



Corporation of the City of Cambridge

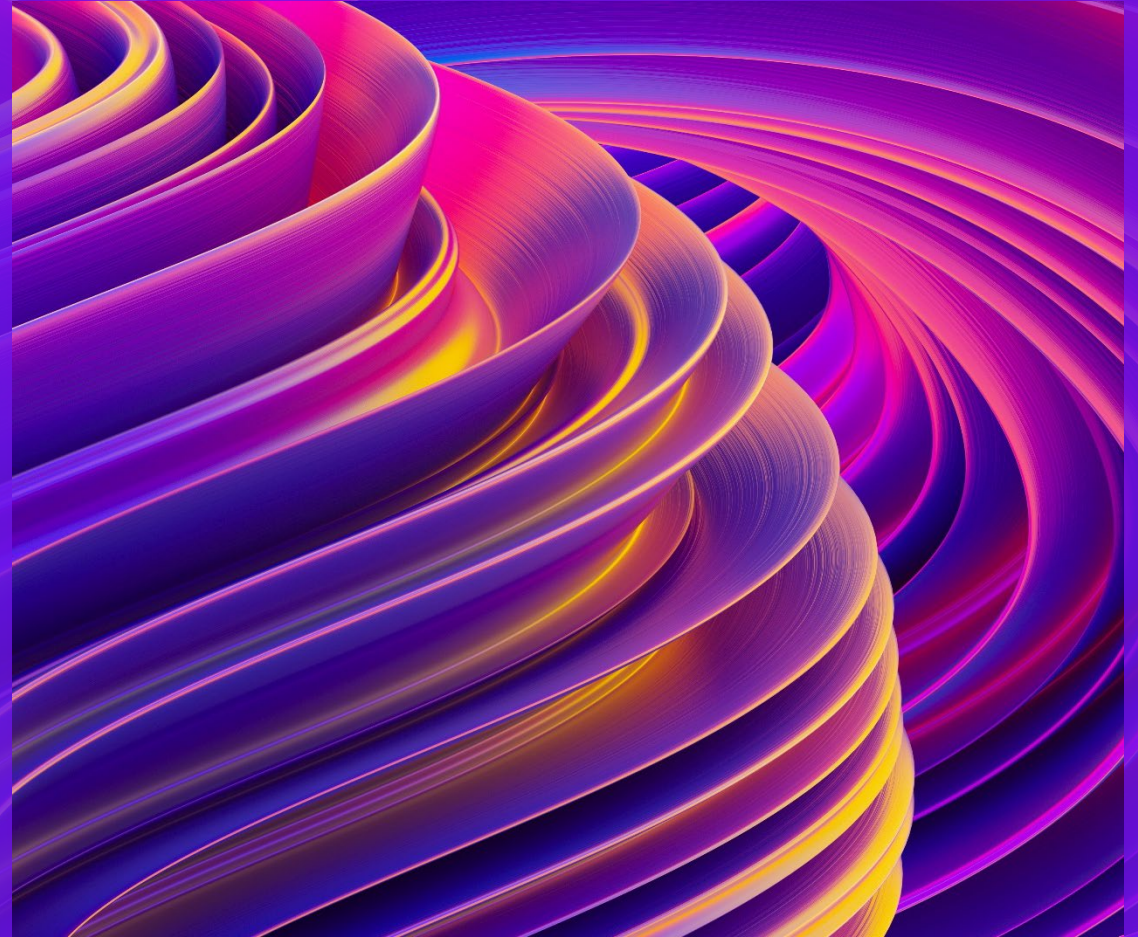
**Audit Findings Report
for the year ended December 31, 2023**

KPMG LLP

Licensed Public Accountants

Prepared as of April 22, 2024 for presentation to the Audit
Committee on May 28, 2024

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

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The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights



No matters to report



Matters to report – see link for details

Status

We have completed the audit of the financial statements for The Corporation of the City of Cambridge (Cambridge) with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report. Page 6

Risks and results

Materiality \$5,700,000

- Risk of management override of controls
- Presumed risk of fraudulent revenue recognition
- Other risks of material misstatement
- Going concern matters

Policies and practices & Specific topics

- Significant unusual transactions
- Accounting policies and practices
- Other financial reporting matters

Uncorrected misstatements

Uncorrected misstatements

Total Revenue (in \$'000s)	
As currently presented	\$327,908
Uncorrected misstatements	\$(316)
As a % of the balance	(0.10)%

Total Assets (in \$'000s)	
As currently presented	\$1,310,999
Uncorrected misstatements	\$197
As a % of the balance	0.02%

