



# **Audit Committee Meeting Agenda**

**Tuesday, June 25, 2019**

**6:15 p.m.**

**Council Chambers**

**Aurora Town Hall**



## **Town of Aurora Audit Committee Meeting Agenda**

Tuesday, June 25, 2019  
6:15 p.m., Council Chambers

### **1. Approval of the Agenda**

**Recommended:**

That the agenda as circulated by Legislative Services be approved.

### **2. Declarations of Pecuniary Interest and General Nature Thereof**

### **3. Delegations**

**(a) Giselle Bodkin and Andrea Nauss, BDO Canada LLP**

**Re: Item 1 – FS19-022 – 2018 Audited Financial Statements with Audit Report**

### **4. Consideration of Items Requiring Discussion**

#### **1. FS19-022 – 2018 Audited Financial Statements with Audit Report**

**Recommended:**

1. That Report No. FS19-022 be received; and
2. That the 2018 Audit Reports and Financial Statements for the year-ended December 31, 2019 be approved and published on the Town's website; and
3. That the 2019 year-end audit plan as proposed by BDO Canada LLP be endorsed.

### **5. Adjournment**



**Town of Aurora  
Audit Committee Report**

**No. FS19-022**

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**Subject: 2018 Audited Financial Statements with Audit Report**

**Prepared by:** Jason Gaertner, Manager, Financial Planning

**Department:** Financial Services

**Date:** June 25, 2019

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## **Recommendation**

- 1. That Report No. FS19-022 be received; and**
- 2. That the 2018 Audit Reports and Financial Statements for the year-ended December 31, 2018 be approved and published on the Town's website, and**
- 3. That the 2019 year-end audit plan as proposed by BDO Canada LLP be endorsed.**

## **Executive Summary**

The Town of Aurora's audited financial statements for the year ended December 31, 2018, and the auditor's report therein are presented for approval. Also, in accordance with the Audit Committee Terms of Reference, the Audit Committee is responsible to "review the 2019 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 includes the 2018 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 Public Sector Accounting Standards (PSAS) reporting differences. They have been marked DRAFT by the auditors as the audit cannot technically be 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

June 25, 2019

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Report No. FS19-022

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(the Act). BDO also provides a letter to management on internal controls and other matters that they feel should be brought to their attention.

Also attached (Attachment 2) is the Audit Plan for the 2019 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.

## **Analysis**

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.

Also attached is a report prepared by BDO that addresses the audit plan for 2019 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, in a prompt fashion, of any documentation requested by the auditor 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.

## **Advisory Committee Review**

Not applicable.

## **Legal Considerations**

The annual audit of the Town's financial statements fulfils the statutory requirements set out in Section 296 of the Act.

## **Financial Implications**

There are no financial implications in regards to the 2018 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 2018 Financial Statements of the Town so that the Statements may be published as required by legislation.

In regards to the 2019 audit plan, the cost for this audit has been provided for within the 2019 budget. An amount of \$40,900 has been budgeted for the 2019 audit with anticipated fees of \$33,390 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.

## **Communications Considerations**

In accordance with the Municipal Act, 2001, S.O.2001, c25, Section 295, the Town's 2018 audited financial statements will be published on the Town's website.

## **Link to Strategic Plan**

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 support the Strategic Plan principles of integrity, progressive corporate excellence and continuous improvement.

## **Alternative(s) to the Recommendation**

Not applicable.

## **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, 2018. Staff

June 25, 2019

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Report No. FS19-022

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recommend the approval of the statements. Once approved and final versions are prepared, the Mayor and CAO will sign the statements.

In addition, it is recommended that Council endorse the proposed 2019 audit plan as presented by BDO.

### **Attachments**

Attachment #1 – 2018 Year-End Auditor’s reporting package for Council

Attachment #2 – 2019 Audit Plan

### **Previous Reports**

Audit Committee, June 26, 2018, FS18-019 – 2017 Audited Financial Statements with Audit Report

### **Pre-submission Review**

Agenda Management Team review on May 30, 2019

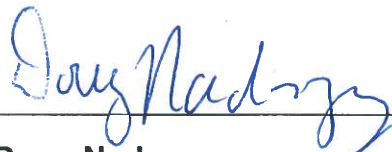
#### **Departmental Approval**



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**Rachel Wainwright-van Kessel, CPA, CMA  
Director of Finance**

#### **Approved for Agenda**



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**Doug Nadorozny  
Chief Administrative Officer**

Attachment #1



**The Corporation of the Town of Aurora**  
Final Report to the Audit Committee

June 25, 2019



Tel: 705-726-6331  
Fax: 705-722-6588  
www.bdo.ca

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

Attachment #1

June 25, 2019

Members of the Audit Committee of  
The Corporation of the Town of Aurora

Dear Audit Committee Members:

We are pleased to present the results of our audits of the consolidated financial statements of the Corporation of the Town of Aurora (the "Municipality") for the year ended December 31, 2018. The purpose of our report is to summarize certain aspects of the audits that we believe to be of interest to the Audit Committee and should be read in conjunction with the draft consolidated financial statements and our draft audit report which is included as Appendix A.

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

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.

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 look forward to meeting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink that reads 'G. Bodkin'.

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



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## **STATUS OF THE AUDIT**

As of the date of this final report, we have substantially completed our audit of the 2018 financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the financial statements.

### **COMPLETION OF AUDIT**

- Receipt of signed Management representation letter
- Subsequent events review through to financial statement approval date

### **FINANCIAL STATEMENTS**

- Approval of financial statements by Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated June 26, 2018.

## **INDEPENDENCE**

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Audit Committee at least annually, 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 bear on our independence with respect to the audit of the Municipality.

Our annual letter confirming our independence was previously provided to you. Except as noted in Appendix B, we know of no circumstances that would cause us to amend the previously provided letter.

## **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 financial statements.

As communicated to you in our Planning Report to the Audit Committee, preliminary materiality was \$2,250,000. Final materiality was \$2,050,000.

## AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Municipality's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

### ACCOUNTING AND AUDIT MATTERS

#### 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 or prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit procedures tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements. We also obtained an understanding of the business rationale for significant transactions that we became aware of that were outside the normal course of operations for the Municipality, or that otherwise appeared to be unusual given our understanding of the Municipality and its environment. We reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud. No exceptions noted.

### ADJUSTED AND UNADJUSTED DIFFERENCES

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 financial statements taken as a whole. Should the Audit Committee agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of adjusted and unadjusted differences and disclosure omissions has been presented in Appendix C.

### MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the 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 our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A summary of the representation we have requested from management is set out in the management representation letter included in Appendix D to the report.

## FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with the Audit Committee on an annual basis. As an update to the discussion held with the Audit Committee during the planning of our audit, we have prepared the following comments:

Required Discussion	BDO Response	Question to Audit Committee
Details of existing oversight processes with regards to fraud.	Based on our discussions during the planning of our audit, the Audit Committee's oversight processes include: <ul style="list-style-type: none"> <li>• Audit Committee charters;</li> <li>• Discussions at audit committee 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 since the date of our previous discussions, that we should be aware of?
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Municipality?

### AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

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 Audit Committee dated June 26, 2018.

## **INTERNAL CONTROL MATTERS**

During the course of our audit, we performed the following procedures with respect to the Municipality's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining, the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Municipality's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

### **SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

We did not note any significant deficiencies in internal control during the course of our audit.

## OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Communication Required	Auditors' Response
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.	We have obtained a summary of outstanding litigation and claims from the Municipality's legal department and communicated with the Municipality's insurer. Where applicable, litigation and claims have been accounted for and disclosed in the financial statements.
The final draft of the representation letter.	Refer to Appendix D
Material uncertainties related to events and conditions that may cast significant doubt on the Municipality's ability to continue as a going concern.	None.
Disagreements with management about matters that, individually or in aggregate, could be significant to the Municipality's financial statements or our audit report.	None.
Matters involving non-compliance with laws and regulations	None.
Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.	None.
Subsequent events that have caused changes to the audit report	None.
Modifications in opinion	None.
Emphasis of matters paragraphs or other matters paragraphs	None.
Significant matters arising from the audit that were discussed or subject to correspondence with management.	None.

Significant accounting policies, estimates and judgments	Audit Results - discussed above.
Unreasonable management's refusal to allow the auditor to send a confirmation request, or the inability to obtain relevant and reliable audit evidence from alternative audit procedures.	None.
Limitation of the scope of the audit imposed by management.	None.
Findings from the group audit.	No significant findings.
Management consultation with other accountants about significant auditing and accounting matters.	None.
Other matters	None.

## **BDO RESOURCES**

BDO is one of Canada's largest accounting services firms providing assurance and accounting, taxation, financial advisory, risk advisory, financial recovery and consulting services to a variety of publicly traded and privately held companies.

BDO serves its clients through 105 offices across Canada. As a member firm of BDO International Limited, BDO serves its multinational clients through a global network of over 1,100 offices in more than 100 countries. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources which may be of interest to the Audit Committee.

### **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>.





**APPENDIX A  
Draft Auditor's Report**

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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

### **Opinion**

We have audited the consolidated financial statements of The Corporation of the Town of Aurora, (the Town) which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2018, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario  
June 25, 2019

**APPENDIX B  
Independence Update**



Tel: 705-726-6331  
Fax: 705-722-6588  
www.bdo.ca

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

Attachment #1

June 25, 2019

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

Dear Audit Committee Members:

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, 2018.

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 thought to bear on independence that have occurred from June 26, 2018 to June 25, 2019.

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 25, 2019.

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

Yours truly,

A handwritten signature in black ink that reads 'Giselle Bodkin'.

Giselle Bodkin, CPA, CA

*Partner through a corporation*

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

**APPENDIX C  
Unadjusted Differences**



## SUMMARY OF UNADJUSTED DIFFERENCES

	Increase (Decrease)			
	Assets	Liabilities	Equity	Net Income
	\$ -	\$ -	\$ -	\$ -
Total	-	-	-	-
Effect of Prior Year's Reversing Errors	-	-	-	-
Total Unadjusted Differences	\$ -	\$ -	\$ -	\$ -

## SUMMARY OF DISCLOSURE OMISSIONS

There were no disclosure omissions noted during the course of our audit.

**APPENDIX D  
Representation Letter**



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

June 25, 2019

BDO Canada LLP  
Chartered Professional Accountants  
300 Lakeshore Drive, Suite 300  
Barrie, Ontario  
L4N 0B4

This representation letter is provided in connection with your audit of the financial statements of The Corporation of the Town of Aurora for the year ended December 31, 2018, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated March 27, 2018, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the auditors during the audit.

#### Information Provided

- We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

#### Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

#### Existence, Completeness and Valuation of Specific Financial Statement Balances

- The inventories as set out in the financial statements represent all of the inventories to which the entity held title as at the balance sheet date. Inventories do not include any goods consigned to the entity, merchandise billed to customers or any items for which the liability has not been provided in the books.
- For contributed property, plant and equipment, the nature and amount of contributed property, plant and equipment received and recognized have been disclosed.
- Where the fair value of contributed property, plant and equipment was not determinable, information about contributed property, plant and equipment recognized at a nominal value has been disclosed.
- Property, plant and equipment has been appropriately recognized and measured in accordance with Canadian public sector accounting standards.
- There are no pledges or assignments of assets as security for liabilities except as disclosed in the financial statements.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreement.
- The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.

#### General Representations

- We are aware of the environmental laws and regulations that impact our organization and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the financial statements.
- We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
- There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

- We have made the following additional significant representations to you during the course of your audit which we understand that you have relied upon:

The municipality is a schedule 2 employer for WSIB but does not currently employ firefighters and is not aware of any additional liabilities that may be incurred in relation to the new WSIB legislation for firefighters.

**Other Representations Where the Situation Exists**

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.

Yours truly,

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Position

# Attachment #1

Town of Aurora  
 Summary of Unadjusted Misstatements  
 December 31, 2018

Description of the Misstatement	Identified Misstatement	Projected Misstatement	Estimates	Pre-Tax Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	-	-	-	-	-	-	-
Effect of Previous Year's Errors, Net of Tax Effects							
Tax Effect							
Likely Aggregate Misstatements				-	-	-	-

Details of why no adjustment has been made to the financial statements for the above items:  
 Amounts are not significant to adjust.

**The Corporation of the Town of Aurora  
Consolidated Financial Statements  
For the year ended December 31, 2018**

DRAFT - SUBJECT TO CHANGE

**The Corporation of the Town of Aurora  
Consolidated Financial Statements  
For the year ended December 31, 2018**

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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

### Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Aurora, (the Town) which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2018, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.



**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario  
June 25, 2019

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

<b>December 31</b>	<b>2018</b>	<b>2017</b>
(Dollar amounts presented in '000's)		
<b>Financial assets</b>		
Cash (note 2)	\$ 10,527	\$ 9,530
Taxes receivable	10,653	7,757
User fees receivable (note 4)	6,654	6,714
Accounts receivable	6,736	7,098
Portfolio investments (note 5)	128,104	117,328
Land listed for sale (note 6)	-	2,837
	<u>162,674</u>	<u>151,264</u>
<b>Liabilities</b>		
Notes payable and bank indebtedness (note 7)	-	5,874
Accounts payable and accrued liabilities	19,625	18,201
Deposits (note 8)	5,107	5,693
Deferred revenue (note 9)	49,226	33,700
Employee benefits liabilities (note 10)	1,324	1,084
Net long-term liabilities (note 11)	9,694	4,968
	<u>84,976</u>	<u>69,520</u>
<b>Net financial assets</b>	<u>77,698</u>	<u>81,744</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 22)	459,416	453,402
Prepaid expenses	795	452
	<u>460,211</u>	<u>453,854</u>
<b>Accumulated surplus (note 12)</b>	<u>\$ 537,909</u>	<u>\$ 535,598</u>

Contingencies and contractual obligations (notes 18 and 19)

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 2018	2018	2017
(Dollar amounts presented in '000's)			
	(note 3)		
<b>Revenue</b>			
Taxation (note 13)	\$ 45,298	\$ 46,407	\$ 42,887
User fees	51,996	22,042	35,075
Grants (note 14)	2,888	3,927	3,391
Gain on disposal of land available for sale	45	6,036	604
Gain (loss) on disposal of tangible capital assets	-	35	(789)
Assumed infrastructure assets	-	4,306	863
Other (note 15)	7,584	9,303	9,828
	<u>107,811</u>	<u>92,056</u>	<u>91,859</u>
<b>Expenses</b>			
General government	15,481	14,862	15,232
Protection to person and property	13,608	13,414	12,855
Transportation services	9,674	10,083	9,526
Environmental services	28,974	28,495	26,050
Leisure and cultural services	21,045	21,023	20,327
Planning and development	1,876	1,868	2,068
	<u>90,658</u>	<u>89,745</u>	<u>86,058</u>
<b>Annual surplus</b>	<u>17,153</u>	<u>2,311</u>	<u>5,801</u>
<b>Accumulated surplus, beginning of year</b>	<u>535,598</u>	<u>535,598</u>	<u>529,797</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 552,751</u>	<u>\$ 537,909</u>	<u>\$ 535,598</u>

