



2015 Year-end Audit Report

The City of Calgary



For the year ended December 31, 2015
Presented to the Audit Committee
April 14, 2016



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April 5, 2016

To the Chair and members of the Audit Committee of The City of Calgary

Dear Audit Committee Members:

Report on audited annual consolidated financial statements

As agreed in our engagement letter dated October 15, 2015, we have performed an audit, in accordance with Canadian generally accepted auditing standards ("GAAS") of the consolidated financial statements of The City of Calgary ("The City") as at and for the year ended December 31, 2015, prepared in accordance with Canadian public sector accounting standards ("PSAS") and expect to issue our audit report thereon dated April 25, 2016.

This report summarizes our findings during the audit. Our audit has been conducted in accordance with the Audit Service Plan that was presented to the Audit Committee members at the meeting on October 15, 2015, with the exception of the changes to the audit plan discussed on page 2 of this report.

Use of our report

This report is intended solely for the information and use of the Audit Committee, Administration and others within The City and is not intended to be, 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.

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

Yours truly,

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

Chartered Professional Accountants, Chartered Accountants

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Audit scope matters

Canadian GAAS require that we communicate to the Audit Committee on the following matters:

Audit strategy and scope	The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope. Refer to our audit plan communicated on October 15, 2015.				
Materiality	<p>Materiality is the magnitude of misstatements, including omissions, in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.</p> <p>Canadian GAAS require that we determine performance materiality for purposes of assessing the risks of material misstatement of the financial statements and determining the nature, timing and extent of our audit procedures. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality is set at a lower level than materiality, so that if misstatements are detected, we may nevertheless be able to conclude with reasonable assurance that the uncorrected misstatements both individually and in the aggregate do not exceed materiality.</p> <p>Materiality levels were determined on the basis of consolidated operating expenses. The level of materiality utilized for the year ended December 31, 2015 was \$50,000,000 (2014 - \$46,000,000).</p>				
Group audit	<p>We are the auditor of all entities within the group with the exception of:</p> <ul style="list-style-type: none"> • Attainable Homes Calgary Corporation ("AHCC"); • Calgary Economic Development ("CED"); and • Calgary Arts Development Authority ("CADA"). <p>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.</p>				
Use of the work of experts	<p>As planned, Deloitte and external experts assisted in the audit to the extent we considered necessary:</p> <table> <tr> <td>Actuarial experts</td><td>AON Hewitt assisted in the assessment of the valuation of The City's pension liability.</td></tr> <tr> <td>Deloitte Information Technology experts</td><td>Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems.</td></tr> </table>	Actuarial experts	AON Hewitt assisted in the assessment of the valuation of The City's pension liability.	Deloitte Information Technology experts	Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems.
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Significant difficulties encountered in performing the audit	Professional standards require us to communicate certain matters to those charged with governance arising from the audit relating specifically to any difficulties encountered during the conduct of the audit. Overall, we did not encounter any significant difficulties while performing the audit other than those related to implementation challenges of adopting the new accounting standard PS 3260 – <i>Liability for contaminated sites</i> ("PS 3260"). This is discussed further in our report under "Audit risks – Adoption of PS 3260".				

Changes to the audit plan	<p>The audit was conducted in accordance with our audit plan presented to the Audit Committee on October 15, 2015, with the exception of the following changes. We note that the matters below, requiring a change to our audit plan, were communicated to us by Administration at various times between December 2015 and January 2016.</p> <p><u>Tangible Capital Asset (“TCA”) balance:</u></p> <p>As a result of the identification by Administration of prior period errors in TCA balances, we extended our testing and applied additional audit procedures which were not considered in our original audit plan to audit the 2014 accounts that were restated as part of the year-end financial statements. We also tested the restated balances at a significant risk level and performance materiality level of \$25M.</p> <p>Refer to the “Adjustments to prior period” and “Accounting for tangible capital assets” sections of this report for further details.</p> <p><u>Consolidation of related authorities:</u></p> <p>During the finalization of the 2015 financial statements, Administration determined that based on PSAS guidance and overall materiality of these two entities, both CED and CADA (and their respective subsidiaries – Calgary Film Centre Ltd. and cSPACE Projects) were required to be consolidated with The City’s annual financial statements. We extended our audit procedures to include testing of both CED and CADA 2014 and 2015 financial information as part of the 2015 audit.</p> <p>Refer to “Adjustments to prior period” for further discussion.</p> <p><u>Public Private Partnership (“P3”) Agreement – Composting Facility Project</u></p> <p>The agreement, which includes a design, build and operate arrangement with a private partner was signed on June 25, 2015 and construction of the facility commenced during fiscal 2015, for which costs have been incurred by the private partner. As such, there is a requirement to assess the financial reporting impact of this agreement and costs incurred to date on the year-end financial statements. We reviewed the agreement and held discussions with Administration on this matter. Construction costs incurred during 2015 in the amount of approximately \$25M have been recorded as work in progress and as an accrued liability in the year-end financial statements. The total construction commitment of \$125M has been disclosed in note 25(j) of the financial statements. We will continue to work with Administration to determine the financial reporting impact of this agreement on the 2016 financial statements.</p> <p>We confirm that there have been no other significant amendments to the audit scope and approach communicated in the audit plan.</p>
Administration’s judgment and accounting estimates	<p>Accounting estimates are an integral part of the financial statements prepared by Administration and are based on Administration’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.</p> <p>During the year ended December 31, 2015, Administration advised us that there were no significant changes in accounting estimates or in judgments relating to such estimates, with the exception of changes as described in note 31 of the financial statements. The change in estimate relates to change in capitalization thresholds applied to the Machinery and Equipment asset category for all business units. We have applied audit procedures to this change in estimate and concur with Administration’s accounting of these matters as a change in estimate in accordance with PSAS guidance.</p> <p>In our judgment, the significant accounting estimates made by Administration are, in all material respects, free of possible Administration bias. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of The City.</p>
Significant accounting policies	<p>In our judgment, the significant accounting practices and policies, selected and applied by Administration are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of The City.</p>
Disagreements with Administration	<p>In the course of our audit, we did not encounter any disagreements with Administration about matters that individually or in the aggregate could be significant to the consolidated financial statements.</p>
Consultation with other accountants	<p>Administration has informed us that The City has not consulted with other accountants about auditing or accounting matters.</p>

Legal and regulatory compliance	<p>Administration is responsible for ensuring that The City's operations are conducted in accordance with the laws and regulations applicable to The City in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with Administration.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations as we perform limited procedures and enquiries regarding compliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by The City.</p>
Post statement of financial position events	<p>Administration is responsible for assessing subsequent events up to the date of the release of the financial statements.</p> <p>At the date of finalizing this report, we are not aware of any significant post statement of financial position events which require adjustment or disclosure in the financial statements. We will update subsequent events to the date of the audit report with Administration, prior to issuing our audit opinion.</p>
Administration's representation letter	<p>A draft version of Administration's representation letter to be signed by Administration is included in Appendix 3.</p>
Status of our audit	<p>We expect to be in a position to render our audit opinion dated April 25, 2016 on the financial statements of The City following recommendation for approval of the financial statements by City Council and the completion of the following outstanding procedures:</p> <ul style="list-style-type: none"> • Completion of audit work on consolidation, including manager/partner review; • Completion of tie-in of final version of financial statements; • Completion of audit work on Budget Note 16 in the financial statements; • Completion of our subsequent events review to April 25, 2016; • Receipt of signed Administration representation letter; • Legal letter responses; • Finalization of internal file reviews and file documentation matters; • Review of the final version of the financial statements for changes, if any; • Approval of the financial statements by City Council at the recommendation of the Audit Committee; and • Completion of quality assurance review. <p>We will provide the Audit Committee with an update on these matters at the upcoming meeting. We anticipate satisfactory completion of all matters prior to the Audit Committee meeting.</p>
Quality control	<p>Our firm's quality control process embraces each of the elements identified in the Chartered Professional Accountants of Canada ("CPA Canada") Handbook sections covering Canadian standards of quality control for firms that perform audits and reviews of financial statements and other assurance engagements.</p>
Fees	<p>The City of Calgary – Consolidated Audit:</p> <p>We communicated proposed audit fees of \$252,200 in our audit plan for the audit of the consolidated financial statements (2014 - \$246,000), plus an additional \$15,000 for the audit of the implementation of PS 3260 - <i>Liability for contaminated sites</i>, \$15,000 for operating effectiveness testing of the Property Tax Web ("PTWEB") and Local improvement levy system ("LIL") systems and \$10,000 for audit work for new processes and policies related to Machinery and Equipment.</p> <p>We also communicated additional fees of \$10,000 for the P3 composting facility agreement, \$12,000 for the consolidation of CED and CADA and \$35,000 for TCA prior period adjustments at the February 18, 2016 Audit Committee meeting.</p> <p>We have no changes to these proposed fees.</p> <p>Total Fees – The City of Calgary and related entities</p> <p>Total fees charged for The City and related entities including audit, audit-related, non-audit and other services during the period covered by the financial statements are \$1,970,024 (2014 - \$2,166,200). Refer to Appendix 2 for further details on these fees.</p>
Communications	<p>As a part of our audit plan, we committed to communicate certain matters to the Audit Committee on a regular basis or as specified events occur. A summary of our communications is provided in Appendix 6.</p>

