The Corporation of the City of Burlington
Report to the audit committee on the 2016 audits
Dear Audit Committee Members:

We are pleased to submit this report on the status of our audit of the consolidated financial statements of the Corporation of the City of Burlington (the “City”) for the year ended December 31, 2016. This report summarizes the scope of our audits, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our Master Services Agreement dated November 7, 2016, we have performed an audit of the following, in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”):

- Consolidated financial statements of the City as at, and for the year ended, December 31, 2016
- Financial statements of the Trust Funds of the Corporation of the City of Burlington (the "Trust Funds") as at, and for the year ended December 31, 2016, and
- Financial statements of the Burlington Public Library, Burlington Economic Development Corporation, Burlington Museums Board, Burlington Theatre Board, Burlington Downtown BIA and Aldershot BIA (the "Boards") as at, and for the year ended, December 31, 2016.

We expect to issue our Independent Auditor's Reports on the financial statements of the City and the Trust Funds, upon approval of the financial statements by Council.

Our audits were conducted in accordance with the audit plan dated November 16, 2016.

This report is intended solely for the information and use of the Council through the Audit Committee, management and others within the City, and is not intended to, and should not, be used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.
We would like to express our appreciation for the cooperation we received from the officers and employees of the City with whom we worked to discharge our responsibilities.

Yours very truly,

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
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Our audits explained

This report summarizes the main findings arising from our audits.

**Audit scope and terms of engagement**

We have been asked to perform audits of the financial statements of the City and the Trust Funds (collectively, the “City”) in accordance with Canadian Public Sector Accounting Standards ("PSAS") and Canadian accounting standards for not-for-profit organizations ("ASNPO") (respectively) as at and for the year ended December 31, 2016. Our audits were conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the Master Services Agreement dated November 7, 2016, which was signed on behalf of the Committee and management.

**Materiality**

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement. Materiality levels were determined as follows:

- Consolidated financial statements for the City – on the basis of 2.5% of expenses.
- City of Burlington Trust Funds – on the basis of 3% of revenues.

We have informed the Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

**Audit risks**

Through our risk assessment process, we have identified the audit risks. These risks of material misstatement and related audit responses are discussed in the Audit Risks section of this report.
Status and outstanding matters
We expect to be in a position to render our audit opinions on the financial statements of the City, following their approval, and the completion of the following outstanding procedures:
- Receipt of signed management representations letter
- Receipt of outstanding legal responses
- Update of our subsequent events procedures, and
- Completion of our Engagement Quality Control review.

Uncorrected misstatements
There were no corrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented. A summary of the uncorrected misstatements as of the date of this report have been included in Appendix 2.

Going concern
Management has completed its assessment of the ability of the City to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the City’s ability to continue as a going concern. We agree with management’s assessment.

Internal controls
During the course of our audits, we examined the accounting procedures and internal controls employed by the City. We did not identify any deficiencies in internal control that existed as of December 31, 2016 that we concluded to be significant. As noted in Appendix 3, we have identified minor deficiencies that we have discussed with management.

Uncorrected disclosure misstatements
In accordance with Canadian GAAS, we request that all disclosure misstatements be corrected. There are no disclosure misstatements aggregated by us during the current engagement and pertaining to the latest period presented to report.
Fraud risk
A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the Audit risks section of this report. Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remain appropriate.

Significant accounting practices, judgments and estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards. During the year ended December 31, 2016, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

Independence
We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level. We confirm that we have complied with relevant ethical requirements regarding independence.

Conclusion
In accordance with Canadian GAAS, our audits were designed to enable us to express an opinion on the fairness of the presentation of the City’s annual financial statements prepared in accordance with PSAS. No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested. We intend to issue an unmodified audit report on the consolidated financial statements of the City for the year ended December 31, 2016 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved.
# Audit risks

## The Corporation of the City of Burlington

### Revenue and deferred revenue amounts*

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Our audit response</th>
<th>Audit results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition.</td>
<td>- Substantive testing to determine if restricted contributions (i.e., development charges, gas tax, conditional grants, etc.) have been recognized as revenue in the appropriate period.</td>
<td>No significant issues were noted as a result of this testing.</td>
</tr>
</tbody>
</table>

### Year-end cut-off

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Our audit response</th>
<th>Audit results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine if cut-off of revenues and expenses is appropriate.</td>
<td>- Substantive testing on accounts payable, accrued liabilities, deferred revenue and accounts receivable, and</td>
<td>No significant issues were noted as a result of this testing.</td>
</tr>
<tr>
<td></td>
<td>- Test disbursements subsequent to year-end.</td>
<td></td>
</tr>
</tbody>
</table>

