>\$ 444,356</u>

**14. Net Taxation**

	<u>2015</u>	<u>2014</u>
Total taxes levied by the Town	\$ 115,465	\$ 108,421
Less:		
Taxes levied on behalf of the Boards of Education	32,331	30,957
Taxes levied on behalf of the Region of York	<u>45,019</u>	<u>42,215</u>
	<u>\$ 38,115</u>	<u>\$ 35,249</u>

**15. Grants Revenue**

	<u>2015</u>	<u>2014</u>
Federal	\$ 1,498	\$ 2,068
Provincial	836	111
Other	<u>346</u>	<u>314</u>
	<u>\$ 2,680</u>	<u>\$ 2,493</u>

**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**16. Other Revenue**

	2015	2014
Penalties and interest on taxes	\$ 891	\$ 987
Fines	220	239
Licenses, permits and fees	6,268	3,313
Interest income	3,855	3,275
Other	2,016	1,862
	<b>\$ 13,250</b>	<b>\$ 9,676</b>

**17. Pension Agreements**

OMERS provides pension services to more than 461,000 active and retired members and their approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2015. The results of this valuation disclosed total actuarial liabilities of \$82,369 million in respect of benefits accrued for service with actuarial assets at that date of \$75,392 million indicating an actuarial deficit of \$6,977 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the town does not recognize any share of the OMERS pension surplus or deficit.

Contributions in 2015 ranged from 9.0% to 14.6% depending on the level of earnings. As a result, \$1,889 (2014 - \$1,841) was contributed to OMERS for current year services.

**18. Insurance Coverage**

The Town is self-insured for insurance claims up to \$10 for any individual claim and for any number of claims arising out of a single occurrence.

Claim costs during the year amounted to \$46 (2014 - \$69).

The Town has made provisions for reserves for self-insurance claims under \$10 to be used for those claims that exceed the sum provided for in the annual budget. These reserves are reported on the Consolidated Statement of Financial Activities under reserves set aside by Council. In 2013, the Insurance stand alone reserve was collapsed into the Town's general Tax Rate Stabilization Reserve; this reserve will be similarly accessible for this purpose. The balance of the Tax Rate Stabilization Reserve as of December 31, 2015 was \$3,765.

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**19. Contingencies**

The Town is subject to various legal claims arising in the normal course of its operations. The ultimate outcome of these claims cannot be determined at this time; therefore, no amounts have been recorded in these financial statements. The Town's management believe that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

---

**20. Contractual Obligations**

The Town committed contractual obligations on major capital projects of approximately \$6,261 during 2015, which have various contract completion dates.

Effective January 1, 2002, the Town entered into an agreement with the Town of Newmarket with respect to the provision of Fire and Emergency services. Under the Agreement, the Town of Newmarket assumed responsibility for the combined Central York Fire Services. The cost of these services is shared between the two municipalities on the basis of a pre-defined cost sharing formula. The Town's share of costs for the year was \$9,281 (2014 - \$8,809).

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**21. Subsequent Events**

In addition, subsequent to year end, the Town sold a parcel of land on January 8, 2016 for a sale price of \$2,040. This parcel of land had been listed for sale at December 31, 2015 and is disclosed in note 7.

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**22. Segment Information**

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the Consolidated Schedule of Segment Disclosure. The nature of the segments and the activities they encompass are as follows:

*Taxation Revenue*

The Town's primary source of funding for its operations is achieved through property taxes levied against property owners.

*Governance & Corporate Support*

This functional segment includes The Mayor's office and Council, CAO Office, Legislative Services, Legal, Communication, Information Technology and Financial Services, and all other support services.

*Fire & Emergency Services*

Central York Fire Services provides fire and emergency services to the residents of Aurora and Newmarket. The cost the Town paid for these services is described in Note 20.

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**The Corporation of the Town of Aurora**  
**Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**22. Segment Information (continued)**

*Building, Bylaw & Licensing Services*

The Town issues a variety of licenses and permits. This segment ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws for the protection of occupants. It enforces all zoning by-laws and the processing of building permit applications.

*Roads & Related Services*

This segment represents the reconstruction, repair, maintenance works and winter control services provided to the Town's roads, sidewalks, street lighting, walkways and bridges.

*Environmental Services*

This segment represents the water/sewer services and waste management services provided by the Public Works Department.

