

# The Corporation of the Town of Aurora

Audit final report to the Audit  
Committee for the year ended December  
31, 2021

START

**BDO**

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# To the Audit Committee of The Corporation of the Town of Aurora

For the year ended December 31, 2021

We are pleased to provide you with the results of our audit of The Corporation of the Town of Aurora (the "Town") consolidated financial statements for the year ended December 31, 2021.

The enclosed final report includes our approach to your audit, including: significant risks identified and the nature, extent, and results of our audit work. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

During the course of our audit, management made certain representations to us—in discussions and in writing. We documented these representations in the audit working papers.

The business environment has changed for us all during the time of COVID-19. Cash flow, strategy, operations: each has received a rethink. As your auditors, we have relied on our digital audit suite to stay connected—among ourselves, with management, and with you.

We look forward to discussing our audit conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

*BDO Canada LLP*

BDO Canada LLP

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For the year ended December 31, 2021



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## Audit at a glance

As communicated to you in our Planning Report to the Audit Committee, preliminary materiality was assessed as:

\$9,866,000 for financial statement areas surrounding tangible capital assets based on 2% of tangible capital assets  
\$2,222,000 for remaining financial statement areas based on 2% of revenues.

Final materiality was assessed as:

\$10,685,000 for financial statement areas surrounding tangible capital assets based on 2% of tangible capital assets  
\$3,000,000 for remaining financial statement areas based on 2% of revenues.

We are not aware of any fraud affecting the Town. If you have become aware of changes to processes or are aware of any instances of actual, suspected, or alleged fraud since our discussions held at planning, please let us know.

We have complied with relevant ethical requirements and are not aware of any relationships between the Town and our Firm that may reasonably be thought to bear on our independence.

For the year ended December 31, 2021

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## Status of the audit

We have substantially completed our audit of the year ended December 31, 2021, consolidated financial statements, pending completion of the following items:

- Receipt of signed management representation letter
- Subsequent events review through to the consolidated financial statements approval date
- Approval of consolidated financial statements by the Audit Committee.

We conducted our audit in accordance with Canadian generally accepted auditing standards.

The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. See [Appendix A](#) for our final independent auditor's report.

The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated June 22, 2021.

For the year ended December 31, 2021



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## Audit findings

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Town's accounting practices, including accounting policies, accounting estimates and consolidated financial statements disclosures. We look forward to exploring these topics in depth and answering your questions. A summary of the key discussion points are below:

Financial statement areas	Risks noted	Audit findings
Management override of internal controls	A common significant risk in all audit engagements is the risk of management override of controls. Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	In accordance with auditing standards, BDO has performed specific procedures that include testing journal entries, reviewing accounting estimates for biases and obtaining and evaluating the business rationale for transactions that are outside the normal course of operations for the Town, if any. No issues were noted in the performance of these procedures.
Revenue recognition - assumed lands, developer charges and gas tax revenues	<p>There is a significant risk regarding the fair value estimates of the land assumed by the town as the transactions are not officially made at arm's length on the open market.</p> <p>There is a significant risk related to revenue recognized with respect to development charges and gas tax revenue as judgement is required in determining the timing of revenue recognition.</p>	<p>In accordance with auditing standards, BDO has performed specific procedures that include reviewing fair value estimates for bias and obtaining and evaluating the business rationale of transactions that are outside the normal course of operations for the Town, if any. No issues were noted in the performance of these procedures.</p> <p>BDO also reviewed deferred revenue recognition policies for the Town and noted that their treatment is consistent with Public Service Accounting Standards.</p>

For the year ended December 31, 2021



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## Internal control matters

- ▶ During the audit, we performed the following procedures regarding the Town's internal control environment:
- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.
- ▶ We considered the results of these procedures in determining the extent and nature of audit testing required.



We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.

A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that merits the attention of those charged with governance.

The audit expresses an opinion on the Town's consolidated financial statements. As a result, it does not cover every aspect of internal controls—only those relevant to preparing the consolidated financial statements and designing appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

No control deficiencies were noted that, in our opinion, are of significant importance to discuss.

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## Unadjusted differences

### Summary of unadjusted differences

There were no unadjusted differences noted during the course of our audit engagement.

For the year ended December 31, 2021





## Other required communications

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

Issue	BDO response
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the consolidated financial statements.	No items in this area to note during the audit.
Matters involving non-compliance with laws and regulations.	No items in this area to note during the audit.
Subsequent events that have caused changes to the audit report.	No subsequent events to note.
Emphasis of matters paragraph or other matters paragraphs.	No such paragraphs
Significant matters arising from the audit that were discussed or subject to correspondence with management.	No items to note.