### Tangible capital assets

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Our audit response</th>
<th>Audit results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate accounting and disclosure.</td>
<td>- Test assumptions used in determining completeness, valuation, recording and cut-off of 2016 additions and disposals, and</td>
<td>No significant issues were noted as a result of this testing.</td>
</tr>
<tr>
<td></td>
<td>- Testing of calculations of amortization.</td>
<td></td>
</tr>
</tbody>
</table>
### Year-end accruals and other estimates (including salaries, employee future benefits, contaminated sites, and allowance for doubtful accounts)

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Our audit response</th>
<th>Audit results</th>
</tr>
</thead>
</table>
| Estimates require management judgments and assumptions. | - Obtain documentation on management’s control over accounting estimates and assess risk  
- Review and assess the consistency of major assumptions used to develop significant accounting estimates  
- Compare actual historical experience to models employed in such calculations  
- Obtain calculations from experts for accruals such as employee future benefit liability, and assess assumptions and data used to prepare the report, and  
- Review actual outcome of prior year estimates. | No significant issues were noted as a result of this testing. |

### Management override of controls*

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Our audit response</th>
<th>Audit results</th>
</tr>
</thead>
</table>
| Management override of controls is a presumed area of risk in a financial statement audit due to management’s ability to override controls that otherwise appear to be operating effectively. | - Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements  
- We will obtain an understanding of the business rationale for significant transactions that we become aware of that are outside of the normal course of business, or that otherwise appear to be unusual given our understanding of the City and its environment  
- We will review accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement  
- In addition, experienced Deloitte personnel will be assigned to the testing and review of journal entries and areas of estimates, and  
- Professional skepticism will be maintained throughout the audit. | No significant issues were noted as a result of this testing. |
Significant accounting practices, judgments and estimates

The accounting policies described in Note 1 to the City’s financial statements are most important to the portrayal of the City’s financial condition and financial performance.

In the course of our audits of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

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

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of the City.

Management judgment and accounting estimates
Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management’s current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2016, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements with respect to estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of the City.
Other reportable matters

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

<table>
<thead>
<tr>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Changes to the audit plan</strong></td>
</tr>
<tr>
<td>The audits were conducted in accordance with our audit plan, which was communicated to the Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.</td>
</tr>
<tr>
<td><strong>Significant difficulties encountered in performing the audit</strong></td>
</tr>
<tr>
<td>We did not encounter any significant difficulties while performing the audits. There were no significant delays in receiving information from management required for the audits nor was there an unnecessarily brief timetable in which to complete the audits.</td>
</tr>
<tr>
<td><strong>Related party transactions</strong></td>
</tr>
<tr>
<td>Related party transactions or balances have been properly disclosed in the financial statements. We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.</td>
</tr>
<tr>
<td><strong>Disagreements with management</strong></td>
</tr>
<tr>
<td>In the course of our audits, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.</td>
</tr>
<tr>
<td><strong>Consultation with other accountants</strong></td>
</tr>
<tr>
<td>Management has informed us that the City has not consulted with other accountants about auditing or accounting matters.</td>
</tr>
<tr>
<td><strong>Legal and regulatory compliance</strong></td>
</tr>
<tr>
<td>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the City.</td>
</tr>
<tr>
<td><strong>Post-balance sheet events</strong></td>
</tr>
<tr>
<td>At the date of finalizing this report, we are not aware of any significant post balance sheet events.</td>
</tr>
</tbody>
</table>
Appendix 1 – Communication requirements