*Community Programs & Events*

This segment represents the services that the Parks & Recreation Services Department provided through community programs and special events.

*Parks & Facilities*

This segment maintains numerous recreation facilities, as well as indoor community space for booking and community use. It also maintains parks and playgrounds, open spaces and a vast trail system.

*Public Library Services*

This segment of library services covers the Library Board and The Town's library expenses. The funding from the Town to the Library Board is eliminated before the segment amount is determined.

*Planning & Development*

This functional segment manages the Town's urban development through the development application process. It also oversees community economic development, environmental concerns, heritage matters, local neighbourhoods, and the Town's Official Plan.

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**23. Comparative Amounts**

Certain comparative figures in these consolidated financial statements have been reclassified to conform to the presentation adopted for the current year.

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**24. Tangible Capital Assets Under Construction**

Tangible capital assets under construction and other capital work in progress by the Town having a value of \$27,742 (2014 - \$18,540) have not been amortized. Amortization of these assets will commence when these noted assets are put into service. This value excludes any developer constructed assets which have yet to be assumed.

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**The Corporation of the Town of Aurora  
Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**25. Tangible Capital Assets**

	2015										Total
	General					Infrastructure					
Cost	Land	Buildings	Vehicles	Computer and other	Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction		
Balance, beginning of year	\$ 99,153	\$ 73,524	\$ 8,866	\$ 6,363	\$ 21,418	\$ 81,756	\$ 214,911	\$ 18,205	\$ 18,540	\$ 542,736	
Add: Additions during the year	10,489	965	299	718	100	1,718	2,963	498	17,636	35,386	
Add: Donations and transfers	5	7,003	-	12	4	5,102	10,073	1,797	(8,200)	15,796	
Less: Disposals during the year	-	(37)	(469)	(556)	-	(3)	(281)	(22)	(234)	(1,602)	
Balance, end of year	109,647	81,455	8,696	6,537	21,522	88,573	227,666	20,478	27,742	592,316	
Accumulated amortization											
Balance, beginning of year	-	29,875	4,276	3,995	8,197	29,902	57,897	12,867	-	147,009	
Add: Amortization during the year	-	2,354	667	643	769	2,740	3,761	725	-	11,659	
Less: Amortization on disposals	-	(37)	(255)	(556)	-	(3)	(222)	(22)	-	(1,094)	
Balance, end of year	-	32,192	4,688	4,082	8,966	32,639	61,436	13,570	-	157,574	
Net book value of tangible capital assets	\$ 109,647	\$ 49,263	\$ 4,008	\$ 2,455	\$ 12,556	\$ 55,934	\$ 166,230	\$ 6,908	\$ 27,742	\$ 434,742	

**The Corporation of the Town of Aurora  
Notes to the Consolidated Financial Statements**

**December 31, 2015**

(Dollar amounts presented in '000's)

**25. Tangible Capital Assets (continued)**

	2014										Total	
	General					Infrastructure						
	Land	Buildings	Vehicles	Computer and other	Facilities	Roads	Bridges and Other Structures	Assets Under Construction	Underground and Other Networks			
<b>Cost</b>												
Balance, beginning of year	\$ 99,153	\$ 71,391	\$ 8,557	\$ 6,053	\$ 20,871	\$ 74,420	\$ 17,839	\$ 8,069	\$ 209,032	\$ 14,923	\$ 515,385	
Add: Additions during the year	-	1,655	769	656	152	539	-	-	1,058	-	19,752	
Add: Donations and transfers	-	489	9	-	414	6,797	366	(4,363)	4,906	(4,363)	8,618	
Less: Disposals during the year	-	(11)	(469)	(346)	(19)	-	-	(89)	(85)	-	(1,019)	
Balance, end of year	99,153	73,524	8,866	6,363	21,418	81,756	18,205	18,540	214,911	18,540	542,736	
<b>Accumulated amortization</b>												
Balance, beginning of year	-	27,745	4,055	3,695	7,467	27,415	12,220	-	54,407	12,220	137,004	
Add: Amortization during the year	-	2,141	667	647	743	2,487	647	-	3,575	647	10,907	
Less: Amortization on disposals	-	(11)	(446)	(347)	(13)	-	-	-	(85)	-	(902)	
Balance, end of year	-	29,875	4,276	3,995	8,197	29,902	12,867	-	57,897	12,867	147,009	
<b>Net book value of tangible capital assets</b>	\$ 99,153	\$ 43,649	\$ 4,590	\$ 2,368	\$ 13,221	\$ 51,854	\$ 5,338	\$ 18,540	\$ 157,014	\$ 5,338	\$ 395,727	