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

For the year ended December 31 (Dollar amounts presented in '000's)	Budget 2018 (note 3)	2018	2017
<b>Annual surplus</b>	\$ 17,153	\$ 2,311	\$ 5,801
Amortization of tangible capital assets	14,948	14,948	14,728
Net proceeds on disposal of tangible capital assets	-	437	207
Loss (gain) on disposal of tangible capital assets	-	(35)	789
Acquisition of tangible capital assets	(17,058)	(17,058)	(15,659)
Assumed infrastructure assets	-	(4,306)	(863)
Change in prepaid expenses	-	(343)	(247)
<b>Change in net financial assets</b>	15,043	(4,046)	4,756
<b>Net financial assets, beginning of year</b>	81,744	81,744	76,988
<b>Net financial assets, end of year</b>	\$ 96,787	\$ 77,698	\$ 81,744

DRAFT - SUBJECT TO CHANGE

Attachment #1

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

For the year ended December 31	2018	2017
(dollar amounts presented in '000's)		
<b>Operating transactions</b>		
Annual surplus	\$ 2,311	\$ 5,801
Non-cash charges to operations:		
Amortization of tangible capital assets	14,948	14,728
Gain on disposal of land listed for sale	(6,036)	(604)
Loss (gain) on disposal of tangible capital assets	(35)	789
Assumed infrastructure assets	(4,306)	(863)
Changes in non-cash operating working capital:		
Taxes receivable	(2,896)	(2,302)
User fees receivable	60	(1,366)
Accounts receivable	362	323
Land listed for sale	-	(1,186)
Accounts payable and accrued liabilities	1,424	7,806
Deposits	(586)	2,486
Deferred revenue	15,526	90
Employee benefits liabilities	240	74
Prepaid expenses	(343)	(247)
<b>Total Operating Transactions</b>	<b>20,669</b>	<b>25,529</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(17,058)	(15,659)
Net proceeds on disposal of land listed for sale	8,873	1,905
Net proceeds on disposal of tangible capital assets	437	207
<b>Total Capital Transactions</b>	<b>(7,748)</b>	<b>(13,547)</b>
<b>Investing transactions</b>		
Increase in portfolio investments	(10,776)	(4,868)
<b>Financing transactions</b>		
Advances / (principal repayments) on long-term liabilities	4,726	(517)
Advances / (principal repayments) of notes payable and bank indebtedness	(5,874)	(1,345)
<b>Total Financing Transactions</b>	<b>(1,148)</b>	<b>(1,862)</b>
Increase in cash	997	5,252
Cash, beginning of year	9,530	4,278
<b>Cash, end of year</b>	<b>\$ 10,527</b>	<b>\$ 9,530</b>

The accompanying notes are an integral part of these consolidated financial statements

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

**December 31, 2018**

(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.

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

December 31, 2018

(Dollar amounts presented in '000's)

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

**Tangible Capital Assets (continued)**

Buildings	10 - 50 years
Landscaping & Other	5 - 20 years
Vehicles	7 - 15 years
Other	
Machinery and Equipment	7 - 20 years
Library Collection	7 years
Computer Equipment	4 - 10 years
Facilities (excluding Buildings)	5 - 80 years
Transportation Infrastructure	
Roads	20 - 36 years
Signage	1 - 36 years
Bridges and Other Structures	15 - 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, 2018

(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 and in some instances park fixtures and trail networks 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, 2018

(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.

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**2. 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, 2018, the rate is 2.20% (2017 - 1.00%).

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, 2018, the rate is 3.70% (2017 - 2.45%) and the outstanding balance is \$Nil (2017 - \$Nil).

The Town has letters of credit outstanding with the bank as at December 31, 2018 of \$486,208 (2017 - \$486,208), which were required by its utilities provider for security on a development project.

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**3. Budget Reconciliation**

The Budget for 2018 adopted by Council on December 12, 2017 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 2018 budget adopted by Council with adjustments as follows:

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

December 31, 2018

(Dollar amounts presented in '000's)

**3. Budget Reconciliation (continued)**

	Revenue	Expense	Net
<b>Council approved budget:</b>			
Operating - Town & Library	\$ 64,095	\$ 64,095	\$ -
Operating - water/sewer	23,638	23,638	-
Capital (for multiple years)	30,041	30,041	-
<b>Total Council approved budget</b>	<b>117,774</b>	<b>117,774</b>	<b>-</b>
<b>Less: Multiple years capital debt principal payments<sup>1</sup></b>	<b>(30,041)</b>	<b>(30,041)</b>	<b>-</b>
	-	(773)	773
<b>Plus: 2018 Non-TCA capital transfers to/from other funds<sup>2</sup></b>	<b>-</b>	<b>1,790</b>	<b>(1,790)</b>
	(2,512)	(13,040)	10,528
transfers from deferred revenue	22,590	-	22,590
amortization expense <sup>3</sup>	-	14,948	(14,948)
<b>Adjusted budget per the consolidated statement of operations</b>	<b>\$ 107,811</b>	<b>\$ 90,658</b>	<b>\$ 17,153</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.

**4. User Fees Receivable**

During the year \$1,546 of the Town's water receivables are in dispute. In management's opinion these water receivables will be collected, otherwise they will be allocated to the account holder's tax account as per the Town's collection policy. Due to the fact that the Town has the ability to collect the disputed water receivables through taxes, and the fact that the disputed amount cannot be quantified at this time, in management's opinion, no further write off of water receivables are necessary in the consolidated financial statements.

**5. 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 \$128,104 (2017 - \$117,328) have a market value of \$130,318 (2017 - \$122,788).

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

December 31, 2018

(Dollar amounts presented in '000's)

**6. Land Listed for Sale**

As of December 31, 2018 the Town has no land listed for sale.

**7. 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. On May 1, 2018 the Town made a final payment of \$304 toward this line of credit and refinanced the remaining outstanding balance of \$5,500 through a five year term, ten year amortized debenture bearing interest at 2.85%, maturing in May 2023, as described in note 11. Principal and interest is repayable is semi-annual installments of \$318.

**8. Deposits**

	Beginning Balance 2018	2018 Inflows	2018 Outflows	Ending Balance 2018
Refundable Damage Deposits \$	5,693	1,769	(2,355)	\$ 5,107

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

December 31, 2018

(Dollar amounts presented in '000's)

**9. Deferred Revenue**

	Beginning Balance 2018	2018 Inflows	2018 Outflows	Ending Balance 2018
Development charges	\$ 16,843	18,585	(21,703)	\$ 13,725
Parkland purposes	7,140	1,803	(422)	8,521
Federal Gas Tax	1,846	1,908	(951)	2,803
Revenue Deferral - General	4,043	4,893	(4,832)	4,104
	29,872	27,189	(27,908)	29,153
Deferred Revenue transferred to capital but unexpensed at the end of the year	3,828	17,269	(1,024)	20,073
	<u>\$ 33,700</u>	<u>44,458</u>	<u>(28,932)</u>	<u>\$ 49,226</u>

**10. Employee Benefits Liabilities**

	2018	2017
Post-employment benefits	\$ 924	\$ 800
Accrued sick leave	358	252
	1,282	1,052
WSIB benefits	42	32
	<u>\$ 1,324</u>	<u>\$ 1,084</u>

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

December 31, 2018

(Dollar amounts presented in '000's)

**10. 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, 2018 are as follows:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation, beginning of year	\$ 1,852	\$ 1,234
Add: Benefit expense	215	208
Interest cost	67	63
Actuarial losses	-	493
Less: Benefits paid for the period	<u>(137)</u>	<u>(146)</u>
Accrued benefit obligation, end of year	1,997	1,852
Unamortized actuarial losses	<u>(715)</u>	<u>(800)</u>
Accrued benefit liability	<u>\$ 1,282</u>	<u>\$ 1,052</u>

The accrued benefit obligations for the Town's post-employment benefits liability and accrued sick leave as at December 31, 2018 are based on actuarial valuations for accounting purposes as at December 31, 2017 with projections to December 31, 2019. 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>2018</u>	<u>2017</u>
Expected future inflation rates	2.00%	2.00%
Discount on accrued benefit obligations	3.40%	3.40%
Drug costs escalation	8.00%	8.00%
Other health care costs escalation	4.00%	4.00%
Dental costs escalation	4.00%	4.00%

The amount of benefits paid by the Town during the year was \$61 (2017 - \$33).