Corrected misstatements

Corrected misstatements

No misstatements identified that were subsequently corrected

Control deficiencies

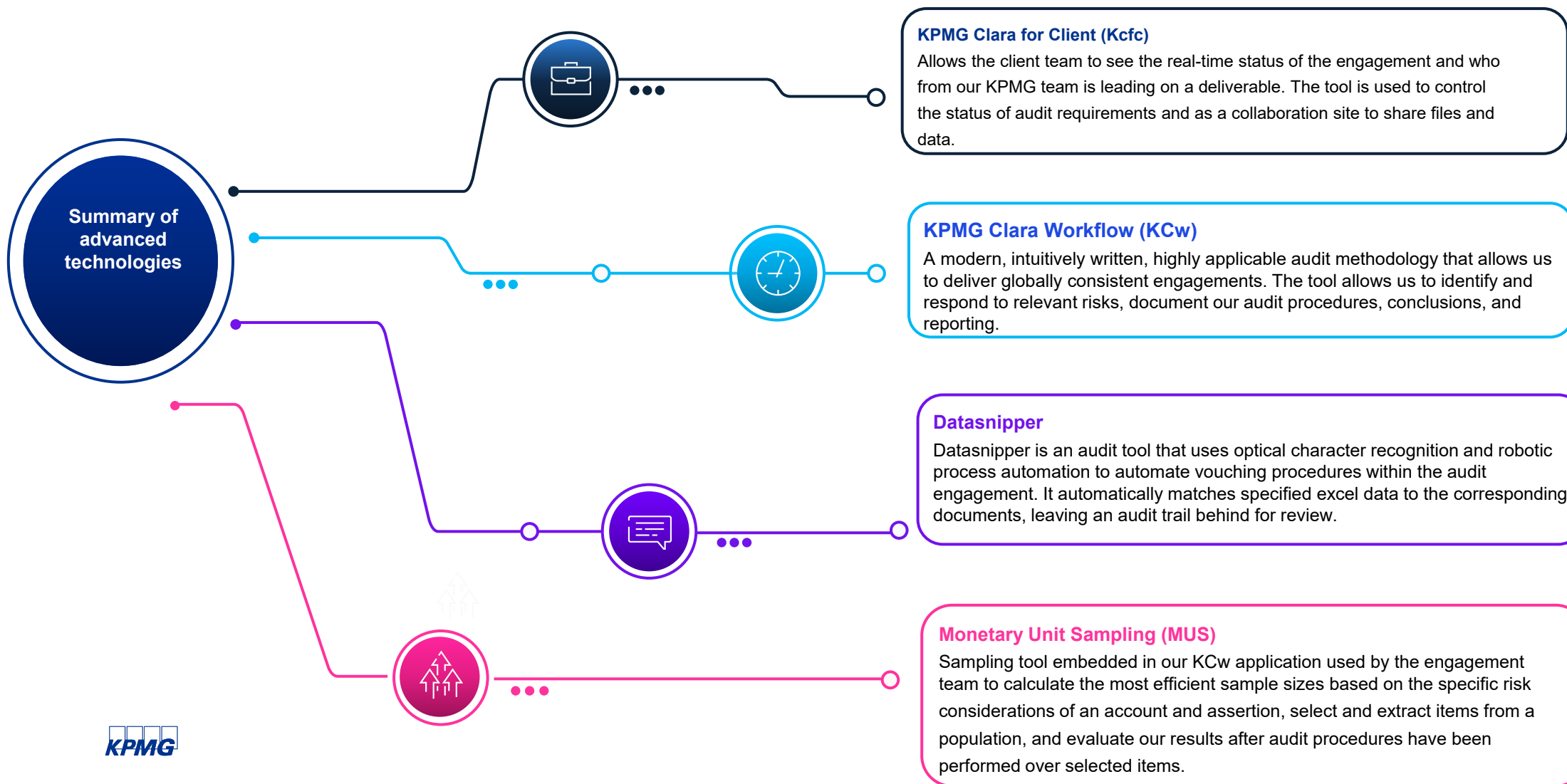
Control deficiencies

Significant deficiencies



Technology highlights

We plan to utilize technology to enhance the quality and effectiveness of the audit.





Status

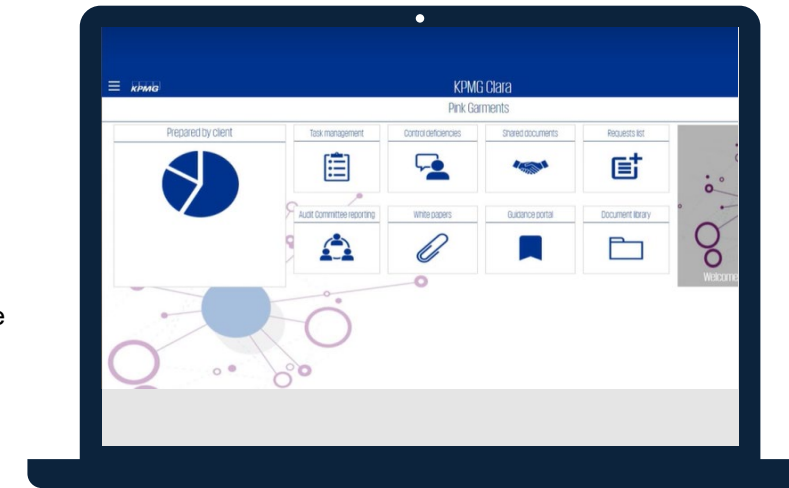
As of April 22, 2024 of preparation of Audit Findings Report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing certain audit testing procedures, including follow up inquiries and documentation requests;
- Final review on certain procedures;
- Receipt of legal confirmations;
- Completing our discussions with Council;
- Obtaining evidence of Council's approval of the financial statements; and
- Receipt of the signed management representation letter

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is provided in the draft financial statements.

KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency

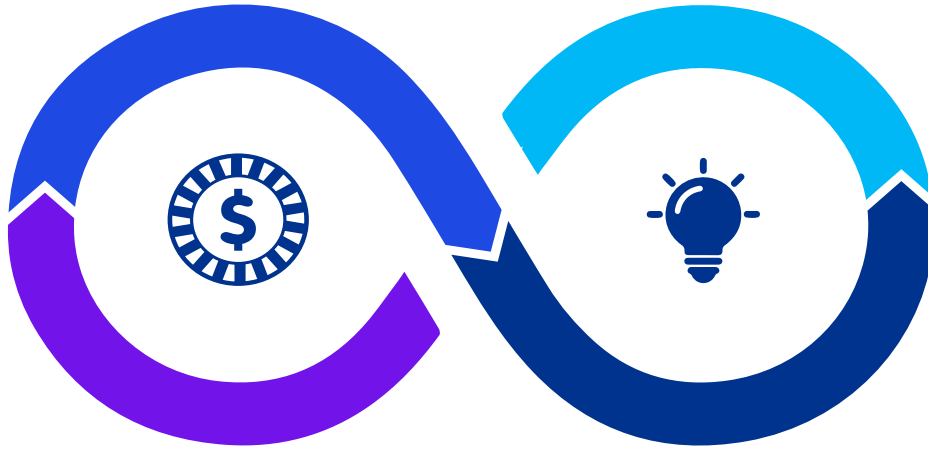
We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests from management.





