

**City of Brandon**  
**Report to Council**  
*For the Year Ending December 31, 2016*  
For presentation at the Council meeting August 1, 2017

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August 1, 2017

Members of Council  
City of Brandon

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of City of Brandon (the "City") as at December 31, 2016 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of Council.

## **THE AUDIT**

Our responsibility, as auditor of the City, is to report to the members on the fair presentation of the December 31, 2016 consolidated financial statements, in accordance with Canadian public sector accounting standards. To properly discharge this responsibility, we designed our audit process to assess the risk of material misstatement within the statements by examining and assessing the effectiveness of the City's controls and accounting systems, and the evidence supporting the amounts and disclosures in the statements, including the appropriateness of accounting principles and significant estimates made by management.

We have considered the City's internal controls as part of the consolidated financial statement audit. This included obtaining an understanding of the internal controls (regardless of whether we intended to rely on them for the purpose of our audit); evaluating the design of these controls; and determining whether they have been implemented. This understanding was sufficient to allow us to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures. We have not determined whether relevant controls are operating effectively, as such, our understanding of internal controls should not be relied upon for any other purposes.

Our audit procedures, consisting of separate examination of each material year-end balance, key transaction, and other event considered significant to the consolidated financial statements, were concentrated in areas where risks were identified, and therefore, differences were most likely to arise.

Management has provided us with written representations, acknowledging, among other things, their responsibility for the implementation and maintenance of appropriate reporting systems and controls, including those designed to detect and prevent fraud, and to ensure the appropriateness of the amounts recorded in the accounting records, and the amounts and disclosures in the consolidated financial statements.

## **AUDITOR INDEPENDENCE**

We confirm to Council that we are independent of the City. Our letter to Council discussing our independence is attached to this report.

## **AUDIT RESULTS**

We have satisfactorily completed our audit and are prepared to sign our Auditors' Report after Council's review and approval of the consolidated financial statements. A substantive approach was used in auditing the City's consolidated financial statements; thus, the City's controls were not relied upon.

Final materiality calculated and used to assess the significance of misstatements or omissions identified during the audit and determine the level of audit testing performed was \$2,900,000.

The Auditors' Report will provide an unqualified opinion to the members. Key matters noted during our audit are summarized in the table below.

Subjects	December 31, 2016
<ul style="list-style-type: none"> <li>• Material uncertainties related to events or conditions that may cast significant doubt on entity's ability to continue as a going concern</li> </ul>	None
<ul style="list-style-type: none"> <li>• Illegal or fraudulent acts</li> </ul>	None noted
<ul style="list-style-type: none"> <li>• Non-compliance with laws and regulations</li> </ul>	None
<ul style="list-style-type: none"> <li>• Fraud by employees/management with key roles in control activities</li> </ul>	None noted
<ul style="list-style-type: none"> <li>• Differences that may:               <ul style="list-style-type: none"> <li>• Have a material effect on comparative information and the current period consolidated financial statements</li> <li>• Cause future statements to be materially misstated</li> <li>• Indicate significant deficiencies in controls</li> </ul> </li> </ul>	None None None
<ul style="list-style-type: none"> <li>• Irregularities having a material consolidated financial statement effect</li> </ul>	None
<ul style="list-style-type: none"> <li>• Limitations placed on the scope of our audit</li> </ul>	None
<ul style="list-style-type: none"> <li>• Significant transactions not in the ordinary course of business, or other unusual related party transactions</li> </ul>	None noted
<ul style="list-style-type: none"> <li>• Unusual significant transactions given the entity and its environment</li> </ul>	None
<ul style="list-style-type: none"> <li>• Non-monetary transactions</li> </ul>	Many non-monetary transactions
<ul style="list-style-type: none"> <li>• Transactions that increase risk</li> </ul>	None
<ul style="list-style-type: none"> <li>• Concerns with management breach of corporate conduct</li> </ul>	None
<ul style="list-style-type: none"> <li>• Conflicts of interest</li> </ul>	None
<ul style="list-style-type: none"> <li>• Disagreements with management</li> </ul>	None
<ul style="list-style-type: none"> <li>• Emphasis of matter or other matter paragraph included in the Auditors' Report</li> </ul>	Other matter paragraph included
<ul style="list-style-type: none"> <li>• Matters influencing audit appointment</li> </ul>	None
<ul style="list-style-type: none"> <li>• Difficulties encountered during the audit</li> </ul>	None
<ul style="list-style-type: none"> <li>• Disagreements with management's accounting estimates</li> </ul>	None