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

<table>
<thead>
<tr>
<th>Required communication</th>
<th>Refer to this report or the document described below</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit service plan</strong></td>
<td></td>
</tr>
<tr>
<td>1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements</td>
<td>Master Services Agreement dated November 7, 2016</td>
</tr>
<tr>
<td>2. An overview of the overall audit strategy, addressing:</td>
<td></td>
</tr>
<tr>
<td>a. Timing of the audit</td>
<td>Audit service plan presented to the audit committee on November 16, 2016.</td>
</tr>
<tr>
<td>b. Significant risks, including fraud risks, and</td>
<td></td>
</tr>
<tr>
<td>c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk.</td>
<td></td>
</tr>
<tr>
<td>3. Significant transactions outside of the normal course of business, including related party transactions</td>
<td>None noted.</td>
</tr>
<tr>
<td><strong>Year-end communication</strong></td>
<td></td>
</tr>
<tr>
<td>4. Fraud or possible fraud identified through the audit process</td>
<td>None noted.</td>
</tr>
<tr>
<td>5. Significant accounting policies, practices, unusual transactions, and our related conclusions</td>
<td>See note 1 to the financial statements for significant accounting policies. No unusual transactions noted.</td>
</tr>
<tr>
<td>6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period</td>
<td>The significant accounting practices and policies selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of the City.</td>
</tr>
<tr>
<td>7. Matters related to going concern</td>
<td>See page 2 of this report.</td>
</tr>
<tr>
<td>8. Management judgments and accounting estimates</td>
<td>See page 3 of this report.</td>
</tr>
<tr>
<td>Required communication</td>
<td>Refer to this report or the document described below</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------</td>
</tr>
<tr>
<td>9. Significant difficulties, if any, encountered during the audit</td>
<td>None noted.</td>
</tr>
<tr>
<td>10. Material written communications between management and us, including management</td>
<td>See Appendix 5.</td>
</tr>
<tr>
<td>representation letters</td>
<td></td>
</tr>
<tr>
<td>11. Other matters that are significant to the oversight of the financial reporting</td>
<td>None noted.</td>
</tr>
<tr>
<td>process</td>
<td></td>
</tr>
<tr>
<td>12. Modifications to our opinion</td>
<td>None.</td>
</tr>
<tr>
<td>13. Our views of significant accounting or auditing matters for which management</td>
<td>No consultation with other accountants was noted.</td>
</tr>
<tr>
<td>consulted with other accountants and about which we have concerns</td>
<td></td>
</tr>
<tr>
<td>14. Significant matters discussed with management</td>
<td>None noted.</td>
</tr>
<tr>
<td>15. Illegal or possibly illegal acts that come to our attention</td>
<td>None noted.</td>
</tr>
<tr>
<td>16. Significant deficiencies in internal control, if any, identified by us in the</td>
<td>None noted.</td>
</tr>
<tr>
<td>conduct of the audit of the financial statements</td>
<td></td>
</tr>
<tr>
<td>17. Uncorrected misstatements and disclosure items</td>
<td>See Appendix 2.</td>
</tr>
</tbody>
</table>
Appendix 2 – Summary of misstatements

**Uncorrected misstatements**

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Carryover effects of prior year uncorrected misstatement related to contingent liability for land expropriation**

<table>
<thead>
<tr>
<th></th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated surplus</td>
<td></td>
<td>1,141,548</td>
</tr>
<tr>
<td>Accrued Liabilities</td>
<td></td>
<td>1,141,548</td>
</tr>
</tbody>
</table>

**To reverse the correction made during 2016 to the contingent liability for land expropriation**

<table>
<thead>
<tr>
<th></th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Liabilities</td>
<td></td>
<td>1,141,548</td>
</tr>
<tr>
<td>Transportation services expenses</td>
<td></td>
<td>1,141,548</td>
</tr>
</tbody>
</table>

**Corrected misstatements**

There were no corrected misstatements.
Dear Ms. Ford:

We have substantially completed our examination of the consolidated financial statements of the Corporation of City of Burlington (the “City”) for the year ended December 31, 2016. We would like to provide the attached management comments for your consideration.

As part of our examination, we reviewed the City’s systems and internal controls to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian generally accepted auditing standards. Under these standards, the fundamental purpose of the evaluation is to assess audit risk and to establish a basis for reliance on the internal controls in determining the nature, extent and timing of other auditing procedures, which are necessary for the expression of an opinion on the financial statements; it is not to determine whether internal controls are adequate for management’s purposes.

While the audit did not include an in-depth evaluation of all systems or all aspects of any individual system, we undertake to report any internal control matters which come to our attention during the audit. Our comments and recommendations are set out in the attached report.
We would be pleased to discuss our recommendations and provide any assistance you may wish in their implementation.

Yours very truly,

[Signature]

Chartered Professional Accountants
Licensed Public Accountants

Enclosure

c: Members of the Audit Committee
1. SAP Excessive Privileged Access

Observation
We noted that excessive SAP access is granted to 12 users, including 10 IT users and 2 business users. Access privileges distributed to these users include debugging access, all-transaction access, and role and user maintenance access.

Implication
Excessive access may be used to execute any transaction/program, modify programs, directly maintain table data, and/or assign unauthorized access privileges. This may lead to bypassing of segregation of duty (SOD) controls and/or performing unauthorized changes to financial data.