**The Corporation of the Town of Aurora**  
**Consolidated Schedule of Segmented Disclosure**  
**Schedule 1**

**December 31, 2015**

(Dollar amounts presented in '000's)

	2015										
	Taxation Revenue	Governance & Corporate Support	Fire & Emergency Services	Bylaw & Licensing Services	Roads & Related Services	Environmental Services	Community Programs & Events	Parks & Facilities	Public Library Services	Planning & Development	Consolidated
<b>Revenue</b>											
Taxation	\$ 38,115	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,115
User fees	-	528	-	65	1,542	18,572	4,607	17,842	358	3,093	46,607
Grants	-	-	-	-	1,765	563	265	36	51	-	2,680
Gain on disposal of land listed for sale	-	3,385	-	-	-	-	-	-	-	-	3,385
Loss on disposal of tangible capital assets	-	(461)	-	-	-	-	-	-	-	-	(461)
Assumed infrastructure assets	-	15,796	-	-	-	-	-	-	-	-	15,796
Other	-	4,322	681	4,840	878	732	364	501	18	914	13,250
<b>Total Revenue</b>	<b>38,115</b>	<b>23,570</b>	<b>681</b>	<b>4,905</b>	<b>4,185</b>	<b>19,867</b>	<b>5,236</b>	<b>18,379</b>	<b>427</b>	<b>4,007</b>	<b>119,372</b>
<b>Expenses</b>											
Salaries, wages and benefits	-	5,691	-	2,834	2,583	1,656	2,939	5,412	2,827	1,791	25,733
Amortization	-	3,027	193	-	2,912	4,314	-	769	444	-	11,659
Materials and supplies	-	434	1	30	1,064	753	136	2,384	130	12	4,944
Contracted services	-	2,807	9,314	282	1,822	14,755	1,025	2,324	210	120	32,659
Interest on long-term liabilities	-	-	-	-	-	-	-	163	-	-	163
Others	-	47	-	-	18	-	81	113	99	21	379
<b>Total Expenses</b>	<b>-</b>	<b>12,006</b>	<b>9,508</b>	<b>3,146</b>	<b>8,399</b>	<b>21,478</b>	<b>4,181</b>	<b>11,165</b>	<b>3,710</b>	<b>1,944</b>	<b>75,537</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 38,115</b>	<b>\$ 11,564</b>	<b>\$ (8,827)</b>	<b>\$ 1,759</b>	<b>\$ (4,214)</b>	<b>\$ (1,611)</b>	<b>\$ 1,055</b>	<b>\$ 7,214</b>	<b>\$ (3,283)</b>	<b>\$ 2,063</b>	<b>\$ 43,835</b>

**The Corporation of the Town of Aurora**  
**Consolidated Schedule of Segmented Disclosure**  
**Schedule 1**

**December 31, 2015**

(Dollar amounts presented in '000's)