Subjects	December 31, 2016
<ul style="list-style-type: none"> <li>• Disagreements with management's adoption of accounting policies or emphasis on the need for a particular accounting treatment</li> </ul>	None
<ul style="list-style-type: none"> <li>• Significant deficiencies in the entity's risk assessment process within the design and/or implementation of controls</li> </ul>	None
<ul style="list-style-type: none"> <li>• Significant deficiencies in controls resulting from inappropriate response by management regarding implementing controls over significant risks</li> </ul>	None
<ul style="list-style-type: none"> <li>• Matters giving rise to questions regarding the honesty and integrity of management</li> </ul>	None

\*No items of concern noted, but large number of transactions of this nature.

To assist you in the review of the consolidated financial statements, we have made the following professional judgments on the qualitative aspects of accounting principles used in the City's financial reporting:

- Initial selection of and changes in significant accounting policies, including the adoption of new accounting pronouncements;
- The effect of significant accounting policies in controversial or emerging areas, or those unique to an industry;
- The existence of acceptable alternative policies and methods, and the acceptability of the particular policy or method used by management;
- The effect on the consolidated financial statements of significant unusual transactions;
- The issues involved, and related judgments made by management, in formulating particularly sensitive accounting estimates and disclosures;
- The basis for our conclusions regarding the reasonableness of the estimates made by management;
- Factors affecting asset and liability carrying values, including the City's bases for determining useful lives assigned to tangible and intangible assets; and
- Timing of transactions that affect the recognition of revenues or avoid recognition of expenses.

All significant management estimates were reviewed and no material differences were noted. The methodologies and processes used by management were consistent with prior periods. We have issued a letter to management containing our comments with respect to accounting matters and enhancement of controls in which we note that no significant deficiencies of internal controls were identified.

Differences identified during our audit were discussed with management. The cumulative net effect of all unadjusted differences has not resulted in material misstatement, and therefore does not affect our Independent Audit Report. A summary of significant differences has been included as Appendix A to this report.

We would like to take this opportunity to formally acknowledge the excellent cooperation and assistance we received from the management and staff of the City.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from, or relevant to, our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

*MNP LLP*

**Chartered Professional Accountants**

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## APPENDIX A – Summary of Significant Differences

<b>SIGNIFICANT UNADJUSTED DIFFERENCES</b>			
<b>Differences Noted</b>	<b>Consolidated Financial Statement Item(s) Affected</b>	<b>Adjustment to Statement of Financial Position</b>	<b>Adjustment to Surplus of Revenues over Expenses</b>
Asset under construction costs for the Airport renovations not set up in accounts payable at year end.	Capital assets understated \$491,054, Accounts payable understated \$491,054.	-	-
To reverse capital budget carry-forward accruals done to agree to budgeted project costs.	Capital assets overstated \$170,613, Accounts payable overstated \$170,613.	-	-
<b>Total Unadjusted Differences (Income Effect)</b>			-

During the course of our audit we noted the following insignificant unadjusted disclosure differences affecting the consolidated financial statements:

- To reverse the deferred interest expense prepaid balance of \$55,831 created to agree to budgeted debenture funding.

An opening uncorrected difference was noted overstating opening equity by \$109,026 and understating current liabilities by \$109,026.