# How we audit financial statements: Our six-step audit process

## IDENTIFY AND ASSESS RISK

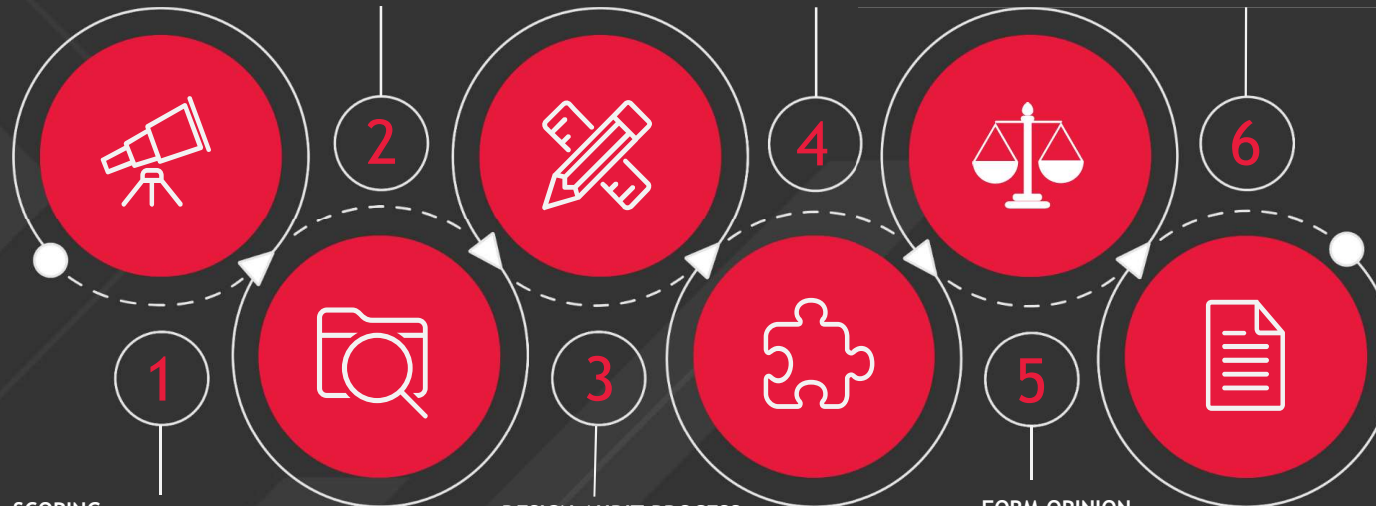
Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

## OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

## REPORT

Communicate our opinion and details of matters on which we are required to report



## SCOPING

Complete a preliminary review to plan the audit, determine the materiality level, and define the audit scope

## DESIGN AUDIT PROCESS

Design an appropriate audit strategy to obtain sufficient assurance and enable us to report on the financial statements

## FORM OPINION

Evaluate whether we have enough evidence to conclude that the financial statements are free from material misstatement, and consider the effect of any potential misstatements found

## New Standard for Audit Quality



## ISQM 1

The quality of an audit depends not only on the people conducting it—but also on the systems underpinning it. These new rules up the ante for your audit quality.

[SEE THE STANDARD](#)

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For the year ended December 31, 2021



# Appendices

- ▶ Appendix A: Independent auditor's report
- ▶ Appendix B: Representation letter
- ▶ Appendix C: Year-end Report

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## Appendix A: Independent auditor's report

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## Independent Auditor's Report

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To the Mayor and Councillors of The Corporation of the Town of Aurora

### Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Aurora, (the Town) which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net financial assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2021, and the consolidated results of its operations, changes in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

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

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

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

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



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

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

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

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

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

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario  
June 28, 2022

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For the year ended December 31, 2021



## Appendix B: Representation letter



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

June 28, 2022

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

This representation letter is provided in connection with your audit of the financial statements of The Corporation of the Town of Aurora for the year ended December 31, 2021, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

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

### **Financial Statements**

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 2, 2020, for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the financial statements are fairly presented in accordance therewith.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Public Sector Accounting Standards.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.
- All events subsequent to the date of the financial statements and for which Canadian Public Sector Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- We have reviewed and approved all journal entries recommended by the practitioners during the audit. A list of the journal entries is attached to the representation letter.

### **Information Provided**

- We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

## **Fraud and Error**

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

## **General Representations**

- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, 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.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.

## Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.
- To the extent that our normal procedures and controls related to our financial statement close process were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards.
- Other than as disclosed in Note 2 to the consolidated financial statements, no other impacts from the COVID-19 outbreak are necessary to be reflected in the consolidated financial statements.
- Disclosures included in the consolidated financial statements regarding the relevant significant business, financial, and reporting impacts of the COVID-19 outbreak accurately reflect management's full consideration of such impacts.

Yours truly,

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Signature

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Position

**Town of Aurora**  
**Summary of Unadjusted Misstatements**  
December 31, 2021

Description of Misstatement	Identified Misstatements	Projections of Identified Misstatements	Estimates	Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	-	-	-	-	-	-	-
Effect of Previous Year's Errors				-	-	-	-
Likely Aggregate Misstatements				-	-	-	-

Details of why no adjustment has been made to the financial statements for the above items:
No items noted above.