	2014 Restated (note 2)										Consolidated
	Taxation Revenue	Governance & Corporate Support	Fire & Emergency Services	Bylaw & Licensing Services	Roads & Related Services	Environmental Services	Community Programs & Events	Parks & Facilities	Public Library Services	Planning & Development	
Revenue	\$ 35,249	\$ 299	\$ -	\$ 335	\$ 4,913	\$ 21,034	\$ 2,418	\$ 8,134	\$ 481	\$ -	\$ 35,249
Taxation Revenue	-	-	-	-	-	21,034	2,418	8,134	481	-	35,249
User fees	-	-	-	335	4,913	256	67	482	45	3,067	40,681
Grants	-	-	-	-	1,643	-	-	-	-	-	2,493
Loss on disposal of tangible capital assets	-	(63)	-	-	-	-	-	-	-	-	(63)
Assumed infrastructure assets	-	8,618	-	-	-	-	-	-	-	-	8,618
Other	-	4,675	228	2,544	101	357	199	734	47	791	9,676
<b>Total Revenue</b>	<b>35,249</b>	<b>13,529</b>	<b>228</b>	<b>2,879</b>	<b>6,657</b>	<b>21,647</b>	<b>2,684</b>	<b>9,350</b>	<b>573</b>	<b>3,858</b>	<b>96,654</b>
Expenses	-	5,770	-	2,775	2,599	1,616	2,574	5,123	2,744	1,774	24,975
Salaries, wages and benefits	-	2,838	176	-	2,656	4,053	-	743	441	-	10,907
Amortization	-	459	1	33	1,235	562	110	1,957	102	6	4,465
Materials and supplies	-	2,746	8,548	719	1,732	13,945	928	1,582	218	136	30,554
Contracted services	-	-	-	-	-	-	-	230	-	-	230
Interest on long-term liabilities	-	265	-	-	15	-	-	117	15	-	412
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>-</b>	<b>12,078</b>	<b>8,725</b>	<b>3,527</b>	<b>8,237</b>	<b>20,176</b>	<b>3,612</b>	<b>9,752</b>	<b>3,520</b>	<b>1,916</b>	<b>71,543</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 35,249</b>	<b>\$ 1,451</b>	<b>\$ (8,497)</b>	<b>\$ (648)</b>	<b>\$ (1,580)</b>	<b>\$ 1,471</b>	<b>\$ (928)</b>	<b>\$ (402)</b>	<b>\$ (2,947)</b>	<b>\$ 1,942</b>	<b>\$ 25,111</b>

**Audit Committee Meeting Agenda  
Tuesday, June 28, 2016**

**Item 1 Page - 54**

Attachment #2



Tel: 705 726 6331  
Fax: 705 722 6588  
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BDO Canada LLP  
300 Lakeshore Drive, Suite 300  
Barrie ON L4N 0B4 Canada

June 28, 2016

Members of the Audit Committee  
The Corporation of the Town of Aurora  
100 John West Way, Box 1000  
Aurora, Ontario, L4G 6J1

Dear Sirs/Madams:

We are pleased to present our audit service plan for the audit of the consolidated financial statements of The Corporation of the Town of Aurora ("the Municipality") for the year ended December 31, 2016. The purpose of this letter is to summarize our approach, scope, and delivery plan for the engagement.

This report has been prepared solely for the use of the Audit Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

The Audit Committee plays an important part in the audit planning process and we look forward to meeting with you to discuss our audit plan as well as any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink, appearing to be 'Giselle Bodkin', written over a light blue horizontal line.

Giselle Bodkin, CPA, CA  
*Partner through a Corporation*  
BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants



## **TABLE OF CONTENTS**

Executive Summary	3
APPENDIX A - Your BDO Engagement Team	8
APPENDIX B - Audit Strategy	9
APPENDIX C - Management Responsibilities	11
APPENDIX D - Circumstances Affecting Timing and Fees	12
APPENDIX E - Audit Committee Responsibilities	13
APPENDIX F - Auditor's Considerations of Possible Fraud and Illegal Activities	14
APPENDIX G - Independence Letter	16
APPENDIX H - Communication Requirements	18
APPENDIX I - Resources and Services	19



## **EXECUTIVE SUMMARY**

### **ENGAGEMENT LETTER**

The terms and conditions of our engagement are included in the engagement letter, which was signed previously on behalf of the Audit Committee.

### **RESPONSIBILITIES**

It is important for the Audit Committee to understand the responsibilities that rest with the external auditor and the responsibilities of those charged with governance. BDO's responsibilities are outlined within the annual engagement letter. The oversight and financial reporting responsibilities of the Audit Committee as they pertain to the annual audit are summarized below.

- Oversee the work of the external auditor engaged for the purpose of issuing an auditor's report.
- Pre-approve all non-audit services to be provided to the Municipality by the external auditor.
- Facilitate the resolution of disagreements between management and the external auditor regarding financial reporting matters, if any.
- Refer to Appendix E for full details on the responsibilities of the Audit Committee.

### **ENGAGEMENT OBJECTIVES**

- Express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, and results of operations and cash flows of the Municipality in accordance with Public Sector Accounting Standards (PSAB).
- Present significant findings to the Audit Committee including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.
- Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- Consult regarding accounting and reporting matters as requested throughout the year.



**AUDIT STRATEGY**

Refer to Appendix B for our audit strategy.