Audit findings

This report summarizes the main findings arising from our audit as of December 31, 2015.

Internal control	<p>Overall, based on our testing, we did not identify any significant issues with internal controls, except for significant deficiencies in internal control that existed as of December 31, 2015 relating to TCA processes and procedures. Refer to "Accounting for Tangible Capital Assets" for additional details.</p> <p>These deficiencies will be outlined in more detail in our letter of recommendations for the year ended December 31, 2015, which will be presented to the Audit Committee on June 16, 2016.</p>
Uncorrected misstatements	<p>In accordance with Canadian GAAS, we request that all misstatements be corrected.</p> <p>We are required to report all uncorrected misstatements greater than \$2,500,000 (2014 - \$2,300,000), computed as 5% of materiality, and those that are quantitatively insignificant but may be qualitatively significant.</p> <p>There are no known uncorrected misstatements as all identified misstatements were corrected by Administration. Corrected misstatements are included in Appendix A attached to the Administration representation letter.</p> <p>As discussed on page 8 of our report, we have identified one likely, unquantifiable error in relation to the adoption of PS 3260. This is also included in Appendix A of the Administration representation letter.</p>
Unadjusted disclosure deficiencies	<p>In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected. No disclosure deficiencies were identified during the audit.</p>
Conclusion	<p>In accordance with Canadian GAAS, our audit is 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.</p> <p>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.</p> <p>We intend to issue an unmodified audit report on the consolidated financial statements of The City for the year ended December 31, 2015 once the consolidated financial statements are approved by the Audit Committee and City Council.</p> <p>A draft version of our Auditor's report is included in Appendix 1.</p>

Audit risks

Our audit plan identified certain areas that we refer to as significant risks. The results of our audit work on these risks are set out below:

Significant risks

Areas of risk	Our audit response and conclusion
Tangible Capital Assets Completeness and valuation of Tangible Capital Assets ("TCA").	<p>We audited TCA additions, disposals, work in progress and amortization along with related disclosures. Our testing included, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the definition of a capital asset are included as TCA and are appropriately valued.</p> <p>We also reviewed a sample of items recorded as repairs and maintenance to ensure these amounts were appropriately expensed.</p> <p>We assessed impairment indicators of TCA and considered the need and amount of potential write downs. There were no write downs noted for 2015 in relation to TCA impairment.</p> <p>We tested TCA WIP additions to ensure these WIP additions were appropriately accounted for as work in progress. We also tested the aging of TCA projects to ensure appropriate accounting treatment of those projects in the year-end financial statements.</p> <p>We applied audit procedures to the changes in processes and policies relating to the change in capitalization thresholds for the Machinery and Equipment asset category.</p> <p>Given the nature of TCA held by The City, there is a risk of misclassification. As a result, we performed increased substantive testing of the financial statement disclosures.</p> <p>Conclusion:</p> <p>We identified errors in TCA account balances as discussed in "Adjustments to prior period" which were corrected by Administration. Overall, following the correction of identified errors, we concluded that TCA is fairly stated, appropriately classified and properly disclosed in the context of the financial statements taken as a whole.</p>

Areas of risk	Our audit response and conclusion
2013 Flood Tangible capital asset capitalization versus expenditure of repairs Recognition of revenue - insurance proceeds and government funding	<p>The 2013 flood impacted the TCA balances of The City. There was significant damage to various City owned assets which resulted in an impairment of their value on the financial statements in the prior year.</p> <p>We noted that while a majority of the expenditures relating to flood remediation and repair and maintenance of damaged TCA assets was incurred in 2013, as remediation, repair and maintenance efforts have continued into fiscal 2015, there continued to be costs associated with the flood impacting the 2015 financial statements. Accordingly, the 2013 flood and related accounting impact remained an area of focus for the 2015 audit.</p> <p>We reviewed a sample of expenditures relating to the repair and maintenance of TCA to verify whether these expenditures were appropriately capitalized or expensed in accordance with The City's accounting policies.</p> <p>Finally, we reviewed the revenue recognition of insurance proceeds and government funding and verified that revenue had been appropriately recorded in the correct period.</p> <p>Note 32 of the financial statements describes the impact of the 2013 flood on the 2015 financial statements.</p> <p>Conclusion:</p> <p>Overall, we concluded that TCA and revenue recognition of insurance proceeds and government funding are fairly stated, appropriately classified and properly disclosed in the context of the financial statements taken as a whole.</p>
Administration override of controls	<p>Professional auditing standards require us to presume Administration override of controls to be a risk of material misstatement due to fraud.</p> <p>There is a risk that Administration has the ability to override controls.</p> <p>We engaged in periodic fraud discussions with certain members of senior Administration and others, including The City Auditor, City Solicitor and the Audit Committee.</p> <p>We completed journal entry testing to test the appropriateness of journal entries and verify that there were no transactions outside the normal course of business.</p> <p>We tested Administration estimates as well as any unusual or significant transactions. In addition, we completed testing of the design and implementation of internal controls relating to various financial statement line items.</p> <p>Conclusion:</p> <p>We conclude that there were no issues noted relating to Administration override of controls in the context of the financial statements taken as a whole.</p>

Areas of risk	Our audit response and conclusion
Adoption of PS 3260 – Liability for contaminated sites (“PS 3260”)	<p>PS 3260 establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. The standard defines which activities should be included in a liability for remediation, the timing of this recognition, the method of measurement and provides the requirements for financial statement presentation and disclosure.</p> <p>There is a risk that the liability recorded for contaminated sites is not complete or accurate. There is also a risk that the application of the standard is not consistent with the guidance provided within PS 3260.</p> <p>The City completed an estimate of the liability for contaminated sites based on a risk assessment matrix. The risk assessment matrix identified approximately 142 sites that may be potentially contaminated as at December 31, 2015 for which a liability should be accrued. Administration has completed the assessment on approximately 52 of these 142 sites with the remaining 90 sites to be reviewed in fiscal 2016 as part of Administration's work plan. Based on Administration's assessment to date, a liability of \$2.7M has been recorded for three sites in the year-end financial statements.</p> <p>We reviewed The City's methodology and process used for application of this standard to assess the appropriateness of the process, which included discussions with personnel, both Utilities and Environmental Protection, legal and finance departments. We applied audit procedures on the assumptions utilized and the calculation of the liability associated with the potential remediation costs. We also reviewed financial statement disclosure relating to this liability to ensure disclosures are in accordance with PS 3260.</p> <p>The liability recorded in the year-end financial statements of \$2.7M is based on The City's best estimate of the amount required to remediate sites for which an assessment was completed in 2015 based on The City's methodology and process.</p> <p>Conclusion:</p> <p>We have reviewed the estimate of the liability recorded in the year-end financial statements and related financial statement disclosure. We note no issues with the methodology and process utilized by The City as well as the financial statement disclosure.</p> <p>We do, however, note that PS3260 was not completely adopted as the impact of 90 sites on the year-end financial statements was not assessed, which will need to be addressed in 2016 in order to fully comply with the new standard. The incomplete adoption of the standard results in the potential for an unrecorded liability and possible misstatement at December 31, 2015 which results in an unquantified, likely error. We have included this in Appendix A of the Administration representation letter and we have also included appropriate representations regarding this matter in the Administration representation letter. We also encountered challenges with the adoption of PS 3260 in terms of overall quality and timeliness of information and analysis received from the applicable department(s).</p> <p>We will also separately provide recommendations regarding this matter in our letter of recommendations to be presented at the June 16, 2016 Audit Committee meeting.</p>
Areas of focus	Our audit response and conclusion
PS 3270 – Solid waste closure and post-closure liability	<p>We reviewed Administration's estimates and assumptions for reasonability and performed tests of details on the transactions during the year.</p> <p>We require representations to be signed by Administration that all solid waste closure and post-closure liabilities are complete and appropriately disclosed.</p> <p>Conclusion:</p> <p>We conclude that there were no issues noted relating to the valuation of solid waste closure and post-closure liabilities in the context of the financial statements taken as a whole.</p>