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For the year ended December 31, 2021



## Appendix C: Year-end Report

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

Presented by

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



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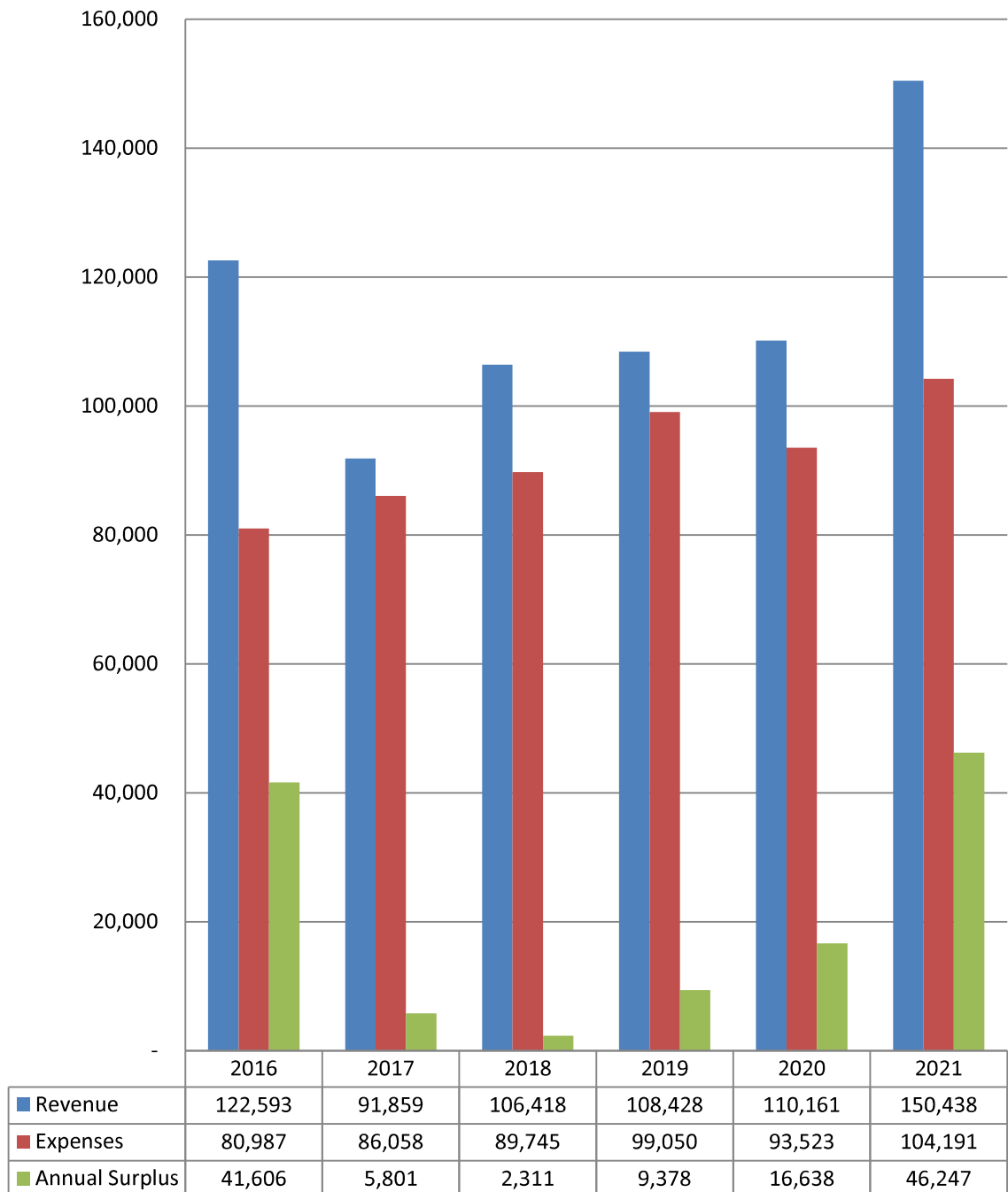
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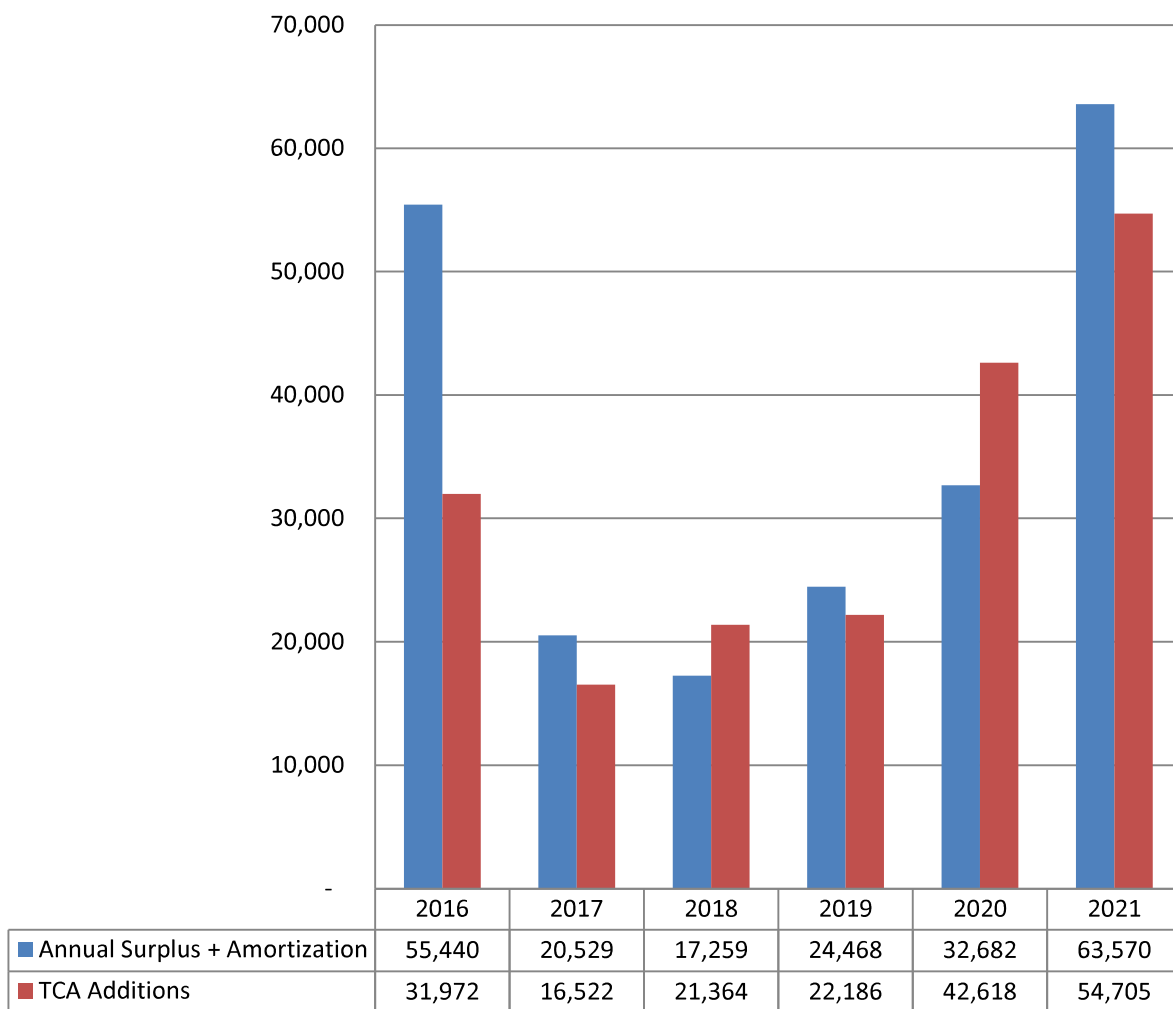