Materiality



We **determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

Plan and perform the audit

We **determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

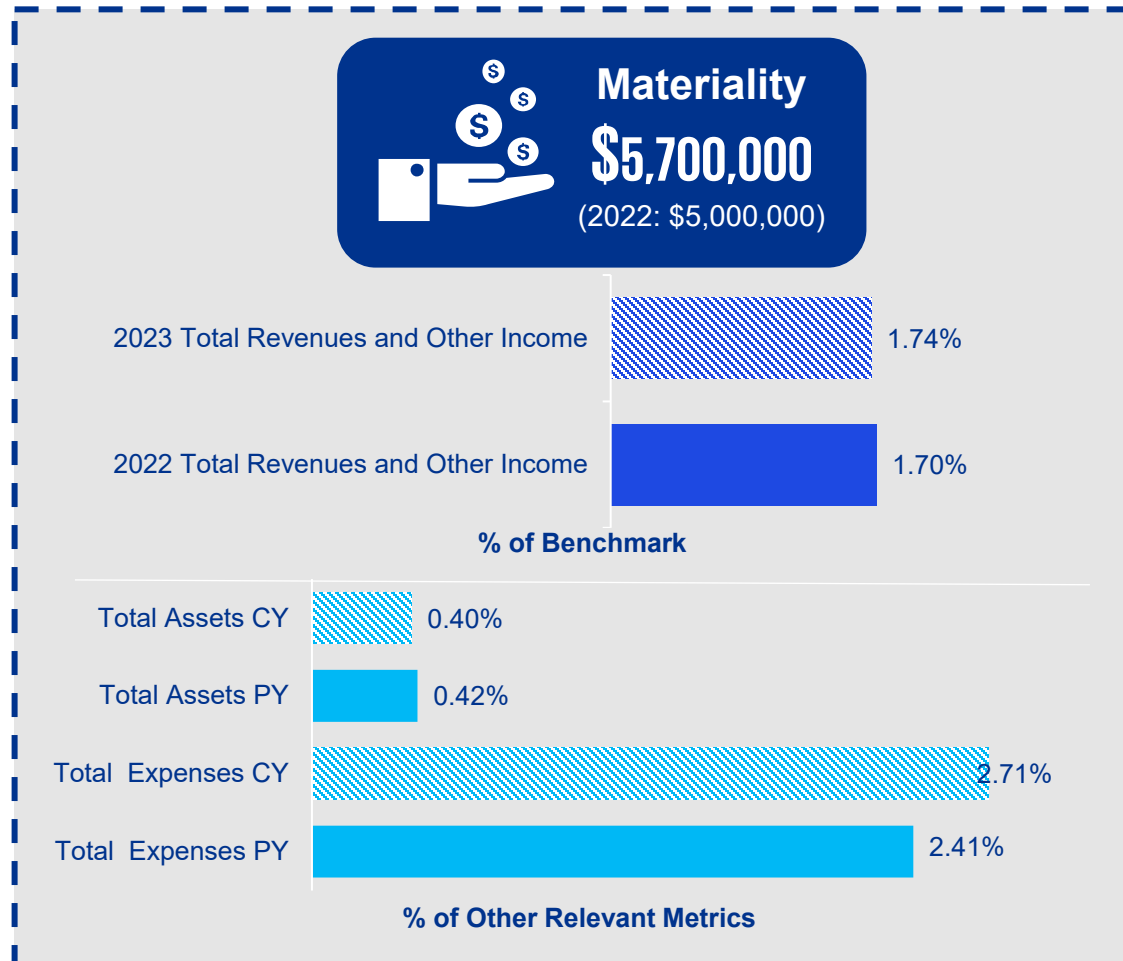
Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Materiality



Total Revenues and Other Income

\$327,908,775

(2022: \$ 293,270,293)

Total Assets

\$1,310,999,771

(2022: \$ 1,182,284,969)

Total Expenses

\$210,174,985

(2022: \$ 207,491,198)



Significant risks and results

We highlight our significant findings in respect of **significant risk**.



Management Override of Controls

RISK OF

FRAUD

Significant risk

Estimate?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

No

Our response

- We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.
- Using our KPMG Clara Journal Entry Analysis Tool, we obtained 100% of the journal entries posted during the year.
- In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings. We focused on journal entries recorded and posted as part of the year-end closing process.
- No issues were noted in the performance of the above procedures.

Significant qualitative aspects of the Organization's accounting practices

No significant qualitative aspects to note.

Advanced technologies

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



[Click to learn more](#)



Other risks of material misstatement and results



Asset retirement obligation (“ARO”), new accounting standard adoption

Significant risk

Estimate?

Asset retirement obligation

Yes

We are focusing on this area due to this being an estimate with significant judgment used by management and management’s specialists. Additionally, there is complexity of the accounting guidance.

The transition to PS 3280 has required management to retrospectively apply PS 3280 with adjustments to financial information of the comparative year of 2022, which has involved making numerous policy decisions, judgments, and estimates.

Our response

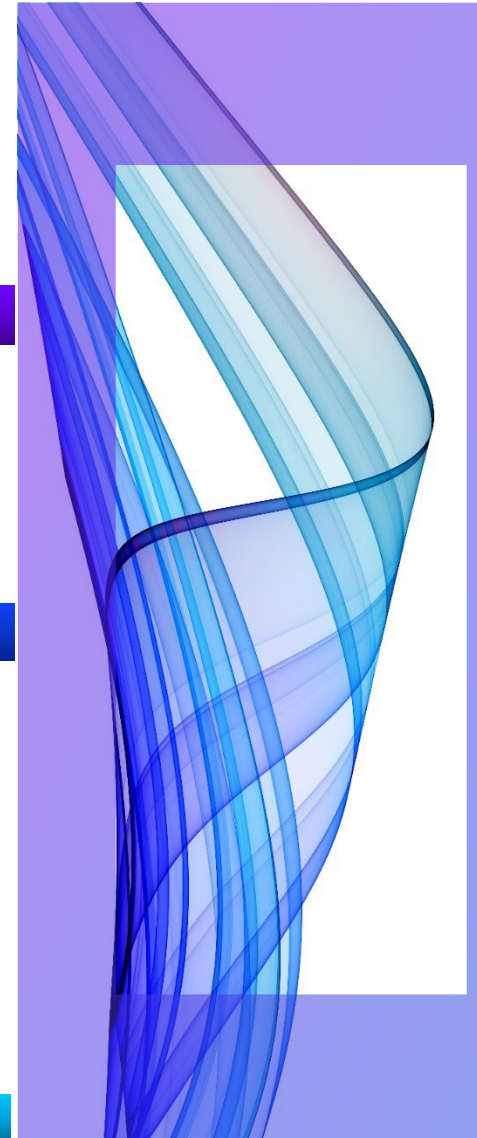
KPMG gained an understanding of the Cambridge’s process for identifying AROs. This includes required estimates, any changes to estimates, how management made the ARO estimate, and the underlying data (methodology; controls; use of experts; assumptions)

KPMG focused on key audit risks:

- We assessed that the AROs reported are complete on the financial statements, and have verified that all required assets have been identified as in-scope
- We assessed if management’s measurement of the obligation appropriate and based on reliable data and costing models through inspection of management’s policy compared to the standard, and assessment of data inputs used in determining the estimate, such as square footage of buildings and costs of remediation
- Management has correctly applied the Modified Retrospective transition method
- Management has adequate documentation of the process and audit working papers enabling auditability

Significant qualitative aspects of the City’s accounting practices

No significant qualitative aspects to note.