Areas of focus	Our audit response and conclusion
Local improvement levy revenue (completeness and cut-off)	<p>We obtained a listing of completed local improvement projects in the year and applied audit procedures on a sample basis to verify that the projects have been appropriately accounted for in the year-end financial statements.</p> <p>In addition, we tested the operating effectiveness of the PTWEB and LIL information technology systems that support the recording of local improvement levy revenue.</p> <p>Conclusion:</p> <p>We conclude that local improvement levy revenue is fairly stated in the context of the financial statements as a whole.</p> <p>Based on our testing of the system, we identified one area of remediation required in relation to the transfer of information from the LIL system to the PTWEB system to Peoplesoft and the security of access to this information (the information included in the LIL system such as construction project status and amounts to be billed to citizens does not have restricted access). This recommendation has been communicated to Administration and will be included in our letter of recommendations to be presented to the Audit Committee at the June 16, 2016 meeting.</p>
Funding contracts	<p>We reviewed Administration's assessment of liabilities and commitments required to be recorded or disclosed under agreements entered into during the year.</p> <p>We reviewed a sample of funding contracts entered into during the year to assess Administration's treatment and appropriate recording of these transactions.</p> <p>We also assessed the completeness of the balances via a review of Council minutes and a search for unrecorded liabilities as well as a review of prior year estimates.</p> <p>Conclusion:</p> <p>We conclude that there were no issues noted relating to the disclosure of liabilities and commitments under funding contracts provided by The City in the context of the financial statements taken as a whole.</p>
Capital deposits and deferred revenue	<p>We selected a sample of capital projects in progress over the year and ensured costs and related revenues were recorded in the correct period.</p> <p>Conclusion:</p> <p>We conclude that there were no issues noted relating to the accounting of capital deposits and recognition of deferred revenue in the context of the financial statements taken as a whole.</p>
Related authorities / subsidiaries	<p>We reviewed The City's accounting policies and any changes therein related to its subsidiaries.</p> <p>We verified that the subsidiaries had been accounted for and disclosed in accordance with The City's accounting policies and PSAS guidance and we performed separate audits of all subsidiaries, with the exception of AHCC, CED and CADA, which are audited by other auditors.</p> <p>Our Conclusion:</p> <p>We conclude that there were no issues noted relating to the accounting for organizations included in the government reporting entity (related authorities or subsidiaries) in the context of the financial statements taken as a whole.</p>
Litigation accruals and contingencies	<p>We made enquiries of The City's law department and City Solicitor to determine the status of outstanding legal matters.</p> <p>We reviewed legal correspondence from the City Solicitor and discussed the status of outstanding legal matters with Administration and others, as necessary.</p> <p>We worked with Administration to assess the appropriateness of any contingent liabilities and financial statement disclosures.</p> <p>Our Conclusion:</p> <p>We conclude that there were no issues noted relating to claims and litigation matters of The City and its related authorities in the context of the financial statements taken as a whole.</p>

Areas of focus	Our audit response and conclusion
Government grants and transfers	<p>We reviewed a sample of funding agreements to determine if the contract required financial statement disclosure.</p> <p>We reviewed a sample of federal and provincial transfer payments received during the year to fund specific projects.</p> <p>We reviewed the related funding agreements to ensure funds were used for their intended purpose and that revenue was recognized in the appropriate period, including any deferred revenue.</p> <p>We tested expenditures and ensured that the corresponding revenue had been recognized in accordance with the funding agreement and PSAS guidance.</p> <p>Our Conclusion:</p> <p>We conclude that there were no issues noted relating to the accounting for, and disclosure requirements of government grants and transfers in the context of the financial statements taken as a whole.</p>
Tax revenue	<p>We performed reasonability tests on tax revenue balances and reviewed and tested the tax revenue business cycle process controls.</p> <p>We completed data analytical testing on property tax revenues for the year ended December 31, 2015.</p> <p>In addition, we reviewed the prior and current years' appeal liabilities that were outstanding as at December 31, 2015. Furthermore, we reviewed the potential interest charge liability relating to these appeals.</p> <p>Our Conclusion:</p> <p>We conclude that there were no issues noted relating to the accounting for tax revenue in the context of the financial statements taken as a whole.</p>
Reserves	<p>We reviewed new reserves established during the year and agreed the approval of reserves to Council minutes.</p> <p>We reviewed the completeness and accuracy of the financial statement disclosures relating to reserves.</p> <p>Our Conclusion:</p> <p>We conclude that there were no issues noted relating to the recording and presentation of reserves in the context of the financial statements taken as a whole.</p>
Long-term debt, pension liability, contractual and other long-term obligations	<p>We reviewed the completeness and accuracy of the financial statement disclosures relating to The City's long-term debt, pension liability, contractual and other long-term obligations.</p> <p>We also evaluated whether these disclosures were in accordance with PSAS guidance.</p> <p>Our Conclusion:</p> <p>We conclude that there were no issues noted relating to the accounting for long term obligations in the context of the financial statements taken as a whole.</p>
Non-standard transactions	<p>We reviewed large transactions (P3 agreement relating to composting facility) that have occurred during the year to ensure that these transactions have been accurately and completely recorded in the year-end financial statements.</p> <p>Our Conclusion:</p> <p>We conclude that there were no issues noted relating to non-standard, large transactions in the context of the financial statements taken as a whole.</p>

Internal control matters

As part of our financial statement audit, we are required to consider many components of internal controls, which assist us in determining the risks of material misstatement and the identification of internal controls that will be relevant for our audit. Not all controls are relevant to every audit. For example, some internal controls may exist to address operational risks. For those controls deemed relevant to our audit, we evaluated the design of these controls and determined whether they were implemented. The procedures undertaken during this process allow us to consider whether or not our audit strategy will further rely on the operating effectiveness of those identified internal controls. In such cases, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented to also test whether the controls on which we intend to rely are operating effectively throughout the period of reliance. The determination of whether or not we will test the operating effectiveness of controls is determined on an engagement by engagement basis. In our audit of The City financial statements, we planned to and were able to rely on internal controls in the following areas, for which we tested the design and implementation and operating effectiveness:

- Property and Business Tax Revenue and Receivables;
- Government Grants;
- Fines and Penalties Revenues;
- Licenses and Permits Revenues;
- Operating and Capital Budgeting Process;
- Cash and Cash Equivalents; and
- Accounts Payable.

For all others areas, we tested only the design and implementation of controls. Canadian GAAS require us to report to the Audit Committee any significant deficiencies that have come to our attention. We did not note any significant deficiencies during the course of our audit in the areas listed above, we did, however identify significant deficiencies in internal controls and processes relating to the accounting of TCA in the current year. Refer to "Accounting for Tangible Capital Assets" for our conclusion on internal controls relating to the testing of TCA.

Our audit was not designed to provide a high degree of assurance that significant deficiencies, if any, would be detected.