**MATERIALITY**

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Judgments about materiality are made in light of surrounding circumstances and include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

For purposes of our audit, we have set preliminary materiality at \$1,450,000 and a preliminary performance materiality at \$1,087,500.

Our materiality calculation is based on the Municipality's preliminary results. In the event that actual results vary significantly from those used to calculate preliminary materiality we will communicate these changes to the Mayor and Council as part of our year end communication.

We encourage management to correct any misstatements identified throughout the audit process.

**RISKS AND PLANNED AUDIT RESPONSES**

Based on our knowledge of the Municipality's business, our past experience, and knowledge gained from management and the Audit Committee, we have identified the following significant risks; those risks of material misstatement that, in our judgment, require special audit consideration.

Significant risks arise mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them. We request your input on the following significant risks and whether there are any other areas of concern that the Audit Committee has identified.



**RISKS AND PLANNED AUDIT RESPONSES (CONTINUED)**

	<b>Audit Risk</b>	<b>Proposed Audit Approach</b>
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 prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	<p>Our planned audit procedures test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements.</p> <p>We will also obtain an understanding of the business rationale for significant transactions that we become aware of that are outside the normal course of operations for the Municipality, or that otherwise appear to be unusual given our understanding of the Municipality and its environment. We will review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.</p>



**FRAUD RISK**

Canadian generally accepted auditing standards require us to discuss fraud risk with the Audit Committee on an annual basis. We have prepared the following comments to facilitate this discussion.

Required Discussion	BDO Response	Question to Audit Committee
Details of existing oversight processes with regards to fraud.	Through our planning process, and based on prior years' audits, we have developed an understanding of your oversight processes including: <ul style="list-style-type: none"> <li>• Audit Committee charters;</li> <li>• Discussions at Audit Committee meetings and our attendance at those meetings;</li> <li>• Review of related party transactions; and</li> <li>• Consideration of tone at the top.</li> </ul>	Are there any new processes or changes in existing processes relating to fraud that we should be aware of?
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Municipality?

Refer to Appendix F for our considerations of possible fraud and illegal activities during the performance of our audit.

**FINAL ENGAGEMENT REPORTING**

As part of our final reporting to the Audit Committee, we will provide a communications package to support the committee in discharging their responsibilities. This communication will include any identified significant deficiencies in internal controls. See Appendix H for a comprehensive list of communication requirements throughout the audit.



**OTHER MATTERS**

<b>Audit Fees</b>	We propose fees of \$27,500 (2015 - \$27,500) for the audit of the consolidated financial statements, excluding administration charges and taxes. Refer to Appendix D for circumstances that could potentially affect our fees.
<b>Timing</b>	The following schedule has been agreed to with management: <ul style="list-style-type: none"><li>• Weeks of January 11, 2017 and January 18, 2017 - Interim audit work</li><li>• Weeks of April 4, 2017 and April 11, 2017 - Final audit work</li></ul>
<b>Independence</b>	Our annual independence letter has been included as Appendix G.
<b>Management Representations</b>	As part of our audit finalization we will obtain written representation from management, a copy of these representations will be included as part of our final report.



## APPENDIX A - Your BDO Engagement Team

Name	Role	Years on Engagement	Email
Giselle Bodkin, CPA, CA	Engagement Partner	4 years	<a href="mailto:gbodkin@bdo.ca">gbodkin@bdo.ca</a>
Andrea Nauss, CPA, CA	Assurance Manager	3 years	<a href="mailto:anauss@bdo.ca">anauss@bdo.ca</a>
Tom Wolfenden	Assurance Senior	4 years	<a href="mailto:twolfenden@bdo.ca">twolfenden@bdo.ca</a>
Felix Yeung	Assurance Intermediate	2 years	<a href="mailto:fyeung@bdo.ca">fyeung@bdo.ca</a>



## APPENDIX B - Audit Strategy

Our overall audit strategy involves extensive partner and manager involvement in all aspects of the planning and execution of the audit and is based on our overall understanding of the Municipality.

We will perform a risk based audit which allows us to focus our audit effort on higher risk areas and other areas of concern for management and the Audit Committee.

To assess risk accurately, we need to gain a detailed understanding of the Municipality's operations and the environment it operates in. This allows us to identify, assess and respond to the risks of material misstatement.

To identify, assess and respond to risk, we obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the consolidated financial statements. We then determine whether adequate accounting records have been maintained and assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.