**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, 2018 are based on actuarial valuations for accounting purposes as at December 31, 2017 with projections to December 31, 2019. These actuarial valuations were based on assumptions about future events.

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

December 31, 2018

(Dollar amounts presented in '000's)

**11. Net Long-term Liabilities**

	<u>2018</u>	<u>2017</u>
Debenture, bearing interest at 2.29%, maturing in March 2026. Principal and interest is repayable in semi-annual installments of \$184.	\$ 2,519	\$ 2,824
Debenture, bearing interest at 4.37%, maturing in September 2025. Principal and interest is repayable in semi-annual installments of \$160.	1,915	2,144
Debenture, bearing interest at 2.85%, maturing in May 2023. Principal and interest is repayable in semi-annual installments of \$318.	5,260	-
	<u>\$ 9,694</u>	<u>\$ 4,968</u>

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

2019	\$ 1,040
2020	1,072
2021	1,105
2022	1,139
2023	898
Thereafter	<u>4,440</u>
	<u>\$ 9,694</u>

The interest expense related to the above long-term debt was \$274 (2017 - \$152).

One debenture was issued by The Regional Municipality of York in the name of the Town to fund the construction of a recreation complex. A second debenture was issued by Infrastructure Ontario in the name of the Town of Aurora to fund the Town's conversion of all streetlights to LED. The third debenture also issued by Infrastructure Ontario in the name of the Town of Aurora was utilized by the Town to fund its Joint Operations Centre. These 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.

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

December 31, 2018

(Dollar amounts presented in '000's)

**12. Accumulated Surplus**

Accumulated surplus is comprised of the following:

	2018	2017
<b>Non Financial Surpluses</b>		
General revenue	\$ 17,634	\$ 8,534
Land listed for sale	-	2,837
Invested in tangible capital assets	459,416	453,402
Less: financed by long-term liabilities	(9,694)	(4,968)
<b>Total non-financial surpluses</b>	<b>467,356</b>	<b>459,805</b>
<b>Reserves set aside by Council for Infrastructure</b>		
Infrastructure Sustainability - Water Rate Funded	10,424	10,431
Infrastructure Sustainability - Tax Rate Funded	2,311	10,160
	12,735	20,591
<b>Reserve funds, set aside for specific purposes by Council</b>	<b>26,788</b>	<b>18,311</b>
<b>Proceeds of sale of Aurora Hydro</b>	<b>31,030</b>	<b>36,891</b>
<b>Total reserves and reserve funds</b>	<b>70,553</b>	<b>75,793</b>
<b>Accumulated surplus</b>	<b>\$ 537,909</b>	<b>\$ 535,598</b>

**13. Net Taxation**

	2018	2017
Total taxes levied by the Town	\$ 137,025	\$ 128,625
Less:		
Taxes levied on behalf of the Boards of Education	37,011	35,528
Taxes levied on behalf of the Region of York	53,607	50,210
	\$ 46,407	\$ 42,887

**14. Grants Revenue**

	2018	2017
Federal	\$ 1,232	\$ 2,170
Provincial	2,288	775
Other	407	446
	\$ 3,927	\$ 3,391

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

December 31, 2018

(Dollar amounts presented in '000's)

**15. Other Revenue**

	2018	2017
Penalties and interest on taxes	\$ 1,188	\$ 971
Fines	191	169
Licenses, permits and fees	3,057	4,809
Interest income	3,432	2,249
Other	1,435	1,630
	<b>\$ 9,303</b>	<b>\$ 9,828</b>

**16. Pension Agreements**

OMERS provides pension services to almost 500,000 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 2018 ranged from 9.0% to 14.6% depending on the level of earnings. As a result, \$2,044 (2017 - \$2,000) was contributed to OMERS for current year services.

**17. 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 \$69 (2017 - \$45).

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 Financial Statement Operations and Accumulated Surplus 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, 2018 was \$4,695.



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

December 31, 2018

(Dollar amounts presented in '000's)

**18. 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.

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**19. Contractual Obligations**

The Town committed contractual obligations on major capital projects of approximately \$27,931 during 2018, 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 \$10,490 (2017 - \$10,017).

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**20. 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 19.

*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.

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

December 31, 2018

(Dollar amounts presented in '000's)

**20. Segment Information (continued)**

*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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**21. Tangible Capital Assets Under Construction**

Tangible capital assets under construction and other capital work in progress by the Town having a value of \$30,431 (2017 - \$26,049) 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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# Attachment #1

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

December 31, 2018

(Dollar amounts presented in '000's)

### 22. Tangible Capital Assets

	2018									Total
	General				Infrastructure					
	Land	Buildings	Vehicles	Computer and other	Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	
<b>Cost</b>										
Balance, beginning of year	\$ 111,257	\$ 102,770	\$ 9,994	\$ 8,377	\$ 24,223	\$ 97,058	\$ 234,506	\$ 21,305	\$ 26,049	\$ 635,539
Add: Additions during the year		621	1,254	479	309	19	229	105	14,042	17,058
Add: Donations and transfers	303	1,127	-	-	1,131	6,753	4,458	61	(9,527)	4,306
Less: Disposals during the year	(65)	(202)	(386)	(575)	-	(845)	(180)	(27)	(133)	(2,413)
Balance, end of year	111,495	104,316	10,862	8,281	25,663	102,985	239,013	21,444	30,431	654,490
<b>Accumulated amortization</b>										
Balance, beginning of year	-	38,836	5,346	4,716	10,407	38,525	69,624	14,683	-	182,137
Add: Amortization during the year	-	3,655	810	898	840	3,398	4,531	816	-	14,948
Less: Amortization on disposals	-	(202)	(384)	(574)	-	(733)	(104)	(14)	-	(2,011)
Balance, end of year	-	42,289	5,772	5,040	11,247	41,190	74,051	15,485	-	195,074
Net book value of tangible capital assets	\$ 111,495	\$ 62,027	\$ 5,090	\$ 3,241	\$ 14,416	\$ 61,795	\$ 164,962	\$ 5,959	\$ 30,431	\$ 459,416

# Attachment #1

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

December 31, 2018

(Dollar amounts presented in '000's)

### 22. Tangible Capital Assets (continued)

	2017									Total
	General					Infrastructure			Assets Under Construction	
	Land	Buildings	Vehicles	Computer and other	Facilities	Roads	Underground and Other Networks	Bridges and Other Structures		
<b>Cost</b>										
Balance, beginning of year	\$ 111,370	\$ 102,393	\$ 9,622	\$ 7,313	\$ 22,137	\$ 93,502	\$ 234,231	\$ 20,857	\$ 20,774	\$ 622,199
Add: Additions during the year	7	275	926	901	123	53	523	6	12,845	15,659
Add: Donations and transfers	-	125	-	606	1,971	4,162	917	652	(7,570)	863
Less: Disposals during the year	(120)	(23)	(554)	(443)	(8)	(659)	(1,165)	(210)	-	(3,182)
Balance, end of year	111,257	102,770	9,994	8,377	24,223	97,058	234,506	21,305	26,049	635,539
<b>Accumulated amortization</b>										
Balance, beginning of year	-	35,209	5,083	4,344	9,646	35,679	65,740	13,894	-	169,595
Add: Amortization during the year	-	3,650	761	808	768	3,265	4,525	951	-	14,728
Less: Amortization on disposals	-	(23)	(498)	(436)	(7)	(419)	(641)	(162)	-	(2,186)
Balance, end of year	-	38,836	5,346	4,716	10,407	38,525	69,624	14,683	-	182,137
Net book value of tangible capital assets	\$ 111,257	\$ 63,934	\$ 4,648	\$ 3,661	\$ 13,816	\$ 58,533	\$ 164,882	\$ 6,622	\$ 26,049	\$ 453,402