Canadian generally accepted auditing standards require that we request of management and Council that identified unadjusted differences be corrected. We have made this request of management, however based on both quantitative and qualitative considerations management has decided not to correct those identified differences that remain unadjusted. They have represented to us that in their judgment the unadjusted differences are, both individually and in the aggregate, not material to the consolidated financial statements.

We concur with management's representation that the unadjusted differences are not material to the consolidated financial statements and, accordingly, these unadjusted differences have no effect on our auditor's report.



## Auditors' Report on Compliance with Municipal Act

To the Members of the Council of the City of Brandon

We have audited the City's compliance as at December 31, 2016 with the criteria established by the Manitoba Municipal Government, and as required by Section 190(2) of the Manitoba Municipal Act. Compliance with the criteria established by the provisions of the Act is the responsibility of the management of the City. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the City complied with the criteria established by the provisions of the Act referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with these criteria, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, as at December 31, 2016, the Municipality is in compliance, in all material respects, with the other criteria established by Section 190 (2) of the Municipal Act.

This report is not intended to be and should not be used by anyone other than the specified users or for any other purpose.

*MNP LLP*

Brandon, Manitoba,  
August 1, 2017

Chartered Professional Accountants

cc: Mr. Mike Sosiak, Director  
Manitoba Municipal Government  
508-800 Portage Avenue  
Winnipeg, MB R3G 0N4



## Auditors' Report on Compliance With Agreement

To the Members of the Council of the City of Brandon

We have audited the City of Brandon's compliance as at December 31, 2016 with the criteria established by the terms and conditions of Part 6.1(a)-(c) and Schedules 1 and 2 of the Manitoba-Municipal Gas Tax Funding Agreement for the Transfer of Federal Gas Tax Revenues between the Province of Manitoba and City of Brandon. Compliance with the criteria established by the provisions of the agreement is the responsibility of the management of the City of Brandon. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, the Federal Gas Tax Revenue Annual Expenditure Report presents fairly, in all material respects, the funding and expenditures for the year ended December 31, 2016 in compliance with the provisions of Part 6.1(a)-(c) and Schedules 1 and 2 of the Manitoba-Municipal Gas Tax Funding Agreement.

Brandon, Manitoba,  
August 1, 2017

*MNP LLP*

Chartered Professional Accountants

cc: Mr. Mike Sosiak, Director  
Manitoba Municipal Government  
508-800 Portage Avenue  
Winnipeg, MB R3G 0N4

CITY OF BRANDON  
 FEDERAL GAS TAX REVENUE ANNUAL EXPENDITURE REPORT  
 YEAR ENDED DECEMBER 31, 2016

	ANNUAL	CUMULATIVE
Unspent Fund Balance, beginning of year	\$7,084,739	\$ NIL
Received from Province of Manitoba	2,911,448	25,588,991
Interest Earned	9,120	505,844
Less: Administrative Costs		
Expenditures on Eligible Projects:		
Main Per Capita Projects	(3,670,339)	
Main Per Capita -Trans Projects	<u>(1,805,000)</u>	
	(5,475,339)	(21,564,867)
<b>Unspent Fund Balance, end of year</b>	<b>\$ 4,529,968</b>	<b>\$ 4,529,968</b>

August 1, 2017

Val Rochelle  
City of Brandon  
410 - 9th Street  
Brandon, MB R7A 6A2

Dear Val:

We have been engaged to audit the consolidated financial statements of City of Brandon ("the City") as at December 31, 2016 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the City and its related entities or persons in financial reporting oversight roles at the City and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body 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 or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the City and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2016 to August 1, 2017.

We hereby confirm that MNP is independent with respect to the City within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Manitoba as of August 1, 2017.

The total fees charged to the City for audit services were \$40,000.00 during the period from January 1, 2016 to August 1, 2017.

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

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you at our upcoming meeting on August 1, 2017. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



**Chartered Professional Accountants**

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