

ACCOUNTANTS' REPORT

To: The Corporation of the Town of Caledon

We have performed the agreed upon procedures in connection with the Staff Report 2018-78 McLaren Wayside Pit Update regarding Financial Costs.

The procedures were performed solely to assist in evaluating the financial information provided in Staff Report 2018-78. The agreed-upon procedures and related findings are included in the attached appendix.

The procedures performed do not constitute an audit or review engagement and, accordingly, no assurance is expressed. Were we to have performed additional procedures or an audit or review engagement, other matters may have come to our attention which we would have reported to the Town.

The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Accordingly, we make no representations regarding the sufficiency of these procedures either for the purpose for which this report has been requested or for any other purpose. Further, we have addressed solely the procedures identified in the appendix, and make no representations regarding whether any material facts have been omitted from the Staff Report 2018-78 and memo dated July 10, 2018.

This report is solely for the information and use of The Corporation of the Town of Caledon, in connection with the Town's assessment of Staff Report 2018-78 and memo dated July 10, 2018, and is not intended and should not be used for any other purpose. Consequently, the report should not be used by other parties without prior written consent. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.



March 15, 2019
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

APPENDIX TO ACCOUNTANTS' REPORT

Agreed Upon Procedure	Findings & Comments
1. Review the schedule containing all associated weigh tickets and verify the clerical accuracy of the report total 123,797 tonnes.	We obtained a copy of the Town's aggregate reconciliation containing the daily activity from August 1, 2015 – December 31, 2015 and verified the total tonnage was 123,835.35. A discrepancy of 38.35 tonnes was identified relating to Ticket 6385910. Ticket 6385910 (Dec 2, 2015) was never received from Lafarge. Accordingly, this amount was excluded from the Town's inventory, not paid to Lafarge, and was not included in the report to council.
2. Review a statistical sample of weigh tickets in procedure #1 to yield a 95% confidence level within a variation of 4,000 tonnes.	We obtained 94 invoices from the schedule in procedure 1 and verified the total tonnage on each invoice agreed to the schedule. We then selected one ticket per invoice and vouched the tonnage to the original document noting no exceptions.
3. Review the schedule containing all associated weigh tickets to project #14-093 Simpson Road and verify the clerical accuracy of the report total 4,043 tonnes.	We obtained a copy of the Town's aggregate reconciliation containing the daily activity from August 1, 2015 – December 31, 2015 and verified the total tonnage was 4,081.41. A discrepancy of 38.41 was identified, of which 38.35 tonnes is related to the same issue regarding Ticket 6385910 noted in Procedure #1. The remaining discrepancy of 0.06 tonnes is related to rounding applied in the original report, Report #2018-78.
4. Review a statistical sample of weigh tickets in procedure #3 to yield a 95% confidence level within a variation of 250 tonnes.	We utilized 10 invoices tested in procedure 3 related to project # 14-093 Simpson Road and verified the total tonnage on each invoice agreed to the schedule. We then selected one ticket per invoice and vouched the tonnage to the original document noting no exceptions. We then selected one additional invoice from the listing in procedure 3 and verified the total tonnage agreed to the schedule. We then selected 38 tickets from the invoice and vouched the tonnage to the original document. No exceptions were identified.
5. Review the schedule containing all associated weigh tickets to project #14-101 Kennedy Road Construction and verify the clerical accuracy of the report total 17,920 tonnes.	We obtained a copy of the Town's aggregate reconciliation containing the daily activity from August 1, 2015 – December 31, 2015 and verified the total tonnage was 17,920.41. An immaterial discrepancy of 0.41 tonnes was identified due to rounding.

6. Review a statistical sample of weigh tickets in procedure #5 to yield a 95% confidence level within a variation of 1,000 tonnes.	We utilized 44 invoices tested in procedure 2 related to project #14-101 Kennedy Road and verified the total tonnage on each invoice agreed to the schedule. We then selected one ticket per invoice and vouched the tonnage to the original document noting no exceptions. We then selected one additional invoice from the listing in procedure 5 and verified the total tonnage agreed to the schedule. We then selected 10 tickets from the invoice and vouched the tonnage to the original document. No exceptions were identified.
7. Perform positive confirmation audit procedures over 15,000 tonnes of estimated sand to be used for winter maintenance.	We obtained a signed third party confirmation from James Dick Construction that verifies 16,700 tonnes of course screened sand was returned to the Caledon Town Yard. A variance of 1,700 tonnes has been identified from Staff Report 2018-78. The variance relates to the estimate of sand to be delivered compared to the actual amount of sand realized in the Fall of 2018.
8. Review approval of Capital Project #11-054 Gravel Pit Extraction and verify the budget was \$696,119.	We obtained and reviewed the resolution PW-2014-059 dated August 12, 2014 which stated the revised cost estimate for capital project 11-054 was \$651,860. This was unanimously voted in favor by 8 councilors and the Mayor. We note that \$44,259 had already been incurred by the town as at August 12, 2014. As such, total budget of \$696,119 is accurate.
9. Review supporting schedule containing all associated invoices relating to capital project #11-054 Gravel Pit Extraction (as amended in the memorandum addressed to Members of Council on July 10, 2018) and verify the clerical accuracy of the report total \$269,098.47.	We obtained a copy of the invoice schedule relating to capital project #11-054 containing 118 invoices from 2011-2016 and verified the value was \$269,098.47 as of July 10, 2018. No exceptions were identified.
10. Review a statistical sample of invoices in procedure #9 to yield a 95% confidence level within a variation of \$10,000.	We obtained 64 invoices from the schedule in procedure 9, verified the invoice related to project 11-054, and agreed the value of the invoice to the listing in procedure 9. We identified that invoices dated during 2011-2012 did not record the HST rebate at the prescribed rate. As a result, expenses were overstated by an immaterial amount of \$3,239.14.