Based on our risk assessment, we design an appropriate audit strategy to obtain sufficient assurance to enable us to report on the consolidated financial statements.

We will choose audit procedures that we believe are the most effective and efficient to reduce audit risk to an acceptably low level. The procedures are a combination of testing the operating effectiveness of internal controls, substantive analytical procedures and other tests of detailed transactions.

We will perform audit procedures maintaining an appropriate degree of professional skepticism, in order to collect evidence to conclude whether or not the consolidated financial statements are presented fairly, in all material respects in accordance with PSAB.

It is important that we maintain effective two-way communication with the Audit Committee throughout the entire audit process so that we may both share timely information. The audit

**Audit Committee Meeting Agenda  
Tuesday, June 28, 2016**

**Item 1 Page - 63**



process will conclude with an audit meeting and the preparation of our final report to the Audit Committee.



## APPENDIX C - Management Responsibilities

All facets of a Municipality's internal controls including those governing the accounting records, systems and financial statements will be impacted by the Municipality's complexity, the nature of risks, and the related laws, regulations, or stakeholder requirements. It is management's responsibility to determine the level of internal control required to respond reasonably to the Municipality's risks.

The preparation of the Municipality's financial statements including all disclosures in accordance with PSAB is the responsibility of management. Among other things, management is responsible for:

1. Design and implementation of internal controls over financial reporting to enable the preparation of financial statements that are free of material misstatements;
2. Inform the Municipality's auditors of any deficiencies in design or operation of internal controls;
3. Update the Municipality's auditors for any material change in the Municipality's internal controls including if the individual responsible for the controls have changed;
4. Identification of and compliance with any laws, regulations, and/or agreements which apply to the Municipality;
5. Any adjustments required to the consolidated financial statements to correct material misstatements;
6. Safeguarding of assets;
7. Provide the auditor with all financial records, and related data which may be related to the recognition, measurement and or disclosure of transactions in the consolidated financial statements;
8. Provide accurate copies of all minutes of the meetings of the Mayor and Council or committees of directors;
9. Provide timely, accurate information as requested for the completion of the audit;
10. Allow unrestricted access to persons, or information as requested as part of the audit;
11. Notify the auditor of any circumstances which arise between the date the audit work is completed and the approval date of the consolidated financial statements.

### **Representation Letter**

We will make specific inquiries of the Municipality's management about the representations embodied in the consolidated financial statements and internal control over financial reporting. During the completion of our audit documentation, we will require management to confirm in writing certain representations in accordance with Canadian generally accepted auditing standards. These representations are to be provided to us in the form of a representations letter which will be provided as near as practicable to, but not after the date of our auditor's report on the consolidated financial statements.



## APPENDIX D - Circumstances Affecting Timing and Fees

The fee quote for the audit is based on careful consideration of the time required to complete the required work. Circumstances may arise during the engagement which could significantly impact the targeted completion dates and or our fee estimates. As a result, additional fees may be necessary. Such circumstances include, but are not limited to, the following:

### Significant Issues

1. Changes in the design or function of internal controls can impact the audit and result in additional substantive testing;
2. Significant number of proposed adjustments which are identified during the audit work;
3. Significant changes are required to the format or information contained in the consolidated financial statements;
4. New issues resulting from changes to:
  - a. Accounting standards, policies or practices
  - b. Special events or transactions which were not contemplated in the original budget
  - c. The financial reporting process or systems involved
  - d. Accounting personnel or availability of accounting personnel
  - e. The requirement to include specialists in the audit work
5. Changes to the scope of the audit.

### Audit Execution

1. Audit schedules are not provided in a timely manner, are not mathematically correct, or do not agree to the underlying accounting records.
2. There are significant delays in responding to our requests for information or responses require significant further investigation.
3. The quality of the supporting information for the audit work has deteriorated from our previous experience.
4. A complete working paper package is not provided on the agreed upon date.
5. There is a limitation of access to the financial staff required to complete the audit.



## APPENDIX E - Audit Committee Responsibilities

### General Responsibilities

It is the Audit Committees responsibility to provide oversight of the financial reporting process. This includes management's preparation of the consolidated financial statements, monitoring of the Municipality's internal controls, overseeing the work of the external auditor, facilitating the resolution of disagreements between management and the auditor, as well as the final review of the consolidated financial statements and other annual reporting.