## TOTAL REVENUE, EXPENSES AND ANNUAL SURPLUS

(IN THOUSANDS '000)

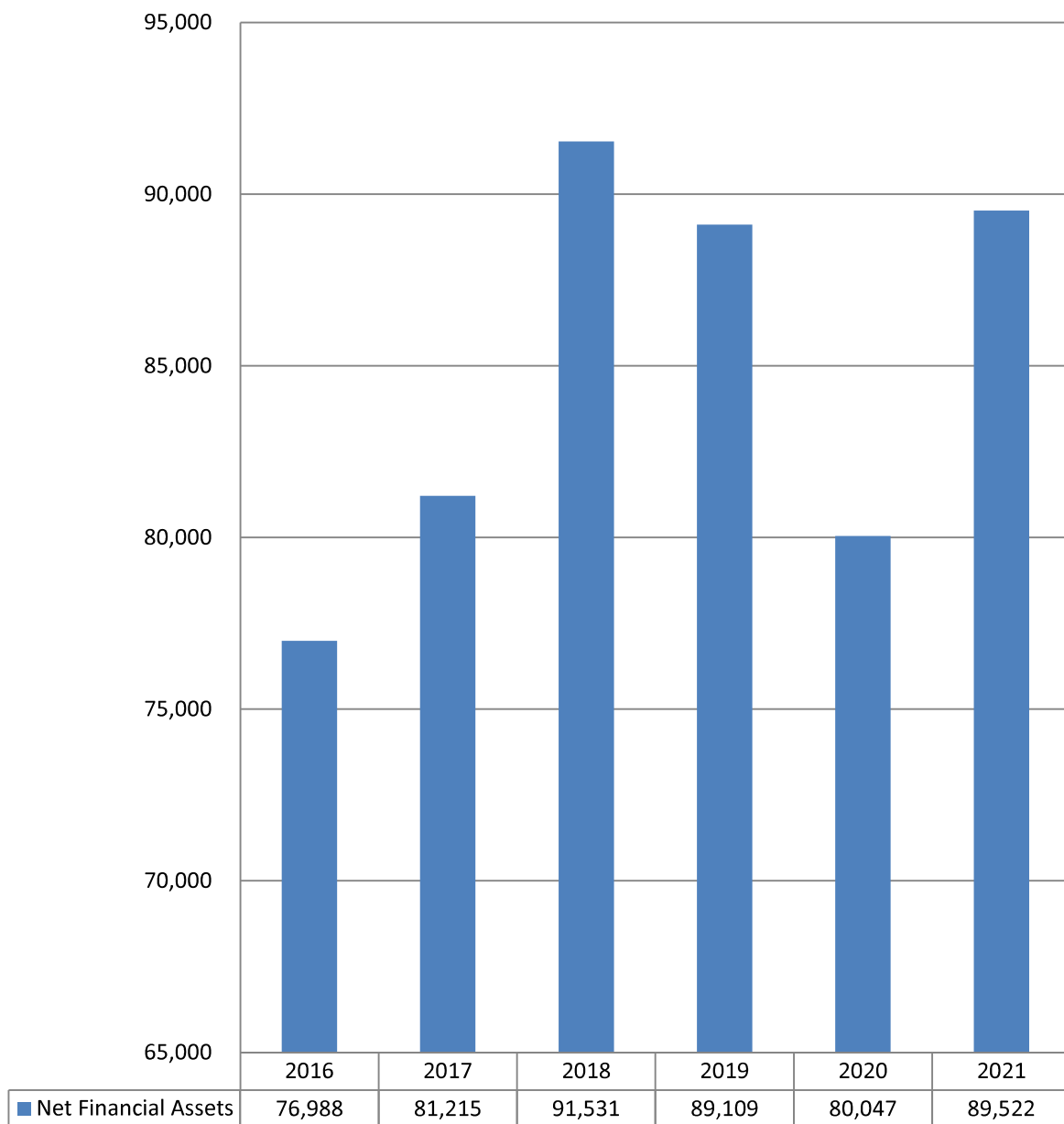