Adjustments to prior period

During the finalization of the 2015 financial statements, Administration and Deloitte identified prior period adjustments that related to the following areas:

a) TCA (identified by Administration):

As a result of TCA refinement and improvements, Administration has continued to review TCA balances and processes and as a result identified errors relating to prior period TCA balances. The errors identified relate mainly to:

- Untimely and inadequate analysis of work in progress transactions in all business units, with the largest impact within the Roads, Water and Recreation business units;
- TCA disposal errors in the Roads business unit; and
- Double counting of Calgary Municipal Land Corporation ("CMLC") assets in the Roads and Water business units as well as through the consolidation.

It is to be noted that the majority of the TCA errors identified by Administration impacted the 2014 fiscal year-end.

The total prior period error is an overstatement of TCA of \$16.0M, an understatement of revenue of \$1.7M, an understatement of Expenses of \$7.8M and an overstatement of accumulated Surplus (beginning of year) of \$9.9M.

b) Land inventory adjustments:

- i) Incorrect recording of consolidation elimination entry for internal land inventory transfers (identified by Administration):
The prior period error is an overstatement of Land inventory and equity in accumulated surplus of \$2.7M.
- ii) Incorrect recording between TCA and land inventory (identified by Deloitte):
Administration recorded this entry as a change in estimate in the 2015 financial statements, however upon further audit work, this was determined to be a 2014 error requiring an adjustment to the prior period. The prior period error is an adjustment of \$4.4M from TCA to land inventory.

c) Consolidation of related authorities (CED and CADA) (identified by Administration):

In accordance with PSAS guidance (PS 1300), The City has control over both CED and CADA and as such is required to consolidate these entities into The City's financial statements. However, the operating results of each of these entities were not material in relation to the overall results of The City for prior years. During the finalization of the 2015 financial statements, Administration determined that two other entities (the Calgary Film Centre Ltd. and cSPACE Projects) were each controlled by CED and CADA, respectively. As a result, Administration has determined that effective fiscal 2015, the appropriate accounting treatment for CED and CADA is consolidation. The 2014 financial statements have been restated as a result. The restatement to consolidate CED resulted in an increase in financial assets of \$8.7M, financial liabilities of \$8.0 and non-financial assets of \$3.8M. The restatement to consolidate CADA resulted in an increase of financial assets of \$4.7M, financial liabilities of \$3.4M and non-financial assets of \$9.7M.

d) Elimination of CMLC debt repayment to The City (identified by Deloitte):

Through audit procedures performed in the current year, Deloitte identified that inter-entity debt repayment from CMLC to The City was not properly eliminated on consolidation. The prior period financial statements were adjusted as a result to decrease revenue and expenses by \$3.7M.

While we note that the prior period adjustments are not material in the context of the financial statements taken as a whole and in relation to audit materiality of \$50M, Administration has decided to restate the prior year financial statements as a result of the above noted errors. We tested the prior period errors as an area of significant risk on a sample basis to verify that the accounting was accurate, valid and complete. For items a and b, our audit procedures also included discussions with the applicable business unit personnel to understand the root cause of these errors and to determine processes that have been implemented or plan to be implemented to prevent future occurrences of these errors.

Note 30 to the consolidated financial statements includes details on the prior period adjustments. As a result of the additional work completed by Administration on the matters discussed above, Administration has concluded that the financial statements are not materially misstated as at and for the years ended December 31, 2015 and 2014 as restated, in the context of the financial statements taken as a whole.

Accounting for Tangible Capital Assets

Background and history

Tangible Capital Assets of The City are significant economic resources and a key component in the delivery of many municipal programs and services. Effective for fiscal 2009, all municipalities in Canada were required to adopt Section PS 3150 - *Tangible Capital Assets* ("PS 3150"), which required all municipalities to record and amortize assets of a long term, capital nature that may have been previously expensed through the capital fund or otherwise accounted for. The adoption of PS 3150 was a major undertaking for many municipalities, including The City, as it was one of the most significant changes ever enacted within the accounting rules for local governments. All major municipalities, including The City, expended significant resources and effort implementing the new standard. Regardless of the efforts undertaken to account for all of The City's TCA accurately and completely, The City experienced a number of challenges throughout the implementation of the new TCA accounting standard.

Following the initial adoption of PS 3150, The City continued to provide focus and attention to the accounting of TCA because it was recognized that the potential for estimate changes and errors in the initial adoption could occur. A significant number of errors and corrections were identified by Administration and Deloitte in the first year of adoption, and Deloitte provided a number of internal control, system and process improvement recommendations with respect to TCA. As a result of the continued refinement and improvement of The City's capital asset accounting and management systems, and the continuing education and training of staff within the business units, The City obtained better information and identified certain TCA balances that required correction in the prior years. It is important to observe that The City emphasized that any new TCA matters be raised and recorded by business unit personnel and/or finance personnel in subsequent years, with a tone to "get it right". As a result, the financial statements for fiscal years 2009 to 2011 and 2014 were restated to adjust prior period balances.

It is also important to note that these restated amounts related solely to the accounting for tangible capital assets and had no effect on The City's cash balances, net financial asset position, property tax revenues or any other balances influencing The City's operating budget, capital budget, grants received, property tax assessments or any other related balances. It is important to place the adjustments made to the historic financial statements in the context of the overall balance of TCA in The City's financial statements. TCA at December 31, 2014 totaled \$14 billion. The adjustments required over the past several years, while certainly not trivial, are typically "non-systematic", frequently have some level of unique accounting characteristics and cumulatively represent a small fraction of The City's overall TCA balance.

Throughout our reporting on the audits of the years ended December 31, 2009 through to 2014 we identified, updated and revised a number of recommendations for improvements in TCA accounting and management systems through our prior years' management recommendations letters, which Administration has continued to implement. Following the 2014 year end audit, a TCA Steering Committee was established to oversee the TCA Project Charter with the overall objective of developing TCA solutions and implementing processes that are consistent throughout all business units, simple to implement and which, when fully implemented, will allow for overall compliance with TCA policies by all business units.

Financial statements for the year ended December 31, 2015

The City has continued to expend focus and effort on the accounting of TCA, including implementation of many of our recommendation points issued during prior year's audit, including recommendations issued following the 2014 audit, as well as continuous staff education and training. As a result of this effort and attention, in the year ended December 31, 2015, The City identified additional TCA errors that related to prior periods in the following areas of TCA:

- Non-TCA items recorded as work in progress; and
- Disposals not recorded in the correct fiscal period.

While these errors impacted fiscal years 2009 through to 2014, it should be noted that, with the exception of untimely and inadequate work in progress analysis which continues to be a systematic issue, a majority of the errors related to fiscal 2014. Note 30 to the consolidated financial statements provides details of the adjustments that were recorded in the December 31, 2014 comparative financial statements.

Based on our audit procedures and our evaluation of the apparent nature and root causes of the errors, it is evident that the errors, while not individually material, impact several business units that hold significant TCA balances. While the issued financial statements for the year ended December 31, 2014 were not materially misstated as the net effect of the cumulative errors was not material, we concur with Administration's decision to restate the 2014 balances (including opening accumulated surplus) due to ongoing identification of errors, the number of reasons causing the errors, the number of business units impacted and the "tone" that is set in continuing to focus on accounting for TCA correctly.

We applied audit procedures, on a test basis, to the TCA errors identified by Administration to test the restatement of 2014 balances. Based on our testing and understanding of the causes of the errors, we have concluded that there continues to be significant deficiencies in the design and implementation and operating effectiveness of certain internal controls related to TCA accounting within the business units impacted, such that there is a reasonable possibility that a material misstatement of The City's annual financial statements will not be prevented or detected on a timely basis.

We provided specific recommendations in our prior years' management recommendations letters relating to TCA accounting and processes. We have held discussions with Administration during the year and note The City is in the process of implementing these recommendations, as was communicated in our update to the prior year management recommendations letter provided at the January 21, 2016 Audit Committee meeting. We support Administration's continued efforts to implement the recommendations that were issued in the prior years' management recommendations letters, as well as the implementation of initiatives established in the TCA Project Charter during fiscal 2015. Specifically, a formal review of the Machinery and Equipment asset category was completed during fiscal 2015 and appropriate changes were implemented. We have applied audit procedures to any changes in processes or policies implemented during fiscal 2015.

We also note that a TCA Costing System was approved which will assist in implementing many of our recommendations relating to TCA account balances. As Administration continues the implementation into fiscal 2016, we will incorporate relevant audit procedures to determine that our recommendations are being addressed.