# Attachment #1

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

December 31, 2018

(Dollar amounts presented in '000's)

	2018										
	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	\$ 46,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,407
User fees	-	228	229	33	1,985	13,694	4,102	(204)	529	1,446	22,042
Grants	-	71	166	-	2,981	231	433	-	45	-	3,927
Gain on disposal of land listed for sale	-	6,036	-	-	-	-	-	-	-	-	6,036
Gain on disposal of tangible capital assets	-	35	-	-	-	-	-	-	-	-	35
Assumed infrastructure assets	-	4,306	-	-	-	-	-	-	-	-	4,306
Other	-	4,958	-	2,273	112	586	498	276	53	547	9,303
<b>Total Revenue</b>	<b>46,407</b>	<b>15,634</b>	<b>395</b>	<b>2,306</b>	<b>5,078</b>	<b>14,511</b>	<b>5,033</b>	<b>72</b>	<b>627</b>	<b>1,993</b>	<b>92,056</b>
<b>Expenses</b>											
Salaries, wages and benefits	-	6,514	-	2,775	3,117	910	3,718	6,267	2,751	1,553	27,605
Amortization	-	4,631	272	-	3,587	5,158	-	840	460	-	14,948
Materials and supplies	-	522	-	54	1,226	2,026	282	365	214	9	4,698
Contracted services	-	3,055	10,113	197	2,153	20,401	1,095	4,352	259	167	41,792
Interest on long-term liabilities	-	-	-	-	-	-	-	329	-	-	329
Others	-	140	-	3	-	-	84	7	-	139	373
<b>Total Expenses</b>	<b>-</b>	<b>14,862</b>	<b>10,385</b>	<b>3,029</b>	<b>10,083</b>	<b>28,495</b>	<b>5,179</b>	<b>12,160</b>	<b>3,684</b>	<b>1,868</b>	<b>89,745</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 46,407</b>	<b>\$ 772</b>	<b>\$ (9,990)</b>	<b>\$ (723)</b>	<b>\$ (5,005)</b>	<b>\$ (13,984)</b>	<b>\$ (146)</b>	<b>\$ (12,088)</b>	<b>\$ (3,057)</b>	<b>\$ 125</b>	<b>\$ 2,311</b>

# Attachment #1

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

December 31, 2018

(Dollar amounts presented in '000's)

	2017										
	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	\$ 42,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,887
User fees	-	337	380	53	2,263	23,107	4,486	2,050	390	2,009	35,075
Grants	-	45	-	-	2,539	437	319	-	51	-	3,391
Gain on disposal of land listed for sale	-	604	-	-	-	-	-	-	-	-	604
Loss on disposal of tangible capital assets	-	(789)	-	-	-	-	-	-	-	-	(789)
Assumed infrastructure assets	-	863	-	-	-	-	-	-	-	-	863
Other	-	3,917	-	3,431	352	745	485	92	37	769	9,828
<b>Total Revenue</b>	<b>42,887</b>	<b>4,977</b>	<b>380</b>	<b>3,484</b>	<b>5,154</b>	<b>24,289</b>	<b>5,290</b>	<b>2,142</b>	<b>478</b>	<b>2,778</b>	<b>91,859</b>
<b>Expenses</b>											
Salaries, wages and benefits	-	6,582	-	2,679	2,825	1,725	3,347	5,774	2,865	1,670	27,467
Amortization	-	4,497	253	-	3,458	5,282	-	768	469	-	14,727
Materials and supplies	-	445	4	38	1,486	948	235	2,586	151	6	5,899
Contracted services	-	3,214	9,551	327	1,733	18,095	1,403	2,087	264	93	36,767
Interest on long-term liabilities	-	-	-	-	-	-	-	256	-	-	256
Other	-	494	-	2	24	-	88	34	-	300	942
<b>Total Expenses</b>	<b>-</b>	<b>15,232</b>	<b>9,808</b>	<b>3,046</b>	<b>9,526</b>	<b>26,050</b>	<b>5,073</b>	<b>11,505</b>	<b>3,749</b>	<b>2,069</b>	<b>86,058</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 42,887</b>	<b>\$ (10,255)</b>	<b>\$ (9,428)</b>	<b>\$ 438</b>	<b>\$ (4,372)</b>	<b>\$ (1,761)</b>	<b>\$ 217</b>	<b>\$ (9,363)</b>	<b>\$ (3,271)</b>	<b>\$ 709</b>	<b>\$ 5,801</b>

DRAFT - SUBJECT TO CHANGE

Attachment #1

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

Presented by

Giselle Bodkin, CPA, CA  
Andrea Nauss, CPA, CA

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Where are you today?

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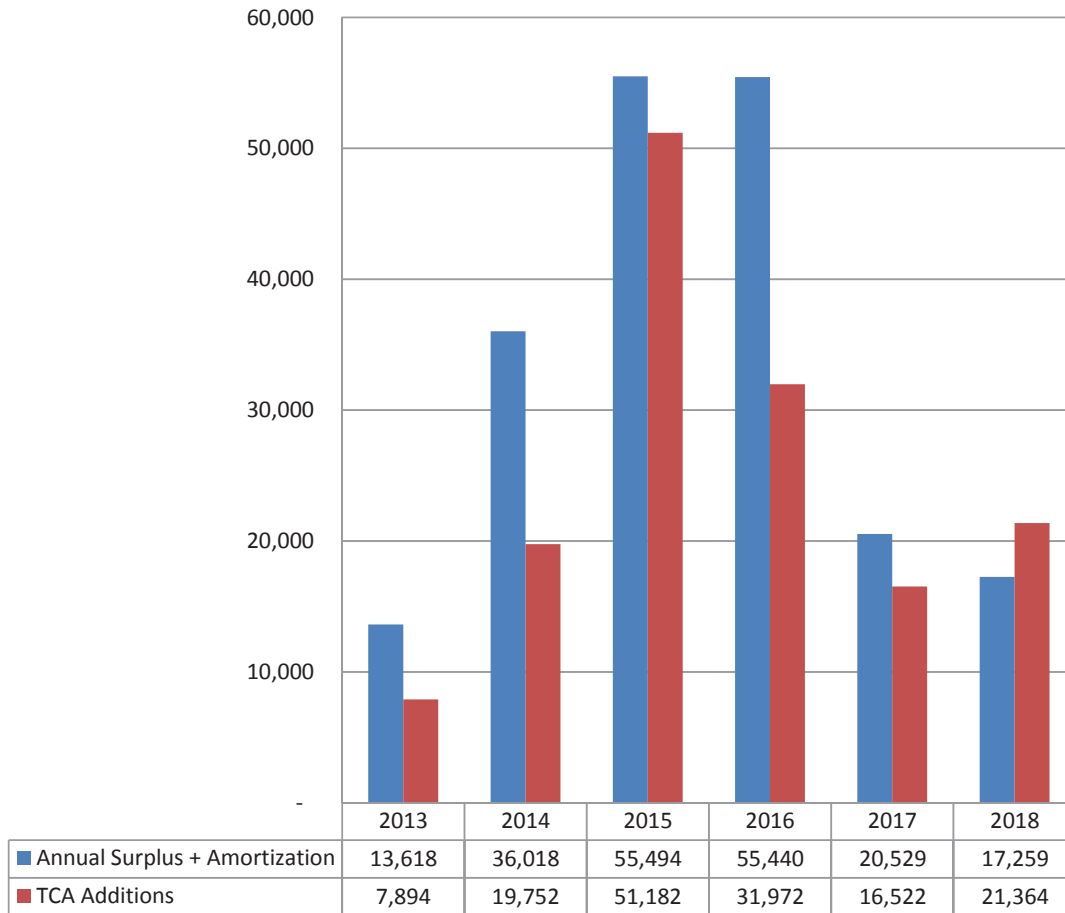




