

May 31, 2018

## **Private and confidential**

The Corporation of the City of Kawartha Lakes  
To the Members of the Executive Committee  
City of Kawartha Lakes  
P.O. Box 9000 26 Francis Street  
Lindsay ON K9V 5R8

## **Report on audited annual financial statements**

Dear Executive Committee Members:

We are pleased to submit our report on the status of our audit of The Corporation of the City of Kawartha Lakes ("the City") for the 2017 fiscal year.

1. We completed our audit with the following levels of responsibilities assumed

### **Our responsibilities**

We are responsible for performing an audit of the financial statements of the City for the year ended December 31, 2017 in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

### **Management's responsibilities**

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

2. We expect to be in a position to render our audit opinion dated May 31, 2018 on the financial statements of the City following approval of the financial statements by the executive committee and the completion of the following outstanding procedures
  - a. Receipt of signed management representation letter.
  - b. Receipt of legal letters.
  - c. Subsequent events update.
3. Materiality was set at on the basis of total budgeted expenses.
4. During the course of our audit, we
  - a. Assessed the design and implementation of internal controls that we considered relevant to the audit to assist us in determining the risks of material misstatement.
  - b. Tailored our audit approach to specifically address significant audit risks identified, which were: the presumed risk of fraud related to management override of controls and revenue recognition.
  - c. Completed the required procedures with respect to understanding the process to identify the risk of fraud in the City and the internal control that management has established to address this risk. This included for example, a discussion with you about your oversight over the processes established to mitigate the risk of fraud, as well as your knowledge of any known or suspected fraud. We did not become aware of any identified or suspected fraud during the course of our audit.

- d. We did not become aware of any legal or regulatory compliance issues during the course of our audit. We discussed with you any knowledge that you have of legal or regulatory compliance issues affecting the City.
- 5. We evaluated the significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and they were determined to be appropriate.
  - a. Significant areas requiring the use of management's estimates include taxes receivable, accounts receivable, accrued liabilities, employee future benefits, landfill closure and post-closure accrual, contaminated sites, and tangible capital assets. .
  - b. There were external management specialists and experts that assisted in the audit to the extent we considered necessary. Those specialists and experts included: actuarial experts and engineers. These experts assisted in the determination of employee future benefits and landfill closure and post-closure liability.
  - c. During the audit, we did not become aware of significant deficiencies in internal control.
  - d. There were no disclosure misstatements.
  - e. An uncorrected misstatement was identified in the Kawartha Lakes Haliburton Housing Corporation financial statements relating to amortization of land in 2016 for \$422,021. Management corrected the error by adjusting amortization expense in 2017 rather than adjust the opening accumulated surplus.
  - f. We confirm that we have complied with relevant ethical requirements regarding independence as communicated in our independence letter.
  - g. Management is responsible for assessing subsequent events up to the date of the approval of the City's financial statements. At the date of finalizing this letter, we are not aware of any significant post year-end events. We will complete audit procedures to update our subsequent events procedures up to the date of the Independent Auditor's Report.
  - h. We have not identified any related party transactions that are not in the normal course of operations or that involve significant judgments by management concerning measurement or disclosure.
  - i. This communication is intended solely for the use of the Executive Committee, management and others within the City to assist them in discharging their responsibilities with respect to financial statements of the City and is not intended for any other purpose.

Yours truly,

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

Chartered Professional Accountants  
Licensed Public Accountants