We will provide Administration and the Audit Committee with formal written recommendations in our management recommendations letter, including updates to our recommendations from the prior year at the June 16, 2016 Audit Committee meeting.

Appendix 1 – Draft version of our Auditor's report

Our report on the financial statements is expected to be in the following form. However, the final form may need to be adjusted to reflect the final results of our audit.

INDEPENDENT AUDITOR'S REPORT

To His Worship Mayor Naheed Nenshi and members of City Council, The City of Calgary:

We have audited the accompanying consolidated financial statements of The City of Calgary, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial assets for the year then ended, and the accompanying notes to the consolidated financial statements.

City Administration's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

(To be signed Deloitte LLP)

Chartered Professional Accountants, Chartered Accountants
Calgary, Alberta
April 25, 2016

Appendix 2– Independence and fees

April 25, 2016

The Members of the Audit Committee and City Council of
The City of Calgary

Dear Members:

We have been engaged to audit the consolidated financial statements of The City of Calgary (“The City”) for the year ended December 31, 2015.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between The City and Deloitte that, in our professional judgment, may reasonably be thought to bear on our independence. We are also required 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, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:

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

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

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 27, 2015, the date of our last letter.

We are not aware of any relationships between The City and Deloitte, including any network firms that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from April 28, 2015 to April 25, 2016.

As summarized in the attached exhibit, the total fees charged to The City during the period covered by the financial statements were as follows:

Audit services	\$1,326,944 (2014 - \$1,149,161)
Audit related services	\$182,041 (2014 - \$386,513)
Non-audit related services	\$65,370 (2014 - \$26,250)
Other services	\$395,669 (2014 - \$604,276)

We re-affirm that the performance of these services has not affected our independence as auditors of The City.

We hereby confirm that we are independent with respect to The City in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta as of April 25, 2016.

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

Yours truly,

(To be signed Deloitte LLP)

Chartered Professional Accountants, Chartered Accountants

Total Fees Charged to The City of Calgary
For the Years Ended December 31, 2015 and 2014

	2015*	2014*
	\$	\$
AUDIT SERVICES		
<u>The City of Calgary</u>		
The City of Calgary	373,644***	327,600**
Calhome Properties Ltd.	77,896	77,575
Calgary Police Service	49,327	48,150
Calgary TELUS Convention Centre	40,660	40,660
Calgary Parking Authority	94,160	95,765
Calgary Municipal Land Corporation	51,360	38,520
Calgary Public Library	39,483	38,520
Municipal Employees Benefits Association of Calgary	27,349	28,355
Family & Community Support Services	19,795	19,260
Core Benefit Plan (audit will be conducted every three years)	-	-
Elected Officials Pension Plan	7,276	7,062
Supplementary Pension Plan	13,803	13,482
Funds Held in Trust	1,766	1,712
	796,519	736,661
<u>ENMAX Corporation</u>		
ENMAX Corporation audit	450,925	351,000
ENMAX Corporation quarterly reviews	79,500	61,500
	530,425	412,500
Total Audit Services	1,326,944	1,149,161
AUDIT RELATED SERVICES		
<u>The City of Calgary</u>		
City of Calgary Municipal Information Return	4,601	4,494
Calhome Properties Ltd. special government reports	17,655	17,120
Calgary Parking Authority advisory work for ParkPlus pilot –City of Edmonton	35,245	-
Calgary Parking Authority LAPP audit	12,840	-
Alberta Emergency Management Agency – Grant Audit	-	6,099
	70,341	27,713
<u>ENMAX Corporation</u>		
ENMAX Corporation Pension Plan audit	16,700	16,300
IFRS Conversion (billed during the year)	-	80,000
Audit of the divisional carve out financial statements of ENMAX Transmission and Distribution	95,000	68,000
Professional services to be rendered in connection with the private placement	-	96,700
Audit of the schedules of Return on Equity for ENMAX Transmission & ENMAX Distribution	-	97,800
	111,700	358,800
Total Audit Related Services	182,041	386,513

	2015*	2014*
	\$	\$
NON - AUDIT RELATED SERVICES		
<u><i>Enmax Corporation</i></u>		
Hedge Assessment and Module Validation	42,000	-
<i>Bersin by Deloitte</i> Five Practice Level One Membership subscription renewal covering the period November through October	23,370	26,250
<i>Total Non – Audit Related Services</i>	65,370	26,250
OTHER SERVICES		
<u><i>The City of Calgary</i></u>		
Organics Strategic Assessment and advisory work****	329,548	196,289
Transit maintenance facility advisory work****	66,121	407,987
<i>Total Other Services</i>	395,669	604,276
<i>Total Fees For All Services</i>	1,970,024	2,166,200

* Includes administration fee; excludes GST

** Fee includes \$246,000 for the base audit, plus \$40,000 for the 2013 restatement and \$21,400 for additional TCA WIP procedures

*** Fee includes:

\$252,200 for the base audit, plus the following:

\$15,000 - audit of the implementation of PS 3260 Liability for Contaminated Sites

\$15,000 - operating effectiveness testing of the PTWEB and LIL systems

\$10,000 - audit work related new processes and policies related to Machinery and Equipment

\$10,000 - P3 composting facility agreement

\$12,000 - consolidation of CED and CADA

\$35,000 - TCA prior period adjustments

**** Fiscal 2015 invoices less invoices for January and February 2015 reported as part of 2014 fees

Appendix 3– Draft Administration representation letter

April 25, 2016

Deloitte LLP
700, 850 - 2 Street SW
Calgary, AB T2P 0R8

Dear Sirs:

Subject: Consolidated financial statements of The City of Calgary for the year ended December 31, 2015

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 Calgary for the year ended December 31, 2015, and notes to the financial statements (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 Canadian public sector accounting standards (“PSAS”).

We (“The City” or “Administration”, or “we”, or “us”) 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 City and Deloitte dated October 15, 2015 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of The City as at December 31, 2015 and the results of its operations and cash flows and change in net financial assets 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, Administration makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The City has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect Administration's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2015 that require adjustment to the estimates and disclosures included in the Financial Statements.

Administration has changed its estimates for the following;

- Tangible Capital Asset ("TCA") Machinery and equipment: Administration has revised the estimated useful lives of this TCA category to better reflect usage patterns. This change in estimate has been applied prospectively; and
- Landfill liability: In the prior year, Administration changed the method of determining the estimated amounts for the provision for landfill rehabilitation liability. This included changing the post closure period to begin when the entire facility stops accepting waste (from when a cell closes), changing the post closure period to 25 years (from 40 years), changing the basis for capacity usage to volume (from area), and changing the discount rates to 3.8% for currently operating landfills and 3.1% for the post closure period landfills. For the December 31, 2015 landfill liability estimate, Administration has updated the prior year provision for updated usage and capacity information as at December 31, 2015, however all other variables are consistent with those utilized for the 2014 provision and no changes were made. Administration has indicated that a fulsome update of all inputs utilized in this estimate will be completed at least once every three years. The current year liability is consistent with the estimated liability for the prior year and reflects Administrations best estimate of the landfill liability as at December 31, 2015.

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, 2015 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.

A list of the corrected current year and prior period misstatements aggregated by you is attached in Appendix A.

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

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 reflects the activities and expenses of The City 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 City 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 City and involves:
 - a. Administration;
 - 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 City that have been communicated by employees, former employees or others, whether written or oral.
12. We have disclosed to you all communications from 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 City 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 and participation in a defined benefit plan that shares risks between group entities.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
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.
17. We have disclosed to you, and The City has complied with, all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Independence matters

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

18. Prior to The City having any substantive employment conversations with a former or current Deloitte engagement team member, The City has held discussions with Deloitte and obtained approval from the Audit Committee.
19. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Selection of accounting policies and recording of transactions

20. The accounting policies selected and application of those policies are appropriate.
21. The City's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2014, except for the application of a new accounting policy relating to the liability for contaminated sites (see paragraph 22 below).