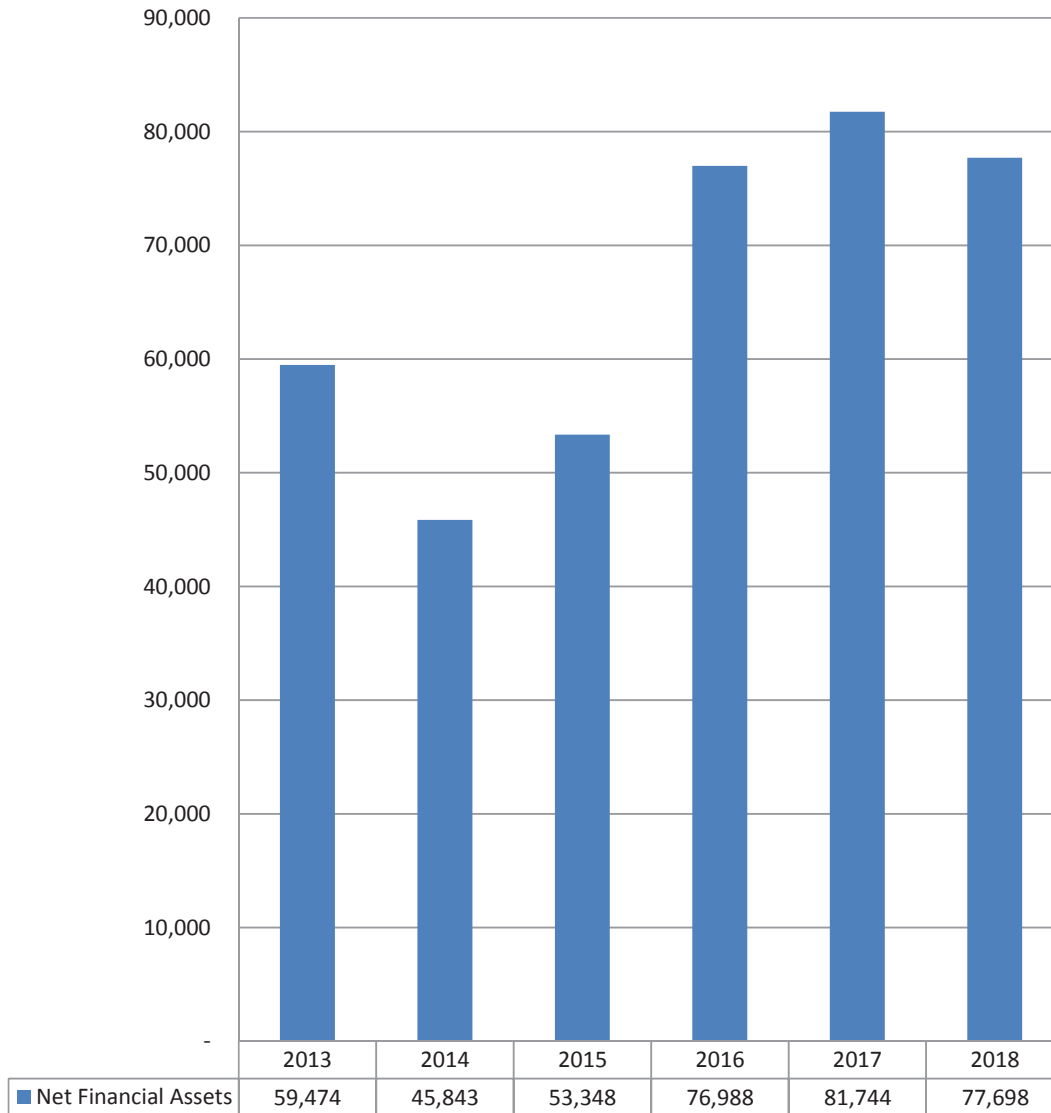
**TOTAL REVENUE, EXPENSES AND ANNUAL SURPLUS**  
 (IN THOUSANDS '000)