## ANNUAL SURPLUS PLUS AMORTIZATION AND TCA ADDITIONS



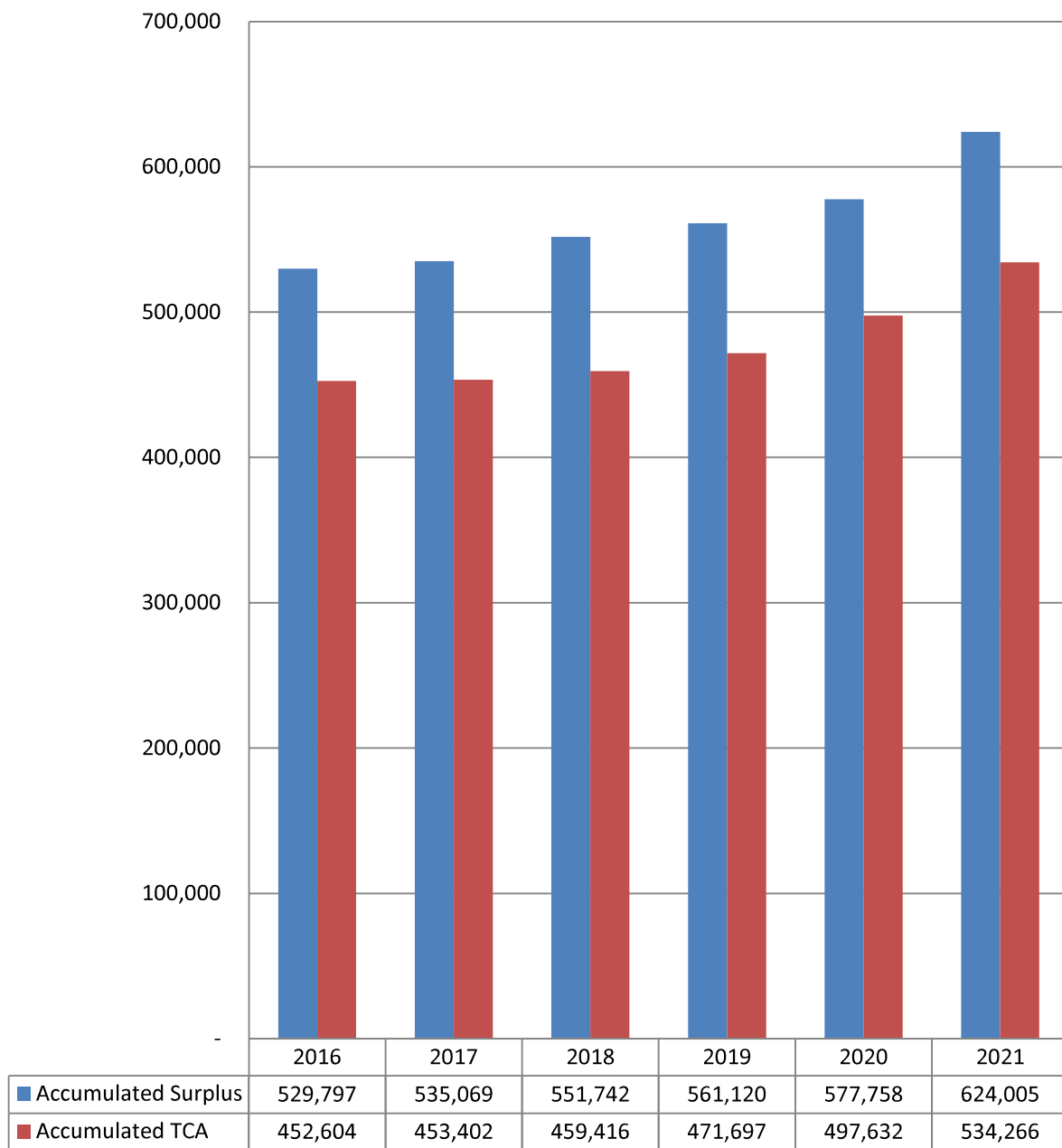
## TOTAL NET FINANCIAL ASSETS

(IN THOUSANDS '000)