Adoption of new or amended accounting standards

22. The City has adopted Chartered Professional Accountants ("CPA") Canada Public Sector Accounting Handbook Section 3260 – *Liability for Contaminated Sites* ("PS 3260"), effective for fiscal years beginning on or after April 1, 2014 as discussed in Notes 1x(i), 9 and 25 for the Financial Statements. As a result, an increase in liabilities and expenses of \$2.7M for the year ended December 31, 2015 has been recorded.

Administration's responsibilities

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

Employee benefit obligations

24. We agree with the work of Administration's experts in evaluating the Employee Benefit Obligation and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to Administration's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.
25. 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, liabilities and costs for financial statement purposes are appropriate in the circumstances.
26. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
27. We have correctly accounted for the multi-employer plan in which we are the sponsoring government or government organization, as a defined benefit plan.

Carrying value/classification of assets and liabilities

28. 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.
29. The City is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans and accounts receivable, as well as estimates used to determine such amounts. Administration believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
30. Provisions have been made to reduce inventories held for resale to the net recoverable amount. All recorded inventories are the property of The City and do not include any items consigned to it, any items billed to customers or any items for which the liability has not been recorded.

Liabilities for contaminated sites

31. We have evaluated all of our contaminated sites, except as described in paragraph 33, that we have direct responsibility for or accept responsibility for. Based on our evaluation, we have identified three sites as contaminated sites. We have recorded a liability because the contamination of the site exceeds the environmental standard. The City is responsible or has accepted responsibility for the remediation and we believe it is expected that remediation will be required. We believe that the estimate of the liability is reasonable and is our best estimate of the amount required to remediate the sites.
32. We have identified several other sites that exceed the environmental standard for which The City of Calgary is not responsible for remediation or it is unclear if the remediation is the responsibility of The City of Calgary. One of the sites relates to the known contamination of the West Village site. We do not accept responsibility for the remediation of these sites (or, it is unclear who has responsibility for the remediation of these sites) and as such we have not recorded a liability with respect to remediation.

Furthermore, The City of Calgary has signed a release agreement effective November 15, 1997 (the “Effective Date”) between Her Majesty the Queen in Right of the Province of Alberta and The City of Calgary which indicates the following in paragraph 2.01 of his agreement:

“The Province acknowledges and agrees that the Contamination existing as of the Effective Date was not caused or contributed to by the City. The Province agrees that from and after the Effective Date it shall not initiate any Recovery Action against the City, its Council, officers, agents employees, contractors, persons in lawful use and occupation of the Lands, or those for whom they are in law responsible for, save and except with respect to any act or omission whether inadvertent, willful, or negligent by the City, its Council, officers, agents, employees, contractors, persons in lawful use and occupation of the Lands or those form whom they are in law responsible for, which in the opinion of the Province has an adverse effect on the Contamination. Subject to any such act or omission whether inadvertent, willful or negligent, the Province releases and forever discharges the City from all Recovery Actions.”

33. Administration’s risk assessment process for the identification of potential contaminated sites identified 142 higher risk sites. Of these 142 higher risk sites identified, The City has completed a fulsome analysis of approximately 52 of these sites. There remain approximately 90 sites for which a detailed analysis remains to be completed. As at December 31, 2015, while an assessment of these 90 sites is outstanding, Administration confirms that the liability for contaminated sites is adequate and not materially misstated.
34. Administration’s policy for the treatment and application of the liability of contaminated sites has not been finalized as at December 31, 2015. For the purposes of evaluating The City’s application of the new PS 3260 standard, the draft policy was utilized as provided to Deloitte on March 7, 2016. Administration acknowledges that the draft and final policy may differ but confirms that the estimated liability recorded in the year-end Financial Statements, however, is consistent with the requirements of PS 3260.

Environmental liabilities/contingencies

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

Solid waste landfill closure and post-closure liability

36. We have disclosed to you all solid waste landfill sites that we own and operate. We have recorded a liability which represents our best estimate of the future costs required for closure and post-closure care related to these sites.

Work of management's experts

37. We agree with the work of Administration's experts in evaluating the environmental liability, liability for contaminated sites and the solid waste landfill closure and post-closure liability and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to Administration's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Revenues

38. All documentation related to sales transactions is contained in files which are used for accounting purposes. We also confirm that:
- We are not aware of any "side agreements" with any companies that are inconsistent with the applicable sales agreement, the customer's purchase order, sales invoice or any other documentation contained in the files which are used for accounting purposes. For the purposes of this letter, a "side agreement" is any agreement, understanding, promise or commitment whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral by or on behalf of The City (or any subsidiary, director, employee or agent of The City) with a customer from whom revenue has been recognized that is not contained in the written purchase order from the customer or sales order confirmation and sales invoice of The City delivered to or generated by The City's Accounting and Finance Department. The definition of a side agreement is not limited by any particular subject matter. For purposes of example only, any agreement not contained in the written purchase order from the customer or sales order and sales invoice of The City that relates to return rights, acceptance rights, future pricing, payment terms, free consulting, free maintenance or exchange rights would be a side agreement; and
 - We are not aware of any commitments or concessions to a customer regarding pricing or payment terms outside of the terms documented in the files which are used for accounting purposes.

Tax revenues

39. We have appropriately recorded tax assets and revenues when they meet the definition of an asset in accordance with Section PS 1000 - *Financial Statement Concepts*, when they are authorized and when the taxable event occurs. These amounts have been appropriately measured in accordance with Section PS 3510 - *Tax Revenue* and have not been grossed up for any amount of tax concessions.

Various matters

40. 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:
- Recording of transactions for which we have determined or approved the appropriate account classification; and
 - Preparing financial statements.

We acknowledge our responsibility for the above listed items and confirm that we have authorized, reviewed and approved all of the above items.

41. We have not entered into transactions with members of Council, senior officials, members of their immediate families or enterprises in which such parties have significant interest, which would require disclosures in the consolidated financial statements.
42. All transactions and events have been carried out in accordance with law, regulation or other authority.
43. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or potential deficiencies in, financial reporting requirements.
44. 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; and
 - g. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Investments

45. The City does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset-backed commercial paper).
46. All investments have been appropriately classified as either temporary investments or portfolio investments.
47. The City has used the appropriate valuation allowances to reflect the temporary investments at their net recoverable amount or other appropriate value.
48. The City believes that it has properly identified all derivative financial instruments and hedging relationships, if any.
49. Investments made during the year and held at the balance sheet date have been made in accordance with Section 250 of the Municipal Government Act.
50. All City of Calgary government organizations have been appropriately classified as government business organizations, government business-type enterprises, government not-for-profit organizations and other government organizations and have been appropriately recorded based on this classification.
51. With regard to The City's investment in ENMAX Corporation, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would affect the investment's value as reported in the financial statements.

52. With regard to the fair value measurements and disclosures of certain assets and liabilities, such as investments, we believe that:
- a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS;
 - b. No events have occurred subsequent to December 31, 2015 that require adjustment to the fair value measurements and disclosures included in the Financial Statements; and
 - c. They appropriately reflect Administration's intent and ability to carry out specific courses of action on behalf of The City when relevant to the use of fair value measurements or disclosures.

Deficiencies in internal control

53. We have communicated to you all deficiencies in internal control of which we are aware. We have disclosed to you any change in The City's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, The City's internal control over financial reporting.

Adjusting journal entries

54. We have reviewed the year-end adjusting entries and acknowledge our responsibility for their accuracy.

Communicating a threshold amount

55. We understand that the threshold used for accumulating misstatements identified during the year was \$2,500,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Segment Disclosures

56. With regard to segment disclosures, we believe the activities grouped as segments, as disclosed, are appropriate to meet the objectives of PS 2700 - *Segment Disclosures*.
57. In identifying segments, we have considered the definition of a segment and other factors, including:
- a. The objectives of disclosing financial information by segment;
 - b. The expectations of members of the community and their elected or appointed representatives regarding the key activities and accountabilities of the government;
 - c. The qualitative characteristics of financial reporting as set out in Section PS 1000 - *Financial Statement Concepts: Federal, Provincial & Territorial Governments* and Section PS 1700 - *General Objectives of Financial Statements: Local Governments*;
 - d. The homogenous nature of the activities, service delivery or recipients of the services;
 - e. Whether the activities relate to the achievement of common outcomes or services as reflected in government performance reports and plans;
 - f. Whether discrete financial information is reported or available; and
 - g. The nature of the relationship between the government and its organizations (within the reporting entity).