**ANNUAL SURPLUS PLUS AMORTIZATION AND TCA ADDITIONS**

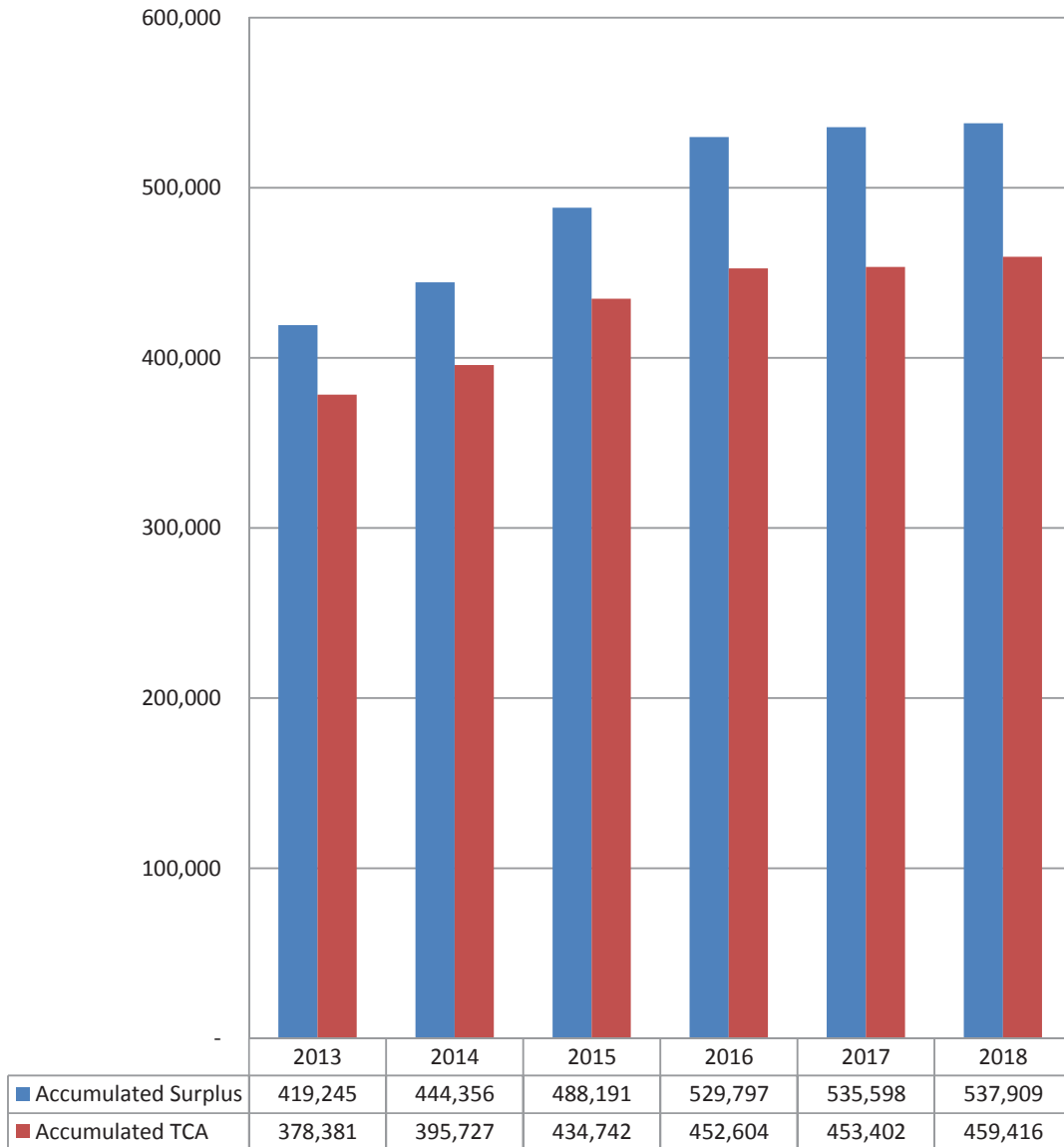


**TOTAL NET FINANCIAL ASSETS**  
 (IN THOUSANDS '000)



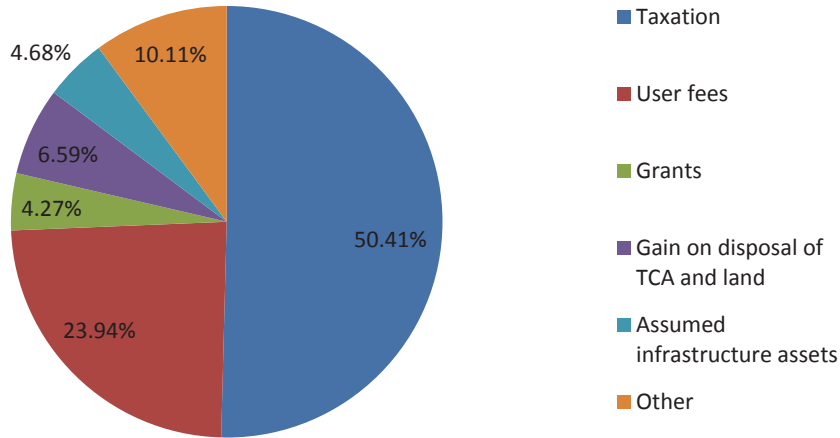
**TOTAL ACCUMULATED SURPLUS AND TANGIBLE CAPITAL ASSETS**

(IN THOUSANDS '000)



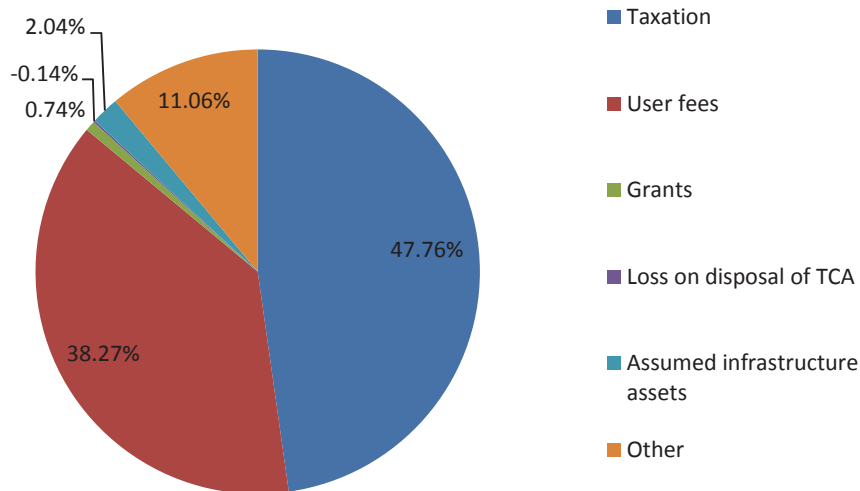
**2018 REVENUE**

**Revenue**



**2013 REVENUE**

**Revenue**

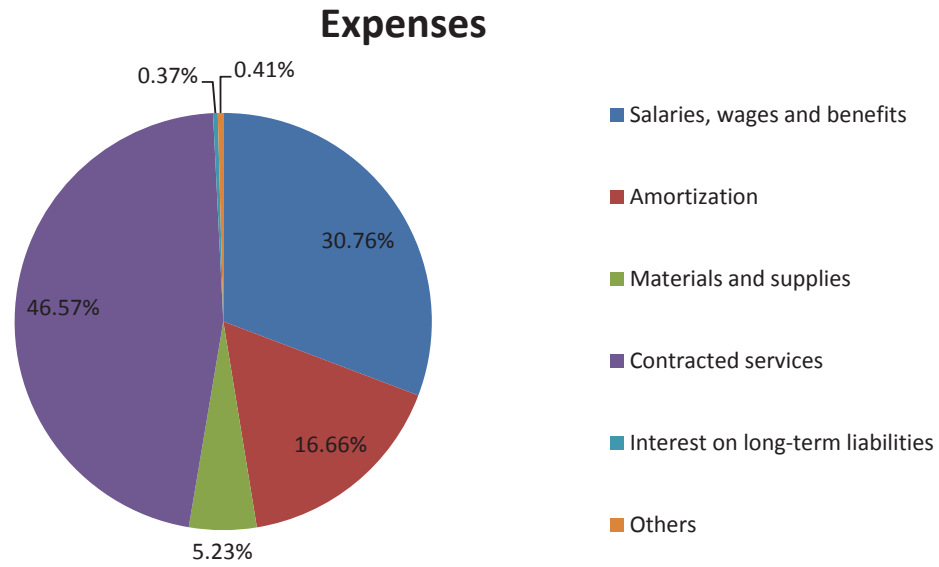


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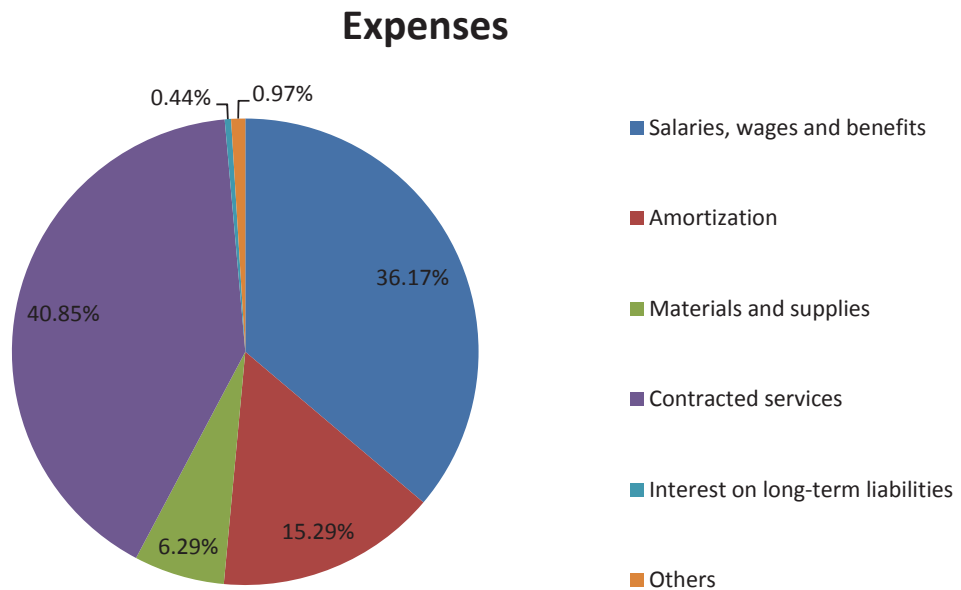
**FIVE YEAR EXPENSE COMPARISON**  
(IN THOUSANDS '000)

	2018	2017	2016	2015	2014
General government	14,862	15,232	13,329	12,006	12,078
Protection to person and property	13,414	12,855	12,749	12,654	12,254
Transportation services	10,083	9,526	9,107	8,399	8,236
Environmental services	28,495	26,050	24,638	21,478	20,176
Leisure and cultural services	21,023	20,327	19,058	19,056	16,883
Planning and development	1,868	2,068	2,106	1,944	1,916
	<b>89,745</b>	<b>86,058</b>	<b>80,987</b>	<b>75,537</b>	<b>71,543</b>

**2018 EXPENSES**



**2013 EXPENSES**



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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.