Other risks of material misstatement and results



Financial instruments and financial statement presentation, new accounting and presentation standard

Significant risk

Estimate?

Financial instruments and financial statement presentation - Risk of error over completeness, existence, accuracy and presentation of financial instruments.

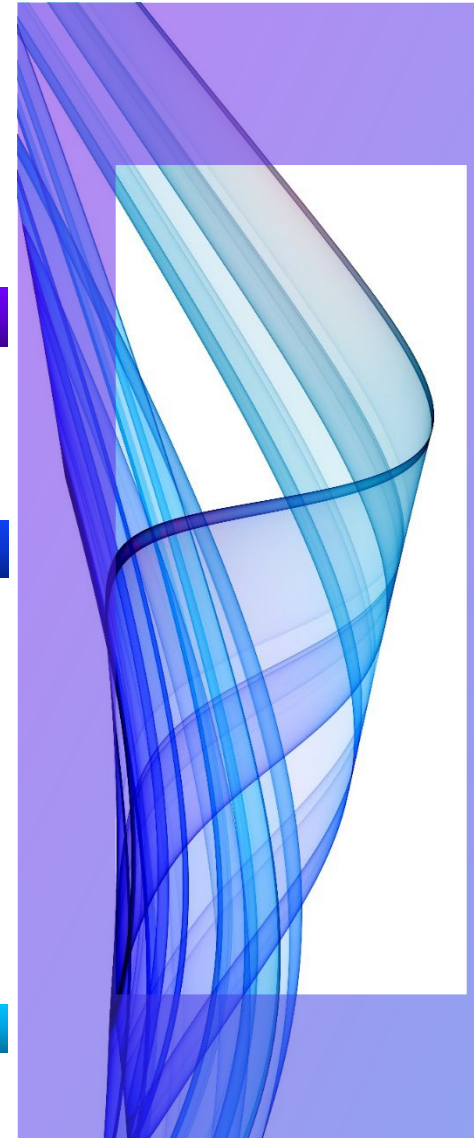
No

Our response

- We gained an understanding of the Cambridge's process for identifying financial instruments.
- We obtained and reviewed management's policy for financial instruments; equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, are recorded at cost or amortized cost.
- The City has principal protected notes (PPN) that have an embedded derivative attached to them. The City has elected to measure at fair value the whole instrument instead of bifurcating the embedded derivative and fair valuing the derivative separately. The identification of embedded derivatives are allowed and will be prospectively applied as of the date of transition, January 1, 2023, therefore all PPNs are at amortized cost as of December 31, 2023. We has assessed this as reasonable and appropriately included in the notes to the financial statements.
- We confirmed investments with Custodians

Significant qualitative aspects of the City's accounting practices

No significant qualitative aspects to note.





Other risks of material misstatement and results



Obligatory reserve fund revenue and deferred revenue

Significant risk

Estimate?

Obligatory reserve fund revenue and other deferred grant revenue. We are focusing on this area due to revenue recognized from development charge reserve fund is subject to judgment as capital projects must be growth related in nature. Additionally, we will focus on deferred revenue from the federal and provincial governments.

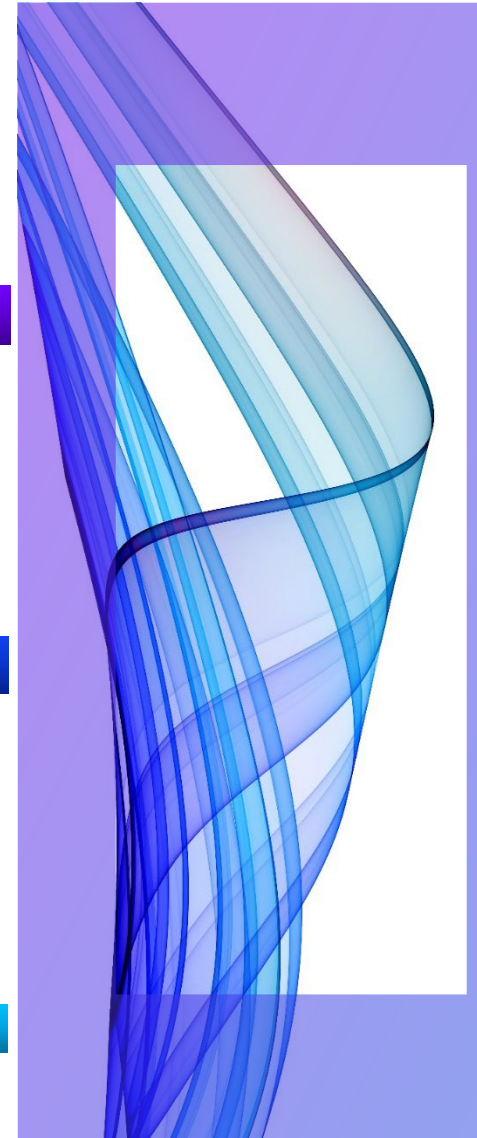
No

Our response

- We have performed statistical sampling and reconciled to agreement, cash received and revenue reported for the fiscal year.
- We have performed statistical sampling over contributions received and contributions recognized in deferred revenue and obtained supporting documentation to ensure the contribution was received and the funds were used for expenditures that are growth related in nature.
- No issues noted.

Significant qualitative aspects of the City's accounting practices

No significant qualitative aspects to note.





Other risks of material misstatement and results



Tangible Capital Assets

Significant risk

Estimate?