Government transfers

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

61. All government transfers that have been recorded as capital deposits give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.
62. All authorized transfers that have been expensed have been transferred to recipients whom have met the eligibility criteria.

Tangible Capital Assets

63. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150 - *Tangible Capital Assets*.
64. Contributed tangible capital assets have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed tangible capital assets have been appropriately disclosed.
65. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to The City's ability to provide goods and services and therefore do not require a write down. If applicable, we have identified that there are various tangible capital assets which no longer contribute to The City's ability to provide goods and services or have future economic benefits that are below the net book value of the tangible capital asset, and have therefore written down this asset to its residual amount and expensed the charge in the statement of operations.

Tangible Capital Assets - Prior period adjustments

66. As discussed in Note 30 of the Financial Statements, during the course of year-end procedures, we identified certain balances relating to tangible capital assets that were incorrectly recorded in prior years. We have performed procedures to assess the impact of these misstatements and have accurately recorded them in the restated comparative balances for the year ended December 31, 2014.

Tangible Capital Assets - Change in estimate

67. As discussed in Note 31 of the Financial Statements, during the course of the year we identified certain balances relating to tangible capital assets that were recorded as a change in estimate. The change in estimate has been properly reflected in the Financial Statements in accordance with PS 2120.28 – *Accounting changes, Measurement uncertainty*.

Impact of the 2013 flood

68. We have assessed the impact of the 2013 flood on the financial assets of The City and the impairment of TCA as a result of the flood. We have determined that no permanent impairment of TCA exists as a result of the 2013 flood and the year-end financial statements appropriately reflect TCA values. We believe that the completeness and estimates utilized in the determination of the impairment of TCA have been adequately disclosed in the December 31, 2015 year-end financial statements.

Notes, loans and receivables

69. The City is responsible for determining the appropriate carrying amount of loans and accounts receivable, as well as estimates used to determine such amounts. Administration believes that the carrying amounts recorded and disclosed are appropriate.
70. We have identified to you all forgivable loans and have appropriately reflected these amounts including any required allowances in the financial statements. These loans are secured by The City's encumbrance on the title of the related property.

Accumulated Surplus

71. Reserves and surplus accounts are correctly recorded and all transactions comply with the purposes approved according to relevant legislation and City Council authorizations.

Revenues and deferred revenues

72. Revenues and deferred revenues are recorded accurately. Specifically:

- a. Revenues are not overstated and deferred revenues are not understated. These inaccuracies result if financial statements record externally restricted transfers/contributions as revenue before the transferor's/contributor's stipulations are met; and
- b. Revenues are not understated and deferred revenues are not overstated. These inaccuracies result if financial statements record externally restricted transfers/contributions as deferred revenue, not as revenue, after the transferor's/contributor's stipulations are met.

P3 agreement

73. The City has entered into a P3 agreement, signed on June 25, 2015, to design, build and maintain a composting facility. As at the December 31, 2015 year-end, \$24.7M has been recorded as work in progress (TCA) and accounts payable. The City acknowledges that a fulsome analysis is required to be completed in relation to this agreement inclusive of all accounting implications prior to the finalization of the December 31, 2016 financial statements. As at December 31, 2015, The City asserts that the asset and payable relating to this agreement are not materially misstated.

Related entities

74. The City has completed a review of all related entities and confirms that all entities that should be consolidated into The City's Financial Statements for the year ended December 31, 2015 have been included. The City has determined based on this review that Calgary Arts Development Authority ("CADA") and Calgary Economic Development ("CED") as well as their respective subsidiaries are controlled entities and have been consolidated in accordance with of PS 1201 – *Financial Statement* and PS 1301 – *Government reporting entity*. There are no additional entities for which the City has control and should be consolidated into the Financial Statements for the year ended December 31, 2015.

As discussed in Note 30 of the Financial Statements, we have restated the prior periods to reflect consolidation of both CADA and CED.

Yours truly,
The City of Calgary

Eric Sawyer, Chief Financial Officer

Beng Koay, Director of Finance

Cathy An, Finance Manager Corporate Financial Reporting

Appendix A

The City of Calgary

Summary of corrected and uncorrected misstatements and disclosure deficiencies Year ended December 31, 2015

The following corrected and uncorrected misstatements are those that have been identified through to the date of this report and are subject to adjustment based on the completion of outstanding matters.

Summary of corrected misstatements – December 31, 2014 year-end as identified by Administration and Deloitte

(000's) Dr. (Cr.)	Assets	Liabilities	Accumulated Surplus	Revenue	Expenses
Total restatement of 2014 balances	14,543	(11,378)	(4,860)	(2,656)	4,351

Misstatements relating to the 2014 fiscal year-end and prior years have been restated.

Summary of corrected misstatements – December 31, 2015 Year End as identified by Deloitte (000's)

Title	Accounts impacted	Description	Assets - Debit	Assets - Credit	Statement of Operations - Debit	Statement of Operations - Credit
ENMAX Receivable Overaccrual	Receivables Revenue	Overaccrual of utility, waterworks and waste water revenue / receivable for December 2015.		(3,332)	3,332	
Reallocation of TCA to Land Inventory	Land Inventory TCA	Assets in the prior year were incorrectly classified as TCA versus land inventory. Administration recorded this as a 2015 entry, when this entry should be an adjustment of 2014 balances.	4,411	(4,411)		
CMLC Debt Repayment Elimination	Revenue Expenses	Incorrect elimination of CMLC debt on consolidation.			3,682	(3,682)

Summary of uncorrected misstatements

None identified, except for one likely, unquantifiable error relating to adoption of PS3260.

Appendix B
The City of Calgary
Summary of disclosure deficiencies
Year ended December 31, 2015

None identified

Appendix 4– Communication requirements

In our audit plan, we committed to communicate certain items to the Audit Committee on a regular basis or as specified events occur. These items are summarized below.

Required communication	Refer to this report or document described below
1. Our responsibilities under GAAS	Audit plan communicated on October 15, 2015
2. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors	Audit plan communicated on October 15, 2015
3. Administration judgment and accounting estimates	Administration's judgment and accounting estimates
4. Uncorrected and corrected misstatements and disclosure deficiencies	Uncorrected likely misstatements, Unadjusted disclosure deficiencies and Appendix A of the Administration representation letter
5. Significant accounting policies	Significant accounting policies
6. Our views about significant qualitative aspects of The City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures	Significant accounting policies and Administration's judgment and accounting estimates
7. Disagreements with Administration	Disagreements with Administration
8. Our views about significant matters that were the subject of consultation with other accountants	Consultation with other accountants
9. Major issues discussed with Administration prior to our retention	None noted
10. Significant difficulties, if any, encountered during the audit	None noted
11. All deficiencies in internal control that existed as of the date of Administration's assessment that were concluded to be material weaknesses in internal control.	Internal control and Accounting for Tangible Capital Assets
12. Material written communications between Administration and us	Audit plan communicated on October 15, 2015 and this year-end report
13. All relationships between The City and us that, in our professional judgment, may reasonably be thought to bear on independence	Independence letter - Appendix 2
14. A statement that, in our judgment, our engagement team and others in our firm as appropriate, our firm itself and, when applicable, network firms have complied with relevant ethical requirements regarding independence	Independence letter - Appendix 2
15. Fraud or possible fraud , illegal or possible illegal acts identified through the audit process	We did not identify any illegal acts or fraudulent activities with respect to The City during the conduct of our audit

Required communication	Refer to this report or document described below
16. Non-compliance with laws and regulations that come to the auditor's attention	Legal and regulatory compliance
17. Matters that are significant to the oversight of the financial reporting process	None noted
18. Limitations placed on our scope	No limitations were placed on the scope of our audit
19. Written Administration representations the auditor is requesting	Administration representation letter – Appendix 3

Appendix 5– Related authorities – summary of key audit information

For the purposes of the consolidated audit, we have completed our audit procedures on the following related authorities or other significant assurance engagements:

Entity	Reporting Entity Relationship	Entity Audit Committee Meeting Date
Calgary Parking Authority	Calgary Parking Authority Audit Committee	March 10, 2016
Calgary TELUS Convention Centre	CALGARY TELUS Convention Centre Audit Committee	May 11, 2016
Calhome Properties Ltd.	Calhome Properties Ltd. Audit Committee	March 7, 2016
Calgary Municipal Land Corporation	Calgary Municipal Land Corporation Audit Committee	April 22, 2016
Calgary Public Library	Calgary Public Library Audit Committee	March 22, 2016
Calgary Police Service	Calgary Police Commission and Audit and Finance Committee	May 18, 2016
ENMAX Corporation	ENMAX Audit Committee	March 15, 2016
Attainable Homes Calgary Corporation Calgary Economic Development Ltd. Calgary Arts Development Authority	The overall financial results for each of these entities are not significant in relation to The City's consolidated financial statements and therefore, only specified procedures on material account balances were applied for the 2015 audit	Not applicable
Elected Officials Pension Plan	Pension Governance Committee	June 2, 2016
Supplementary Pension Plan	Pension Governance Committee	June 2, 2016
Municipal Employees Benefits Association of Calgary	Municipal Employees Benefits Association of Calgary - Finance Committee	May 18, 2016

Related Authority	Materiality	Areas of audit risk and audit results
Calgary Parking Authority	Materiality levels were determined on the basis of total revenue. Final materiality for the year ended December 31, 2015 was \$2,460,000 (2014 - \$2,300,000).	<p>The following areas of significant audit risk were noted relating to Calgary Parking Authority:</p> <ul style="list-style-type: none"> • Revenue recognition – ParkPlus and Parking Control Revenue; • Valuation of long term investments; and • Management override of controls <p>Audit field work has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 24, 2016.</p> <p>In addition to the audit of the financial statements prepared in accordance with International Financial Reporting Standards, for financial reporting purposes, we also audited the PSAS trial balance for purposes of consolidation with The City.</p>
Calgary TELUS Convention Centre	Materiality levels were determined on the basis of total revenue. Final materiality for the year ended December 31, 2015 was \$810,000 (2014 - \$1,000,000).	<p>The following area of significant audit risk was noted relating to the Calgary TELUS Convention Centre:</p> <ul style="list-style-type: none"> • Management override of controls. <p>Audit field work has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>
Calhome Properties Ltd.	Materiality levels were determined on the basis of total operating expenses. Final materiality for the year ended December 31, 2015 was \$2,400,000 (2014 - \$2,100,000).	<p>The following areas of significant audit risk were noted relating to Calhome:</p> <ul style="list-style-type: none"> • Revenue recognition; and • Management override of controls. <p>Audit field work has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 11, 2016.</p>
Calgary Municipal Land Corporation	Materiality levels were determined on the basis of total assets. Final materiality for the year ended December 31, 2015 was \$10,900,000 (2014 - \$8,200,000).	<p>The following area of significant audit risk were noted relating to the Calgary Municipal Land Corporation:</p> <ul style="list-style-type: none"> • Management override of controls; and • Completeness of work in progress related to infrastructure development assets <p>Audit field work has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>
Calgary Public Library	Materiality levels were determined on the basis of total revenue. Final materiality for the year ended December 31, 2015 was \$1,500,000 (2014 - \$1,500,000).	<p>The following area of significant audit risk was noted relating to the Calgary Public Library:</p> <ul style="list-style-type: none"> • Management override of controls <p>Audit field work has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 30, 2016.</p>
Calgary Police Service	Materiality levels were determined on the basis of total operating expenses. Final materiality for the year ended December 31, 2015 was \$6,000,000 (2014 - \$4,300,000).	<p>The following areas of significant audit risk were noted relating to the Calgary Police Service:</p> <ul style="list-style-type: none"> • Revenue recognition; and • Management override of controls. <p>Audit field work has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>

ENMAX Corporation	Materiality levels were determined on the basis of results of profit before tax. Final materiality for the year ended December 31, 2015 was \$22,000,000 (2014-\$18,000,000).	<p>The following areas of significant audit risk were noted relating to ENMAX Corporation;</p> <ul style="list-style-type: none"> • Revenue recognition; • Management override of controls; • Impairment assessment of natural gas generating units, power purchase agreements and wind assets; • Derivative instruments and related hedging activities; and • Provision for tax uncertainties associated with the Payments in Lieu of Taxes; <p>Audit field work has been completed and financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 16, 2016.</p>
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Appendix 6 – Audit Committee terms of reference

As the external auditors of The City, we have the privilege of assisting in the fulfillment of your responsibility to follow the City of Calgary's Audit Committee – Revised Terms of Reference as approved by Council on November 7, 2011. The following table outlines our involvement in the fulfillment of specific terms of reference and any reports that we have issued that assist in this process.

Term of Reference	Description	Related Deloitte Involvement
4(c)	Pre-approves all audit and non-audit services performed by the External Auditor.	All audit and non-audit services are presented to the Audit Committee for pre-approval prior to the commencement of such work. Fee information included in 2015 Audit Service Plan presented by Deloitte on October 15, 2015. The Independence letter included as Appendix 2 of the Year-end Audit Report presented by Deloitte to the Audit Committee on April 14, 2016 summarizes the fees of all services performed.
4(e)	Expects the External Auditor, as an expert in accounting and financial reporting, to express independent judgment about the appropriateness and acceptability of The City's financial statements, in accordance with professional standards.	Communicated in the Year-end Audit Report presented by Deloitte to the Audit Committee on April 14, 2016.
4(f)	Prior to the commencement of the annual external financial audit, review the financial audit plan with the External Auditor.	2015 Audit Service Plan presented by Deloitte on October 15, 2015.
4(g)	In conjunction with Administration's presentation of the annual financial statements, receive and review the External Auditor's annual audit report. This report is to be forwarded to Council for information.	Report of the Independent Auditor on the Consolidated Financial Statements and Year-end Audit Report presented by Deloitte to the Audit Committee on April 14, 2016.
4(h)	Receives and reviews the External Auditor's Administration Letter(s), together with any Administrative responses, and forward, either in full or in summary, to Council for information.	Letter of Recommendations to be presented by Deloitte on June 16, 2016.
4(i)	The Audit Committee meets with the External Auditor, in the absence of the Administration, at least quarterly.	In-camera sessions held with Deloitte at Audit Committee meetings held on October 15, 2015 and April 14, 2016 and during additional Audit Committee meetings, as required.
5(l)	Ensures that the combined work of the City Auditor and the External Auditor provides an appropriate level of audit coverage and is effectively coordinated.	Audit work completed is discussed in the Year-end Audit Report presented by Deloitte to the Audit Committee on April 14, 2016.

Term of Reference	Description	Related Deloitte Involvement
7(a)	Oversees the integrity of, and reviews the Annual Financial Statements and recommends their approval to Council.	Report of the Independent Auditor on the Consolidated Financial Statements and Year-end Audit Report presented by Deloitte to the Audit Committee on April 14, 2016.
7(b)	Reviews and discusses the City's compliance with financial reporting procedures with Administration, the City Auditor, and the External Auditor.	Report of the Independent Auditor on the Consolidated Financial Statements and Year-end Audit Report presented by Deloitte to the Audit Committee on April 14, 2016. Letter of Recommendations to be presented by Deloitte on June 16, 2016.
7(c)	Engages Administration, the City Auditor, and the External Auditor in candid discussions regarding issues that may alter judgment or affect the quality of the reporting process and search for insight into the results.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
7(d)	Reviews and discusses areas where changes in accounting standards could have a material impact on financial results, and may request a detailed analysis, prepared by Administration in consultation with the External Auditor, of the implications of those changes.	Appendix 9 of 2015 Audit Service Plan presented by Deloitte on October 15, 2015.
7(e)	Maintains open lines of communication with the External Auditor, City Auditor, and Administration.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
11(b)(i)	Review reports from Administration and from the City Auditor as to the adequacy and effectiveness of corporate policies such as legal matters, regulations, ethical principles, code of conduct and conflict of interest.	Year-end Audit Report presented by Deloitte to the Audit Committee on April 14, 2016 includes our notification of whether any violations of this nature have come to our attention.



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