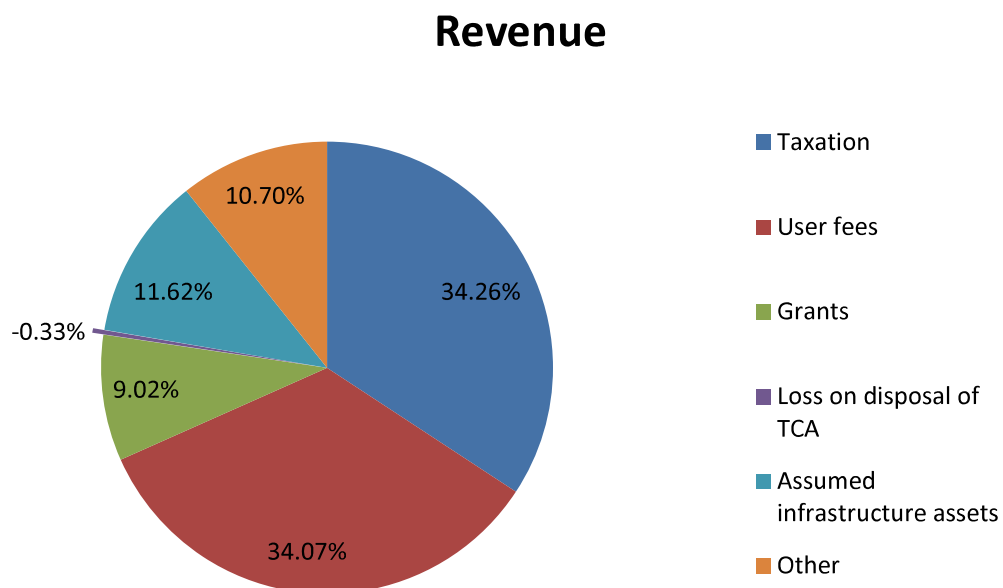


## TOTAL ACCUMULATED SURPLUS AND TANGIBLE CAPITAL ASSETS

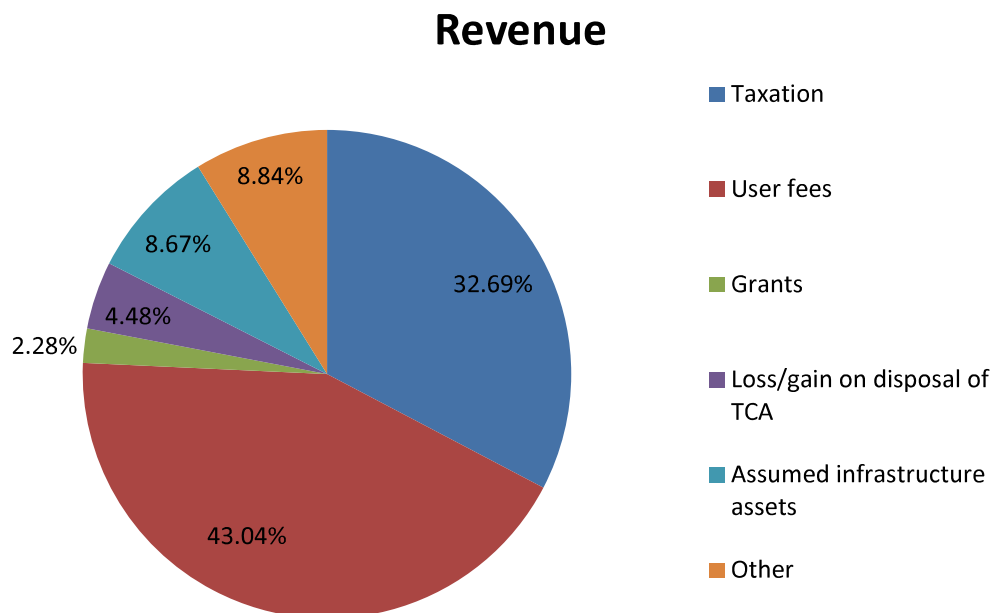
(IN THOUSANDS '000)