<p>11. Review supporting documentation from the Ministry of Natural Resources and Forestry and assess whether a \$15,000 rebate is collectible for project #11-054.</p>	<p>We obtained and reviewed correspondence between Ministry of Natural Resources and Forestry and the Town of Caledon which confirms a refund \$22,441.17. The refund is comprised of the original \$12,000 deposit, an under run between the original tonnage applied for and the actual tonnes extracted of \$3,013.37, and the Town of Caledon's portion (lower tier) fee collected on the tonnes extracted of \$7,427.80. We reviewed a copy of the cheque #11390 received from Aggregate Resources Trust, dated 12/14/2018, and verified the total of \$22,441.17 agreed to the correspondence with the Ministry of Natural Resources and Forestry. We note that management's initial estimate of \$15,000 (comprised of security deposit of \$12,000 plus \$3,000 rounded refund amount of under run between the original tonnage applied for and actual tonnage extracted) did not include the unanticipated cash receipt of \$7,427.80 for the lower tier fee.</p>
<p>12. Verify that capital project #11-054 activity to date (\$269,098.47) has been posted to the Corporation of the Town of Caledon's general ledger.</p>	<p>We obtained detail extracts from the general ledger and verified the total balance entered into the system was \$284,098.47 representing gross expenditures. The variance of \$15,000 relates to the expected rebate to be received in procedure 11.</p>
<p>13. Review invoices relating to the aggregate used on Simpson Road, Kennedy Road and sale of pit run material, test the clerical accuracy of the total sales of \$271,137.69 and tonnage sold.</p>	<p>We obtained invoices (INV001732 and INV001733) and verified they relate to granular used on Simpson and Kennedy Road. We obtained the supporting invoice from GovDeals.com dated April 2018 and confirmed that a quantity of 75,000 tonnes of aggregate material was sold. We verified the invoices and revenue totaling \$271,137.69 were clerically accurate. Cash receipts were traced to the bank without exception in two deposits on April 17, 2018 and April 18, 2016.</p>
<p>14. Investigate the pricing assumptions utilized in management's calculation in procedure #13 and assess the reasonability of market prices used.</p>	<p>We obtained historical online pricing for granular A and B, to compare to the price the aggregate sold in procedure 13 for the construction of the two Town roads, Simpson Road and Kennedy Road. Granular A was sold for \$10/t, Granular B was sold for \$7/t. External prices found online were comparable at \$9.50/t granular A, \$7.25/t granular B. Based on this, the pricing in Procedure 13 related to Simpson Road and Kennedy Road was found to be reasonable.</p> <p>For the sale of pit run, the Town's disposal process was reviewed to ensure the purchasing by-law was complied with when conducting the online auction of the pit run materials. No exceptions noted.</p>
<p>15. Review journal entries in account 08-00-900-35014-000-25000 which transfers the tax funded capital proceeds from the sale of aggregate totaling \$271,137.69 to contingency reserve.</p>	<p>We obtained journal entries 12-260 and 40-83 and verified the balances identified in Staff report 2018-78 were posted to the General Ledger. This confirms the information contained in the memo is consistent with the accounting records of the Town.</p>

<p>16. Investigate the pricing assumptions used in management's calculation for estimated future cost avoidance related to winter sand and assess the reasonability of market prices used.</p>	<p>We used pricing found online to estimate the cost savings of \$7.92 per tonne. We then recalculated the savings for 16,700 tonnes (Procedure #7 above) as \$132,212.70. Immaterial variance identified when compared to the estimate of \$130,000 originally stated in Staff Report 2018-78.</p>
<p>17. Perform a proof in total by comparing the aggregate extraction unit prices in the legal agreement with Lafarge dated August 14, 2014 multiplied to the applicable aggregate quantities to the amount paid to Lafarge for aggregate extraction.</p>	<p>Unit prices for aggregate A, B and load and scale fees were taken from the legal agreement with Lafarge and applied to the tonnage extracted in procedure 1. The total cost agreed with the Lafarge invoices showing in the Town's general ledger.</p>