Tangible capital assets

No

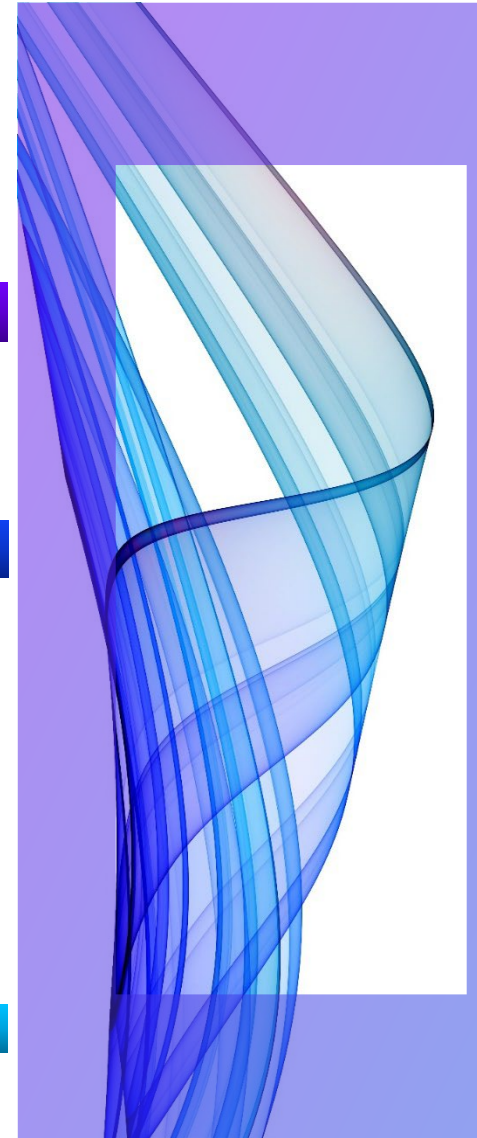
We are focusing on this area due to the significance of the account balances and the fact that there is a risk of error in inappropriately recognizing costs as either capital or operating.

Our response

- Discussion over capitalization policies and their application with management
- Performed statistical sampling to select tangible capital asset additions and retirements in the year.
- Tested expense accounts to ensure that items related to tangible capital assets were not inappropriately expensed in 2023
- Tested the reasonableness of amortization expense
- During our audit procedures over repairs and maintenance it was noted that there were some expenditures that were expensed in 2023 that were incurred in prior years and therefore should have been expensed in the year incurred. Management's policy is to capitalize all costs in work in progress until the project is substantially complete and then determine if parts should be expensed or capitalized. This should be done on an annual basis instead of when the project is substantially complete. Please see our uncorrected misstatement schedule on page 16.

Significant qualitative aspects of the City's accounting practices

No significant qualitative aspects to note.





Other risks of material misstatement and results



Post-employment benefits

Significant risk

Estimate?

Post-employment benefits

We are focusing on this area due to this being an estimate with significant judgment used by management and management's specialists. Additionally, there is complexity of the accounting guidance.

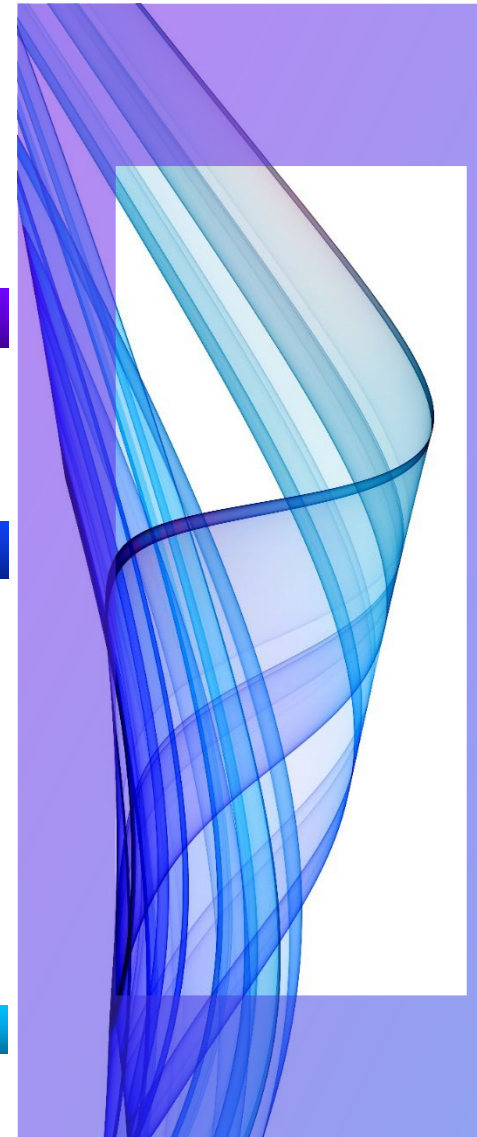
No

Our response

- Communicated with management's actuarial specialists.
- Management's process for identification and making accounting estimates are consistent with prior year.
- Assessed the reasonableness of assumptions used, and tested the appropriateness of the underlying data, including employee populations.
- We used the work of the Nexus Actuarial Consultants Ltd. (Actuarial Consultant) in our audit of the accounts and disclosures.
- No issues were noted in the performance of the above procedures.

Significant qualitative aspects of the City's accounting practices

No significant qualitative aspects to note.





Uncorrected misstatements and corrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.



Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
 - This includes the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.
- We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

Below is a summary of the impact of the uncorrected misstatement:

Revenue	(in \$'000s)	Total assets	(in \$'000s)
As currently presented	\$327,908	As currently presented	\$1,310,999
Uncorrected misstatements	\$(316)	Uncorrected misstatements	\$197
As a % of the balance	(0.10)%	As a % of the balance	0.02%



Individually significant uncorrected misstatements

Uncorrected audit misstatements:

Description of individually significant misstatements	Income effect	Financial position		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Equity (Decrease) Increase
Roll forward of prior year uncorrected misstatements	320,607	-	-	-
To record accrual for contingent liability relating to a matter that was settled after year but before issuance of financial statements	(1,788,458)	197,542	1,986,000	(1,788,458)
To record a projected misstatement relating to expensing repairs and maintenance in the current year which related to prior years	1,152,125	-	-	-
Total	(315,726)	197,542	1,986,000	(1,788,458)



Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

No significant control deficiencies were identified throughout the audit.