### Significant Audit Findings

Based on the work we perform, any significant identified deficiencies in internal control will be reported to you in writing. The purpose of our audit is to express an opinion on the consolidated financial statements. While our audit includes a consideration of the internal control structure of the Municipality, our work is focused on those controls relevant to financial reporting. As such our work was not designed to provide an opinion on the effectiveness of the internal controls.

We will communicate our views regarding any significant qualitative aspects of the Municipality's accounting practices. This would include the selection and application of accounting policies, estimates and financial statement disclosure. If during our audit we feel that the selected policies, estimates or disclosures are not appropriate for the Municipality under its reporting framework, we will communicate these matters to the Audit Committee.

In addition, we will communicate:

- Any significant difficulties which arose during the audit;
- Any reasons identified which may cause doubt as to the Municipality's ability to continue as a going concern;
- The written representations we will request from management;
- Any identified unadjusted misstatements;
- Any identified or suspected fraudulent activities.



## APPENDIX F - Auditor's Considerations of Possible Fraud and Illegal Activities

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud, by:

- Identifying and assessing the risks of material misstatement due to fraud;
- Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion, as well as sophisticated and carefully organized schemes designed to conceal it.

During the audit, we will perform risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Municipality's internal control system, to obtain information for use in identifying the risks of material misstatement due to fraud and make inquiries of management regarding:

- Management's assessment of the risk that the consolidated financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- Management's process for identifying and responding to the risks of fraud in the Municipality, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the Municipality; and
- Management's communication, if any, to employees regarding its view on business practices and ethical behaviour.

In response to our risk assessment and our inquiries of management, we will perform procedures to address the assessed risks, which may include:

- Inquiry of management, the Mayor and Council, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- Perform disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- Perform additional required procedures to address the risk of management's override of controls including:
  - Testing internal controls designed to prevent and detect fraud;
  - Testing the appropriateness of a sample of adjusting journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;

**Audit Committee Meeting Agenda**  
**Tuesday, June 28, 2016**



**Item 1 Page - 68**

- Reviewing accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
- Evaluating the business rationale for significant unusual transactions.



**APPENDIX G - Independence Letter**

**Audit Committee Meeting Agenda  
Tuesday, June 28, 2016**

**Item 1 Page - 70**



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BDO Canada LLP  
300 Lakeshore Drive, Suite 300  
Barrie ON L4N 0B4 Canada

June 28, 2016

Members of the Audit Committee  
The Corporation of the Town of Aurora  
100 John West Way, Box 1000  
Aurora, Ontario, L4G 6J1

Dear Sirs/Madams:

We have been engaged to audit the consolidated financial statements of the Corporation of the Town of Aurora (the "Municipality") for the year ended December 31, 2016.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the Municipality and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute and applicable legislation, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- 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;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We are not aware of any relationships between the Municipality and our Firm that, in our professional judgment may reasonably be through to bear on independence that have occurred from January 26, 2016 to June 28, 2016.

We hereby confirm that we are independent with respect to the Municipality within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of June 28, 2016.

This letter is intended solely for the use of the Audit Committee, management and others within the Municipality and should not be used for any other purposes.

Yours truly,

A handwritten signature in black ink, appearing to read 'Giselle Bodkin'.

Giselle Bodkin, CPA, CA  
*Partner through a Corporation*  
BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants



## APPENDIX H - Communication Requirements

Required Communication	Audit Planning Presentation	Audit Results Presentation	Communication Completed
1. Our responsibilities under Canadian GAAS	✓		Y
2. Our audit strategy and audit scope	✓		Y
3. Fraud risk factors	✓		Y
4. Going concern matters		✓	N
5. Significant estimates or judgments		✓	N
6. Audit adjustments		✓	N
7. Unadjusted misstatements		✓	N
8. Omitted disclosures		✓	N
9. Disagreements with Management		✓	N
10. Consultations with other accountants or experts		✓	N
11. Major issues discussed with management in regards to retention		✓	N
12. Significant difficulties encountered during the audit		✓	N
13. Significant deficiencies in internal control		✓	N
14. Material written communication between BDO and Management		✓	N
15. Any relationships which may affect our independence	✓		Y
16. Any illegal acts identified during the audit		✓	N
17. Any fraud or possible fraudulent acts identified during the audit		✓	N
18. Significant transactions with related parties not consistent with ordinary business		✓	N
19. Non-compliance with laws or regulations identified during the audit		✓	N
20. Limitations of scope over our audit, if any		✓	N
21. Written representations made by Management		✓	N
22. Any modifications to our opinion, if required		✓	N