## 2021 REVENUE



## 2016 REVENUE

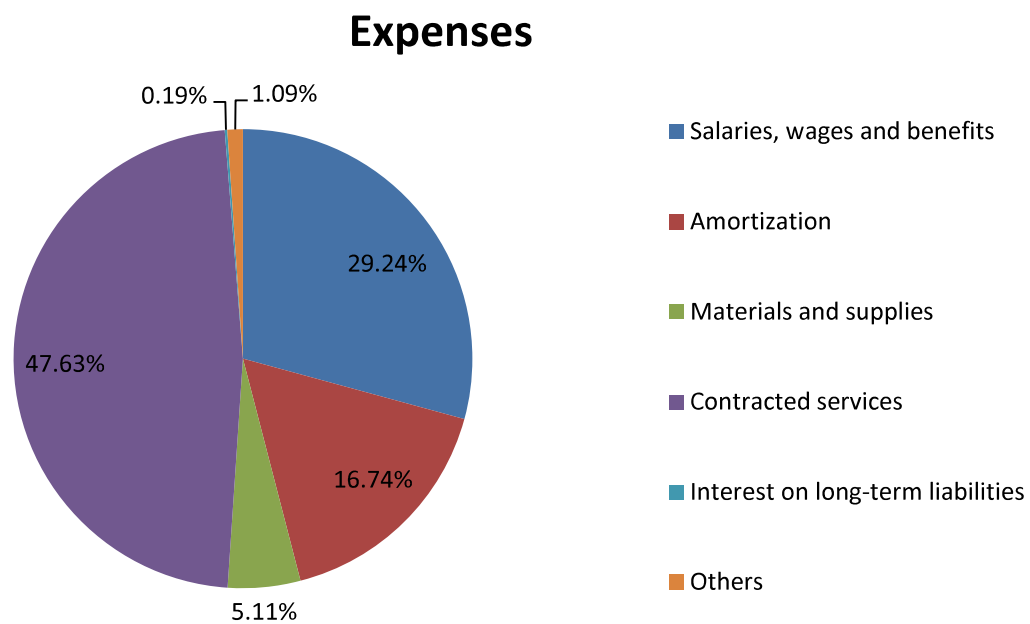


## FIVE YEAR EXPENSE COMPARISON

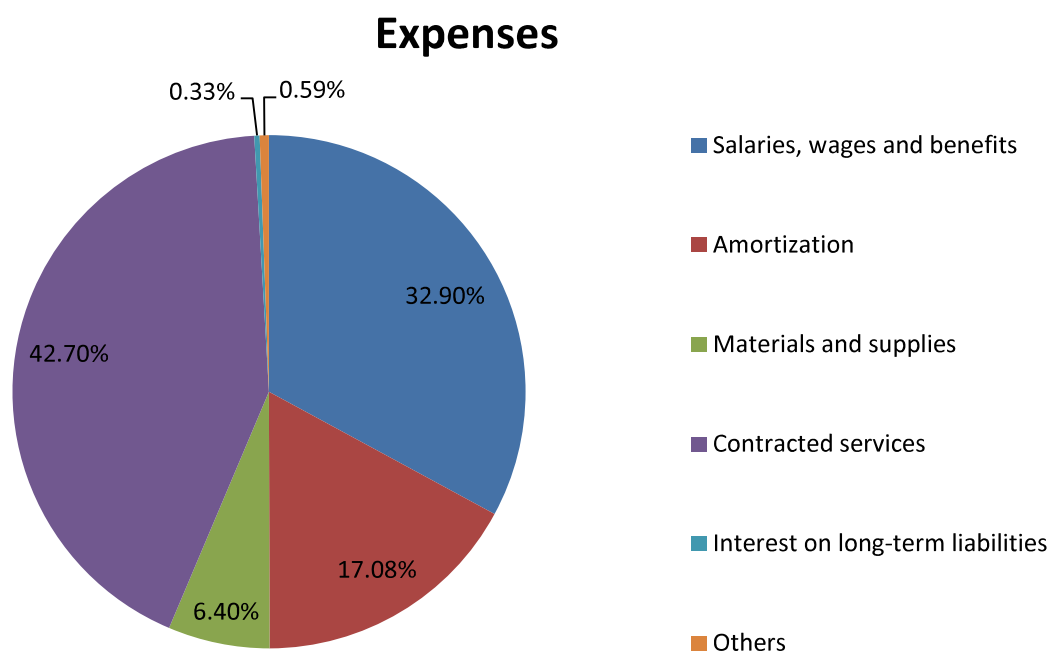
(IN THOUSANDS '000)

	2021	2020	2019	2018	2017
General government	18,145	15,679	17,790	14,862	15,232
Protection to person and property	14,804	14,565	13,434	13,414	12,855
Transportation services	10,950	10,014	10,513	10,083	9,526
Environmental services	35,291	31,897	32,001	28,495	26,050
Leisure and cultural services	22,393	19,619	23,191	21,023	20,327
Planning and development	2,608	1,749	2,121	1,868	2,068
	<b>104,191</b>	<b>93,523</b>	<b>99,050</b>	<b>89,745</b>	<b>86,058</b>

## 2021 EXPENSES



## 2016 EXPENSES





## Audit Committee Best Practice Recommendations

- **Financial Reporting**
  - The Committee should receive monthly internal financial statements and ensure that the financial statements clearly reflect the true performance of the Organization.
  - The Committee should review audit adjustments made and those waived because of immateriality.
  - The Committee should review and approve the draft audited financial statements.
  - Is there a financial expert on the Committee? The financial expert would have the following 5 attributes:
    - Understanding of the financial statements and accounting principles used to prepare the issuer's financial statements;
    - Ability to assess the application of such accounting policies;
    - Experience preparing, auditing, analyzing or evaluating financial statements, or experience supervising individuals engaged in preparing, auditing, analyzing or evaluating financial statements;
    - An understanding of internal controls and procedures for financial reporting;
    - An understanding of audit committee functions
- **Risks and Controls**
  - The Committee should create the right tone at the top to foster growth of suitable controls.
  - The Committee should have a sufficient understanding of the risks at the Organization.
  - The Committee should analyze the internal control system to ensure that the risks are adequately mitigated.
- **Audit Function**
  - The Committee should ensure that the external auditor selected has sufficient knowledge of and experience in the Organization's industry.
  - The Committee should review the audit fee and ensure that it is in line with the scope of the audit.
  - The Committee should confirm and discuss the auditor's independence.
  - The Committee should keep an open line of communication with the external auditors, including such items as:
    - The auditor's responsibility under Canadian Auditing Standards.
    - The quality of the accounting principles followed by the Organization.
    - Disagreements with management.
    - Difficulties in performing the audit.
    - Major issues management discussed with the auditors before their retention.
- **Other Issues to Consider:**
  - Is the Committee independent from the Organization?
  - Is the Committee sufficiently financially literate?
  - Are there clear position descriptions for directors?
  - Is there orientation and continuing education for all directors in place?
  - Is there a written code of business conduct and ethics?
  - Is there a nominating committee?