Accounting policies and practices

Initial selection



The following new accounting policies and practices were selected and applied during the period.

- PSAS 3280 Asset Retirement Obligations
- PS 1201 Financial Statement Presentation
- PS 3450 Financial Instruments
- PS 3401 Portfolio Investments
- PS 2601 Foreign Currency Translation

Changes to material accounting policies and practices and the impact on the financial statements are disclosed in Note 3 to the financial statements.

The new accounting standard for asset retirement obligations had a significant impact on the financial statements. At adoption, there was an adjustment to lower the opening equity of \$855,104 to set up the asset retirement obligation.

The remaining new standards did not have a significant impact on the City's financial statements.

Revised



There were no changes to accounting policies and practices during the year, other than the above new accounting standards.

Significant qualitative aspects



No significant qualitative aspects of accounting policies and practices



Other financial reporting matters

We also highlight the following:



Financial statement presentation - form, arrangement, and content



The form, arrangement, and content of the financial statements are appropriate for the size, scope, and industry of the organization.



Concerns regarding application of new accounting pronouncements



Next year the City of Cambridge will have to adopt PS 3400 Revenue, Public Sector (PS) guideline 8 – Purchased intangibles, and PS 3160 Public private partnerships.

Management will be assessing the impact of the above new accounting standards for 2024. Management and KPMG do not believe the impact of the new standards to be significant. See [Appendix: Accounting Standards](#) for proposed future accounting standards



Significant qualitative aspects of financial statement presentation and disclosure



There are no concerns with respect to the presentation or disclosure of the financial statements; the financial statement presentation and disclosure is considered appropriate for the organization.



Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud	No matters to report
Other information in documents containing the audited financial statements	No matters to report
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Management's consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Other matters that are relevant matters of governance interest	No matters to report



Independence



The services are not prohibited, and threats to our independence, if any, resulting from the provision of the services will be eliminated or reduced to an acceptable level. Further details on the services and the assessment of the potential effects on our independence are included on the slides that follow.

We are not aware of any relationships or other matters between our firm and the Organization that, in our professional judgement, may reasonably be thought to bear on our independence.

Audit services

Fee

Fee structure

Audit of financial statements of City of Cambridge for the year ending December 31, 2023

\$ 63,200

Fixed

Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the engagement letter. The critical assumptions, and factors that cause a change in our fees, include:

- Audit readiness, including delays in the receipt of requested working papers, audit samples, inquiries and financial statements information from the agreed upon timelines, and the books and records being properly closed at the start of our year-end audit work;
- The availability, participation and responsiveness of key City of Cambridge team members during the audit;
- Significant changes to internal control over financial reporting;
- Significant changes in the nature or size of the operations of City of Cambridge beyond those contemplated in our planning processes;
- Significant unusual and/or complex transactions;
- Changes in the timing of our work;
- Other significant issues (e.g. cyber security breaches, change in IT systems);
- Any accounting advice



Independence: Additional detail





Independence: Additional detail



Accounting
Advisory

Detailed description of service

Professional accounting services to assist Cambridge initiative to implement, PS 3280, asset retirement obligations for the fiscal year ended December 31, 2023

Potential effects of the proposed service on independence

The proposed services are not prohibited under CPA Code or IESBA independence rules. The advisory services will not involve contingent fees. The advisory work is led by a Partner from an office other than that of the Lead Partner for the financial statements. Additionally, the project team for the advisory work was comprised entirely of team members independent of the financial statement audit. Lastly, the nature and extent of audit procedures performed by the audit team over the ARO work will not be reduced from what normally be to support the financial statement audit opinion.

KPMG advisory is not considered the preparer or the developer of the information or project. Management assumes responsibility to review and otherwise attempt to verify the accuracy or completeness of the information provided.

Appendices



Required
communications



Management
representation letter



Engagement letter



Audit quality



Proposed accounting
standards



New auditing standards



Audit and
assurance insights



ESG





Appendix: Other required communications



Engagement terms

A copy of the engagement letter is included in [Appendix: Engagement Letter](#)



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)



Appendix: Management representation letter

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener ON N2G 0E1
Canada

[DATE]

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of The Corporation of the City of Cambridge ("the Entity") as at and for the period ended December 31, 2023.

GENERAL:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also 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:

RESPONSIBILITIES:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 4, 2019 , including for
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and through to the date of the review report for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

GOING CONCERN:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

MISSTATEMENTS:

- 10) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole
- 11) We reaffirm that the uncorrected misstatements described in Attachment II for the year ended December 31, 2022, are immaterial, both individually and in the aggregate, to the financial statements as a whole

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

By: Sheryl Ayres, Chief Financial Officer

By: Sheena Pawliwec, Director of Finance and Deputy Treasurer

By: Mirna Raponi, Manager of Accounting and Financial Reporting

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with Public Sector Accounting Board (PSAB) related party is defined as:

- A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with Public Sector Accounting Board (PSAB) a related party transaction is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Appendix II – Misstatements

Summary of Audit Misstatements - Uncorrected

Entity: Corporation of the City of Cambridge
 For Period Ended: December 31, 2023

Amounts in: Rollover method
 Method Used to Quantify Audit Misstatements:
 Final Materiality: 5,700,000.00

ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	Correcting Entry Necessary at Current Period End			Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)				Cash Flow Effect - Increase (Decrease)				
				Accounts (if applicable)	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover method	Surplus	financial assets	non-financial assets	Liabilities	Operating Activities	Investing Activities	Capital financing	Financing Activities	
PY SAM	Rollforward of prior year entry - to record accrued liabilities that were not recorded in 2022 but relate to 2023	Factual	accounts	general expenses	519,276		519,276	0	(519,276)									
				HST rebate	57,356													
				accrued liabilities		(576,632)												
PY SAM	Rollforward of prior year entry - to accrue for retro pay for salaries based on expected final collective agreement	factual	accounts	general government	298,273		298,273	0	(298,273)									
				accrued liabilities		(298,273)												
PY SAM	Rollforward of prior year entry - To record the understatement of contributed assets in 2021	Factual	accounts	Contributed Tangible Capital Assets			(996,942)		996,942									
PY SAM	Rollforward of prior year entry - to record accrual for contingent liability relating to legal claim	Factual	accounts	legal expense	500,000		500,000		(500,000)									
				accrued liabilities		(500,000)												
SAM 1	to record accrual for contingent liability relating to legal claim	Factual	accounts	legal expense	1,788,458			1,788,458	1,788,458	1,788,458				(1,788,458)				
				HST rebate	197,542						197,542			(197,542)				
				accrued liabilities		(1,986,000)							(1,986,000)	1,986,000				
SAM 2	to record an error for repairs and maintenance testing that relate to prior period expenses	Projected	accounts	general government	1,152,125		1,152,125		(1,152,125)									
				TCA		(1,152,125)												
Aggregate effect of uncorrected audit misstatements (before tax):										315,726	1,788,458	197,542	0	(1,986,000)	0	0	0	
Tax effect:																		
Aggregate effect of uncorrected audit misstatements (after tax):										315,726	1,788,458	197,542	0	(1,986,000)	0	0	0	
Financial statement amounts (per final financial statements) (after tax):										(117,733,790)	(1,012,830,801)	462,188,424	848,811,347	(298,168,970)	53,549,852	(523,313)	(52,499,706)	13,766,240
Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):										(0.27%)	(0.18%)	0.04%	0.00%	0.67%	0.00%	0.00%	0.00%	

Summary of Audit Misstatements - Uncorrected

Entity: City of Cambridge
 For Period Ended: December 31, 2022
 Amounts in: CDN
 Method Used to Quantify Audit Misstatements: Rollover method
 Final Materiality: 5,000,000

Correcting Entry Necessary at Current Period End				Income Statement Effect - Debit (Credit)					Balance Sheet Effect - Debit (Credit)				Cash Flow Effect - Increase (Decrease)				
ID	Description of misstatement	Factual, judgmental or projected misstatement?	Misstatement in accounts or in disclosure?	Accounts (if applicable)	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect of correcting the current period balance sheet	Income effect according to Rollover method	Surplus	financial assets	non-financial assets	Liabilities	Operating Activities	Investing Activities	Capital activities	Financing Activities
SAM 1	to record accrual for contingent liability relating to legal claim	Factual	accounts	legal expense	500,000	(500,000)	300,000	500,000	200,000	500,000			(500,000)	(200,000)			
SAM 2	To record the understatement of contributed assets in 2021	Factual	accounts	accrued liabilities	3,947,877							996,942			(996,942)		
				Tangible Capital Assets													
				Contributed Tangible Capital Assets		(3,947,877)	(3,947,877)	(996,942)	2,950,935	(996,942)				996,942			
SAM 3	to record accrued liabilities not recorded	Factual	accounts	general expenses	519,276		169,773	519,276	349,503	519,276		57,356			(519,276)		
				HST rebate	57,356										(57,356)		
				accrued liabilities		(576,632)							(576,632)	576,632			
SAM 4	to record 2021 disposal that was done in 2022 or the pumping station	Factual	accounts	disposal of assets	1,765,552		1,765,552		(1,765,552)								
				Tangible Capital Assets		(1,765,552)											
SAM 5	to record accrual for retro pay for salaries based on finalized collective agreement	Factual	accounts	general government	2,935,014		2,935,014		(2,935,014)								
				accrued liabilities		(2,935,014)											
SAM 6	to accrued for holdbacks on CFSA activity	Factual	accounts	Tangible Capital Assets	676,982							676,982			(676,982)		
				CFSA accrued liabilities		(676,982)							(676,982)	676,982			
SAM 7	to accrue for retro pay for salaries based on expected final collective agreement	factual	accounts	general government	298,273			298,273	298,273	298,273					(298,273)		
				accrued liabilities		(298,273)							(298,273)	298,273			
2023 SAM	to record an error for repairs and maintenance testing that relate to 2022 expenses expensed in 2023	Projected	accounts	general government	1,152,125			1,152,125	1,152,125	1,152,125					-1,152,125		
				TCA		(-1,152,125)						-1,152,125				1,152,125	
SAM 8	the disposals of TCA were recorded in 2022 when they should have been recorded in 2021. these assets were fully depreciated so disclosure only misstatement	Projected	disclosure	cost balance, beginning of year	1,617,858												
				disposals		(1,617,858)											

Aggregate effect of uncorrected audit misstatements (before tax):	1,222,462	1,472,732	250,270	1,472,732	57,356	521,799	(2,051,887)	1,473,924	(2,826,049)	1,152,125	0
Tax effect:											
Aggregate effect of uncorrected audit misstatements (after tax):	1,222,462	1,472,732	250,270	1,472,732	57,356	521,799	(2,051,887)	1,473,924	(2,826,049)	1,152,125	0
Financial statement amounts (per final financial statements) (after tax):			(85,779,095)	(895,097,011)	424,673,485	757,611,484	(287,187,958)	88,455,316	(24,084,129)	(49,979,428)	(5,631,760)
Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):			(0.29%)	(0.16%)	0.01%	0.07%	0.71%	1.67%	11.73%	(2.31%)	0.00%



Appendix: Engagement letter



**CLIENT TO SIGN
RETURN TO KPMG**

KPMG LLP
115 King Street South
2nd floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
Fax 519-747-8830

PRIVATE & CONFIDENTIAL

Ms. Sheryl Ayres
Treasurer
Corporation of the City of Cambridge
Cambridge City Hall
50 Dickson Street
Cambridge, Ontario N1R 8S1

October 4, 2019

Dear Ms. Ayres:

The purpose of this letter is to outline the terms of our engagement for the Corporation of the City of Cambridge and its subsidiaries (the "Entity") commencing for the periods ending December 31, 2019. We will issue reports on the financial statements of the Entity as follows:

	Entity	Report	Basis of Financial Statements
1	Corporation of the City of Cambridge	Audit	Consolidated
2	Trust Funds Administered by the City of Cambridge	Audit	
3	The Cambridge Public Library Board (o/s Idea Exchange)	Audit	
4	Preston Towne Centre Business Improvement Area	Audit	
5	Downtown Cambridge Business Improvement Area	Audit	
6	Hespeler Village Business Improvement Area	Audit	
7	Annual Reconciliation Report (ARR) for the Ministry of Health & Long-Term Care	Financial information (Audit)	



The Corporation of the City of Cambridge
October 4, 2019

The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS

The annual financial statements will be prepared and presented in accordance with Canadian public sector accounting standards (hereinafter referred to as the "financial reporting framework").