Recommendation
Excessive access (such as all-transaction and debugging access) should not be assigned to any users, and administrative access (such as access related to the maintenance of users, groups, roles, or passwords) should be highly restricted based on users’ SAP administration responsibilities.

If excessive access is required, it should be granted through an emergency access process, such as SAP’s firefighter process or a temporary role assignment process. Such a process would ensure that excessive access would only be allocated on a temporary as-needed basis, with appropriate approval, as well as post-usage log review.

Management Response
All access to the SAP application was reviewed resulting in one IT account being disabled and one business account being modified to remove specific privileges. The other accounts were reviewed and it was determined that the access was justified based on their job responsibilities, roles as part of the application support team and current support practices for the SAP application.

The current practice, as documented in SOP-047 SAP Systems Authorizations Principal of Least Privilege, was put in place to ensure that Region of Halton staff along with City of Burlington Finance and ITS staff have a documented process for managing account access in the production environment.

As a best practice, a review of the current process for SAP access should occur with key staff from the Region of Halton and City of Burlington to identify areas of improvement to bring our current process closer to standard best practices.

Responsible party: Manager Business Application, Controller and Manager of Financial Services

Timing: June 2017
2. SAP Change Management Access

Observation
We noted that access and related settings do not enforce a change management process for SAP. Nine (9) users, including 8 IT users and 1 business user, have unauthorized change management access. This includes access to modify change control settings, develop directly in production, transport changes into production, as well as access developer keys. We also noted limited logging relating to the SAP change management process.

Implication
Inappropriate assignment of change management access increases the risk of inappropriate changes to application systems or programs that contain relevant automated controls (i.e., configurable settings, automated algorithms, automated calculations, and automated data extraction) and/or report logic. Additionally, in the absence of a change monitoring process, any unauthorized changes may not be detected.

Recommendation
Change management access (including access to developer keys and to modify change control settings) should be highly restricted (based on job responsibilities), and the use of such access should be fully logged and monitored.

Segregation of duty controls should also be enforced. No users should have access to directly develop in production. Furthermore, developer keys should not be assigned in production, and users with developer keys should not have access to transport changes into production.

Management response
Access to the SAP environment has been set to non-modifiable resulting in changes to the production environment only being allowed through transports (pre-programmed code). Identification of an existing account with developer key access has been acted upon with this access being immediately revoked. Access to run transports are currently restricted to a limited number of staff at the Region of Halton, none of whom have developer key access.

Additionally, this observation and resulting recommendation had been previously made during an internal audit of the SAP system completed by Deloitte at the request of the City Auditor in late 2013. At that time, discussions were held with the Basis group at the Region of Halton. They indicated that a number of system administration transactions are run to monitor and control the system on a daily basis. This process is still in effect today.

The current process, as documented in SOP-047 needs to be reviewed to ensure that control settings along with the appropriate segregation of duties is being monitored appropriately as part of the procedure.

Responsible party: Manager Business Applications, Controller and Manager of Financial Services

Timing: June 2017
3. Avantis User Reviews

Observation
Application user reviews were not performed for Avantis in 2016.

Implication
With no consistent, coordinated and documented process to regularly, periodically and consistently review user access, there may be an increased risk that unauthorized user accounts may have access to Avantis.

Recommendation
Management should establish a periodic review process to ensure that only authorized users have access to Avantis.

Management response
IT staff have acknowledged that the necessary user access review for Avantis was not completed in 2016. A detailed review of the user access privileges was not possible due to the highly complex field level access settings. This results in a very onerous and time consuming manual review of the various access privilege screens with both IT staff and the appropriate business staff working together. As a result, IT staff will focus the access review at the application level to ensure that only approved users can access the application allowing for a streamlined scheduled process to be put in place.

Responsible party: Manager Business Applications

Timing: October 2017
Appendix 4 – Independence letter

Dear Audit Committee Members:

We have been engaged to audit the consolidated financial statements of the City of Burlington (the “City”) for the year ended December 31, 2016.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the City, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

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

a. Holding a financial interest, either directly or indirectly, in a client
b. Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
c. Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
d. Economic dependence on a client, and
e. Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the City and our Firm, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from May 16, 2016 to May 9, 2017.

We hereby confirm that we are independent with respect to the City within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of May 9, 2017.