Attachment #1

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- **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.

Attachment #2



# The Corporation of the Town of Aurora

Planning Report to the Audit Committee

June 25, 2019

Attachment #2



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300 Lakeshore Drive  
Suite 300  
Barrie ON L4N 0B4 Canada

June 25, 2019

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

Dear Audit Committee Members:

We are pleased to present our audit plan for the audit of the consolidated financial statements of The Corporation of the Town of Aurora (the "Municipality") for the year ending December 31, 2019.

Our report is designed to highlight and explain key issues which we believe to be relevant to the audit including audit risks, the nature, extent and timing of our audit work and the terms of our engagement, including fees. The audit planning report forms a significant part of our overall communication strategy with the Audit Committee and is designed to promote effective two-way communication throughout the audit process. 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. We will communicate only those matters of governance interest that come to our attention as a result of the performance of the audit. We are not required to design audit procedures for the specific purpose of identifying matters of governance interest. The audit process will conclude with an audit committee meeting and the preparation of our final report to the Audit Committee.

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 read 'G. Bodkin'.

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

THE CORPORATION OF THE TOWN OF AURORA 2

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## TERMS OF REFERENCE

Our overall responsibility is to form and express an opinion on the financial statements. These financial statements are prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter of March 27, 2018, and a summary of our proposed fees are set out below.

### ENGAGEMENT OBJECTIVES

- Forming and expressing an audit opinion on the consolidated financial statements.
- 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, income taxes and reporting matters as requested throughout the year.
- Work with management towards the timely issuance of consolidated financial statements.

## INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Audit Committee at least annually, all relationships between BDO Canada LLP and its related entities and Client and its related entities, that, in our professional judgment, may reasonably be thought to bear on our independence for the forthcoming audit of the Municipality. There have been no changes to our independence as communicated on June 25, 2019 for the audit of the Municipality for the previous year ended December 31, 2018.

## AUDIT TEAM

In order to ensure effective communication between the Audit Committee and BDO Canada LLP, the contact details of the engagement team are outlined below.

Name	Role	Years on engagement	Phone number	Email address
Giselle Bodkin, CPA, CA	Engagement Partner	7 Years	705-726-6331 x 8510	<a href="mailto:gbodkin@bdo.ca">gbodkin@bdo.ca</a>
Andrea Nauss, CPA, CA	Assurance Senior Manager	8 years	705-726-6331 X 8555	<a href="mailto:anauss@bdo.ca">anauss@bdo.ca</a>
Samantha Bialas, CPA, CA	Assurance Manager	1 year	705-726-6331 X 8495	<a href="mailto:sbialas@bdo.ca">sbialas@bdo.ca</a>

## RESPONSIBILITIES

It is important for the Audit Committee to understand the responsibilities that rest with the Municipality and its management, those that rest with the external auditor and the responsibilities of those charged with governance. BDO's responsibilities are outlined within the annual engagement letter attached as Appendix A to the previous planning report to the Audit Committee dated March 27, 2018. The oversight and financial reporting responsibilities of management and the Audit Committee are summarized below.

### MANAGEMENT'S RESPONSIBILITIES

- Maintain adequate accounting records and maintain an appropriate system of internal control for the Municipality.
- Select and consistently apply appropriate accounting policies.
- Prepare the annual consolidated financial statements.
- Safeguard the Municipality's assets and take reasonable steps for the prevention and detection of fraud and other irregularities.
- Make available to us, as and when required, all of the Municipality's accounting records and related financial information.

### AUDIT COMMITTEE'S RESPONSIBILITIES

- Oversee the work of the external auditor engaged for the purpose of issuing an independent auditor's report.
- Facilitate the resolution of disagreements between management and the external auditor regarding financial reporting matters.
- Pre-approve all non-audit services to be provided to the Municipality or its subsidiaries by the external auditor.
- Review the consolidated financial statements before the Municipality publicly discloses this information.



## 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 business 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, to determine whether adequate accounting records have been maintained and to 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 choose audit procedures that we believe are the most effective and efficient to reduce audit risk to an acceptable low level. The procedures are a combination of testing the operating effectiveness of internal controls, substantive analytical procedures and other tests of detailed transactions.

Having planned our audit, we will perform audit procedures, maintaining an appropriate degree of professional skepticism, in order to collect evidence to support our audit opinion.

## **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 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 \$2,050,000 for the Municipality.

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 Audit Committee as part of our year end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to 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 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.

### **Management Override of Controls**

Significant Risk	Approach
<ul style="list-style-type: none"><li>• 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.</li></ul>	<ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li></ul>

## FRAUD DISCUSSION

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.	<p>Through our planning process, and based on prior years' audits, we have developed an understanding of your oversight processes including:</p> <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?

## AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

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 entity's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and will 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 entity, 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 entity; 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:

- Inquire of management, the Audit Committee, 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;
  - 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.

## RELIANCE ON EXPERTS

In order for us to perform adequate audit procedures on certain financial statement areas, we will be relying on the work of, and the report prepared by Dixon Actuarial Services Inc. Canadian generally accepted auditing standards require us to communicate with the expert. We propose to discuss the following with Dixon Actuarial Services Inc.:

- The objective and nature of our audit engagement and how we intend to use the expert's findings and report.
- Our assessment of the significance and risk aspects of the engagement that will affect the expert's work.
- The requirement to advise us if they have any relationship with the organization which could impair their judgment or objectivity in the conduct of their engagement.
- The nature, timing and extent of the expert's work and our planned review of it, possibly including review of their working papers.
- Confirmation that the assumptions used in their calculations are consistent with those used in the prior periods and with industry standards.
- Their obligation to advise BDO Canada LLP of any matters up to the estimated audit report date that may affect their calculations and their report.

We ask that the appropriate level of management review the data provided to Dixon Actuarial Services Inc. and that they also review the assumptions used and results reported by the expert for reasonableness.

## AUDIT TIMING

The following schedule outlines the anticipated timing of the audit of the consolidated financial statements of the Municipality.

Audit tasks and deliverables	Dates
Planning visit and interim fieldwork commences	December 2019
Final audit fieldwork commences	April 2020
Present draft consolidated financial statements and final report to the Audit Committee	June 2020

As part of the year-end audit committee meeting, we will provide the Audit Committee with a copy of our draft audit opinion, discuss our findings, including significant estimates utilized by management, accounting policies, financial statement disclosures, and significant transactions completed during the year. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

## FEES

We estimate our fees for 2019 will be \$29,750 for the audit of the consolidated financial statements.

Our estimated fees are based on the time expected to complete the audit and excludes taxes, out of pocket expenses, and internal administration fees and are based upon the following assumptions:

- We will be provided with the requested audit schedules, working papers and descriptions of accounting systems and processes as detailed in our annual requirements letter upon the commencement of fieldwork;
- The consolidation and draft financial statements, including notes, are prepared to a standard suitable for audit with all balances reconciled to the underlying accounting records;
- There will be minimal adjusting journal entries; and
- The nature of the Municipality's operations remain consistent with the prior year and there have been no changes in accounting personnel.

In the event that we incur additional charges or we experience delays in completing the audit, we will advise management.



## **BDO RESOURCES**

BDO is one of Canada's largest accounting services firms providing assurance and accounting, taxation, financial advisory, risk advisory, financial recovery and consulting services to a variety of publicly traded and privately held companies.

BDO serves its clients through 105 offices across Canada. As a member firm of BDO International Limited, BDO serves its multinational clients through a global network of over 1,000 offices in more than 100 countries. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources which may be of interest to the Audit Committee.

### **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>.

### **TAX BULLETINS, ALERTS AND NEWSLETTERS**

BDO's national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#)