## Summary of Audit Process

- **Overall Approach**
  - Attain an understanding of processes and controls within the departments by performing system descriptions and walkthroughs.
  - Attain an understanding of internal IT and software, through discussions with the IT department and our systems descriptions.
  - Identify specific areas of the financial information which contain risk, and significant judgment.
  - From these initial stages, we determine what procedures to be performed on the specific areas of the financial statements.
  
- **Income Statement Approach**
  - **Revenue**
    - **Taxation** - we obtain the annual by-law and compare to the revenue recorded following-up on significant differences.
    - **Grants and government transfers** - we obtain a sample of revenue received and agree to the funding documents, following up on differences.
    - **Interest income** - Interest reasonability tests are performed on tax interest, reserve interest, bank and investments.
    - **Assumed infrastructure assets** - we obtain the asset registers and recalculate. We take a sample of additions and trace to the supporting documentation to ensure the amounts agree. We then compare the overall asset registers to that recorded and follow-up on any significant differences.
    - **Gain on disposal of tangible capital assets** - we review the disposals and compare to the asset registers to ensure the cost was removed appropriately. Also, if the assets were sold we obtain documentation on the proceeds to ensure the calculation of the gain/loss is appropriate.
    - **User fees, fines, licenses, permits and other revenue** - we obtain a sample of revenue received and agree to supporting documents and cash receipts, following up on differences. We perform a test of controls in relation to water revenues.
  
  - **Expenses**
    - **Salaries, wages and employee benefits** - we perform a test of controls on a cyclical basis. This tests various input and output controls for salaries. With regards to benefits we perform a reasonability test based on yearly percentages of CPP, EI, and benefits as a percentage of salaries. These are compared to the stated rates and differences are followed up.
    - **Materials and supplies, contracted services and other** - we perform a test of controls on a cyclical basis. The test of controls focus on controls surrounding proper authorization of purchases.
    - **Interest on long-term liabilities** - we review the various debenture contracts and agree the interest expensed to the interest indicated in those.
    - **Amortization** - we recalculate the amortization on a test basis and compare to the actual amounts recorded, following up on any significant differences.

- **Balance Sheet Approach**

- **Assets**

- **Cash** - a bank confirmation is sent to the bank and agreed to the bank reconciliation. The bank reconciliation is agreed to the general ledger and a sample of transactions from the bank reconciliation are tested to ensure proper cut-off.
    - **Taxes receivable** - we perform a year over year analysis on aging and taxes receivable as a percentage of taxation revenue. We vouch a sample of taxes receivable to invoices and subsequent cash receipts. We also perform a large arrears check and follow-up to determine what the approach is to collect from that resident.
    - **User fees and accounts receivable** - we obtain the various accounts receivable account details and for significant balances agree to supporting documentation or perform recalculations. We vouch a sample of receivables to invoices and subsequent cash receipts. For overdue amounts we assess if provisions are adequate.
    - **Portfolio investments** - confirmations are sent to the investment advisors and reviews of continuity schedules are performed.
    - **Land listed for sale** - we obtain the current year listing and for any purchases or sales obtain the agreement and agree the amounts and recalculate any gains/losses.
    - **Tangible capital assets and tangible capital assets under construction** - We take a sample of additions and disposals and trace to the supporting documentation to ensure the amounts agree. We then compare the overall asset registers to the general ledger and follow-up on any significant differences.

- **Liabilities**

- **Accounts payable and accrued liabilities** - we perform cut-off testing to ensure payables have been recorded in the proper period. We test to ensure that accruals are reasonable.
    - **Deposits** - we review the deposits and ensure that amounts received should not be recognized through a sample of items, following up with the specific departments.
    - **Deferred revenue** - we obtain the continuity schedule. For additions we test the supporting grant funding letters, test the calculation of developer charges and the reasonability of interest. For decreases we ensure they are approved in the budget and test a sample to ensure revenue recognition criteria has been met.
    - **Employee benefits liabilities** - we obtain the actuarial report, and review the assumptions made and ensure they are reasonable. We then ensure that the appropriate accounting method has been applied. We follow-up with both the actuary and the Town's Finance department on any unusual items, differences.
    - **Net long-term liabilities** - we obtain third party confirmation on the balance, terms and interest rate, following up on any significant differences.