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

Yours very truly,

Chartered Professional Accountants
Licensed Public Accountants
Appendix 5 – Draft management representation letter
June 12, 2017

Private and confidential

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

Re: Consolidated financial statements of the City of Burlington for the year ended December 31, 2016

Dear Sirs:

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of the City of Burlington (the "City" or "we" or "us") for the year ended December 31, 2016, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the City in accordance with Public Sector Accounting Standards ("PSAS").

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

Financial statements
1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the Organization and Deloitte dated November 7, 2016 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Organization as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with PSAS.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Organization has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2016 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management’s method of determining significant estimates in the current year.

3. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected; all final adjusting journal entries have been reflected in the Financial Statements and the Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after December 31, 2016 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.

5. The Financial Statements are free of material errors and omissions. We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

6. The Organization has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

**Information provided**

7. We have provided you with:
   a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters. All financial statements and other financial information provided to you accurately reflect the activities and expenses of the Organization and do not reflect any activities or expenses of any other person or entity
   b. All relevant information as well as additional information that you have requested from us for the purpose of the audit, and
   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

8. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.

9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    a. Management
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the Financial Statements.

11. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity’s Financial Statements and all knowledge of concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the Organization that have been communicated by employees, former employees, or others, whether written or oral.

12. We have disclosed to you all communications from regulatory agencies and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.

13. We have disclosed to you the identity of the entity’s related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

16. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements. We have disclosed updated contingent liability for land expropriation settlement from prior year.

17. We have disclosed to you, and the Organization has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

18. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

**Independence matters**

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

19. Prior to the Organization having any substantive employment conversations with a former or current Deloitte engagement team member, the Organization has held discussions with Deloitte and obtained approval from the Audit Committee.

**Standard representations**

20. The City has applied the same accounting policies on a consistent basis for the opening PSAS statement of financial position and throughout all periods presented in the Financial Statements. These accounting policies are in accordance with the PSAS effective at the end of the current reporting period December 31, 2016.

**Plans or intentions affecting carrying value/classification of assets and liabilities**

21. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

**Notes, loans and receivables**

22. The City is responsible for determining the appropriate carrying amount of notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

**Environmental liabilities/contingencies**

23. We have considered the effect of environmental matters on the City and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.
Employee future benefits

24. Employee future benefit costs, assets, and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances.

25. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.

Various matters

26. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:

a. losses arising from sale and purchase commitments  
b. agreements to buy back assets previously sold  
c. provisions for future removal and site restoration costs  
d. financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure  
e. arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements  
f. all impaired loans receivable  
g. loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Adjusting journal entries

27. We have reviewed and approved the year-end adjusting entries, including all related supporting schedules, and the financial statements and acknowledge our responsibility for their accuracy. While discharging our responsibility we may have requested your assistance or input in certain areas such as:

a. Recording of transactions for which we have determined or approved the appropriate account classification  
b. Posting transactions to the general ledger  
c. Preparing financial statements  
d. Posting journal entries to the trial balance  
e. Performing non-custodial payroll services, and  
f. Preparing taxation returns.

We acknowledge our responsibility for the above listed items and confirm that we have authorized, reviewed and approved all of the above items.
Investments
28. The City does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset backed commercial paper).

Access to minutes
29. We have not provided you access to review certain minutes and reports which may violate the solicitor-client privilege. The City Solicitor has reviewed all minutes and reports impacted by the solicitor-client privilege, and has concluded that there are no material liabilities or contractual obligations included in them which are not already reflected in the consolidated financial statements of the City.

Yours truly,

The City of Burlington

Ms. Joan Ford
Executive Director of Finance

Ms. Sandy O’Reilly
Controller & Manager of Financial Services
Appendix A
Summary of uncorrected financial statement misstatements

City of Burlington
Year ended December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Asset Dr(Cr)</th>
<th>Liabilities Dr(Cr)</th>
<th>Accumulated Surplus Dr(Cr)</th>
<th>Statement of operations Dr(Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carryforward of opening balance</td>
<td>[1]</td>
<td>(1,141,548)</td>
<td>1,141,548</td>
<td></td>
</tr>
<tr>
<td>Factual uncorrected misstatements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reversal of prior year uncorrected error</td>
<td>[2]</td>
<td>1,141,548</td>
<td></td>
<td>(1,141,548)</td>
</tr>
<tr>
<td><strong>Total Uncorrected Misstatements</strong></td>
<td>-</td>
<td>-</td>
<td>1,141,548</td>
<td>(1,141,548)</td>
</tr>
</tbody>
</table>

[1] Represents the carry over effect of the prior year contingent liability for land expropriation
[2] Represents the current year adjustment of the prior year uncorrect error