## APPENDIX I - Resources and Services

### OTHER BDO SERVICES

<b>Solutions</b>	<p>BDO Solutions provides municipalities with the accounting software management tools need to run a better operation. Our expert team understands the complex reporting requirements municipalities must adhere to, as well as the limited resources they have to address these needs. Spend more time serving your constituents, better manage budgets, allocate time and resources more effectively and improve your ability to focus on the work that really matters to your Municipality.</p> <p>For more information, please visit the following link: <a href="http://www.bdosolutions.com/ca/">http://www.bdosolutions.com/ca/</a></p>
<b>Succession Planning</b>	<p>Having a strong strategic plan, such as a succession plan for key employees and strategic planning for the Board, is critical to a municipality's success. With our succession planning services, we can help your municipality with:</p> <ul style="list-style-type: none"><li>• Planning for a change in leadership</li><li>• Setting a strategic direction for the Municipality</li><li>• Develop a strategic business plan for operations</li><li>• Aligning all three groups of stakeholders (Municipality, employees and members) and enhancing communication</li></ul> <p>For more information, please visit the following link: <a href="http://www.bdo.ca/en/Services/Advisory/Business-Transition/pages/default.aspx">http://www.bdo.ca/en/Services/Advisory/Business-Transition/pages/default.aspx</a></p>
<b>Risk Advisory</b>	<p>As Canada's leading financial advisory firm, BDO helps municipalities and their management teams effectively assess, develop and manage strategic initiatives.</p> <p>Visit the following link to find out more: <a href="http://www.bdo.ca/en/Services/Advisory/Financial-Advisory/pages/default.aspx">http://www.bdo.ca/en/Services/Advisory/Financial-Advisory/pages/default.aspx</a></p>
<b>Outsourcing</b>	<p>Our dedicated team of professional bookkeepers across Canada combined with our powerful Microsoft cloud technology platform can provide you and your Town with a world class bookkeeping solution that gives you anytime access to your financial information. Our BDO Client Portal provides you with access to comprehensive business management functionality and enables you to make proactive and informed decisions for your municipality.</p> <p>Visit the link below to find out how we can create a customized bookkeeping solution for your municipality: <a href="http://www.bdo.ca/en/Services/Outsourcing/Bookkeeping/pages/default.aspx">http://www.bdo.ca/en/Services/Outsourcing/Bookkeeping/pages/default.aspx</a></p>



**Indirect Tax**

Municipality's operating in Canada are impacted by commodity taxes in some way or another. These include GST/HST, QST, PST, various employer taxes, and unless managed properly, can have a significant impact on your municipality's bottom line. The rules for municipalities can be especially confusing, and as a result many Towns end up paying more for indirect tax than they need to.

Municipalities must keep on top of changes to ensure they are taking advantage of the maximum refund opportunities. At BDO, we have helped a number of municipalities of all sizes with refund opportunities, which can reduce costs for the municipality and improve overall financial health.

For more information, please visit the following link:

<http://www.bdo.ca/en/Services/Tax/Indirect-Tax/pages/default.aspx>

**BDO PUBLICATIONS**

BDO's national and international accounting and assurance department issues publications on the transition and application of Public Sector Accounting Standards (PSAB). In addition, we offer a wide array of publications on Accounting Standards for Private Enterprises (ASPE), International Financial Reporting Standards (IFRS), and Accounting Standards for Not-for-Profit Organizations (ASPNO).

For additional information on PSAB, including links to archived publications and model financial statements, refer to the link below:

<http://www.bdo.ca/en/library/services/assurance-and-accounting/pages/default.aspx>.

**MYPDR**

Class is in session! Meeting Your Professional Development Requirements (MYPDR) is an educational program designed to support our clients, contacts and alumni in achieving their ongoing professional development requirements.

Through the MYPDR program, we are committed to providing timely, relevant topics that can support you in meeting your ongoing professional development needs. For more information on the MYPDR program or to register, please visit <http://www.cvent.com/d/34qqxp>.