The annual financial statements will include an adequate description of the financial reporting framework.

MANAGEMENT'S RESPONSIBILITIES

Management responsibilities are described in Appendix – Management's Responsibilities.

An audit does not relieve management or those charged with governance of their responsibilities.

AUDITORS' RESPONSIBILITIES

Our responsibilities are described in Appendix – Auditors' Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.

AUDITORS' DELIVERABLES

The expected form and content of our report(s) is provided in Appendix – Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the after we have issued our audit report , but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG and appropriate steps will also be taken by the Entity to prevent further reliance on our audit report.



Such steps include, but may not be limited to, appropriate disclosures by the Entity to the users of the financial statements and audit report thereon of the newly discovered facts and the impact to the financial statements .

AUDIT OF HISTORICAL FINANCIAL INFORMATION OTHER THAN FINANCIAL STATEMENTS

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL INFORMATION

The other historical financial information will be prepared and presented in accordance with the financial reporting provisions of the guidelines in Chapters 3 and 4 of the Ontario Healthcare Reporting Standards and Chapter 11 of the Community Annual Planning Submissions (CAPS) Guidelines issued by the Ministry of Health and Long-Term Care. (hereinafter referred to as the “financial reporting framework”).

The other historical financial information will include an adequate description of the financial reporting framework.

This other historical financial information will be prepared for the purpose of meeting the financial reporting requirements and for the use of Ministry of Long-Term Care and the Local Health Integration Network. The purpose and use will be disclosed in the notes to the other historical financial information.

It is understood that because the other historical financial information is prepared in accordance with a special purpose financial reporting framework that the other historical financial information will not be distributed to parties outside of the specified users.

MANAGEMENT'S RESPONSIBILITIES

Management responsibilities are described in Appendix – Management's Responsibilities.

An audit does not relieve management or those charged with governance of their responsibilities.

AUDITORS' RESPONSIBILITIES

Our responsibilities are described in Appendix – Auditors' Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.

AUDITORS' DELIVERABLES

The expected form and content of our report(s) is provided in Appendix – Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the other historical financial information after we have issued our audit report, but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course



of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report.

Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG, appropriate steps will also be taken and expected by the Entity to prevent further reliance on our audit report. Such steps include, but may not be limited to, appropriate disclosures by the Entity to the users of the other historical financial information and audit report thereon of the newly discovered facts and the impact to the other historical financial information.

ADDITIONAL RESPONSIBILITIES REGARDING "OTHER INFORMATION"

"Other information" is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditors' report thereon) included in the "annual report". An "annual report" is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditors' report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on the Entity's:
 - operations; and/or
 - financial results and financial position as set out in the financial statements .

Based on discussions with management, the following are expected to meet the definition of an "annual report" under professional standards:

- The document likely to be entitled Annual Report

Management agrees, when possible, to provide us with the final versions of the document(s) comprising the "annual report" prior to the date of our auditors' report on the financial statements . If that timing is not possible, management agrees to provide us with the final versions of the document(s) comprising the "annual report" prior to the entity's issuance so that we can complete our responsibilities required under professional standards.



The Corporation of the City of Cambridge
October 4, 2019

Management is responsible for the "other information". Our responsibility is to read the "other information" and, in doing so, consider whether such information is materially inconsistent with:

- the ; or
- our knowledge obtained in the audit.

Our responsibility is also to remain alert for indications that the "other information" appears to be materially misstated.

Our auditors' report on the , when applicable under professional standards, will contain a separate section where we will report on this "other information".

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

FEES

Appendix - Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.

* * * * *

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable to the Entity, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

Matthew Betik, CPA, CA
Partner, responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body
519-747-8245



The Corporation of the City of Cambridge
October 4, 2019

Enclosure

The terms of the engagement for Corporation of the City of Cambridge set out are as agreed:

A handwritten signature in blue ink that reads "Sheryl Ayres".

Sheryl Ayres, Treasurer

10/10/19

Date (DD/MM/YY)



Appendix - Management's Responsibilities

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.
- (b) providing us with all information of which management is aware that is relevant to the preparation of the such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties
 - complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the . All significant actions are to be included in such summaries.
- (c) providing us with unrestricted access to such relevant information.
- (d) providing us with complete responses to all enquiries made by us during our engagement.
- (e) providing us with additional information that we may request from management for the purpose of the engagement.
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.
- (g) such internal control as management determines is necessary to enable the preparation of that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (h) ensuring that all transactions have been recorded and are reflected in the .
- (i) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.
- (j) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.



Appendix - Auditors' Responsibilities

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the annual 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
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards



Appendix - Expected Form of Report

INDEPENDENT AUDITORS' REPORT

To the Members of Council

Opinion

We have audited the financial statements of The Corporation of the City of Cambridge (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



Appendix - Expected Form of Report (continued)

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.



The Corporation of the City of Cambridge
October 4, 2019

Appendix - Expected Form of Report (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- 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.



AUDIT OF HISTORICAL FINANCIAL INFORMATION OTHER THAN FINANCIAL STATEMENTS

Appendix - Management's Responsibilities

Management acknowledges and understands that they are responsible for:

- (a) the preparation and presentation of the other historical financial information in accordance with the financial reporting framework referred to above
- (b) providing us with all information of which management is aware that is relevant to the preparation of the other historical financial information such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties
 - complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the other historical financial information. All significant actions are to be included in such summaries.
- (c) providing us with unrestricted access to such relevant information.
- (d) providing us with a complete responses to all enquiries made by us during the engagement.
- (e) providing us with additional information that we may request from management for the purpose of the engagement
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence
- (g) such internal control as management determines is necessary to enable the preparation of other historical financial information that is free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
- (h) ensuring that all transactions have been recorded and are reflected in the other historical financial information
- (i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us
- (j) determining that the basis of accounting is an acceptable basis for the preparation of the other historical financial information in the circumstances and informing us of all steps taken to determine that the applicable financial reporting framework is acceptable in the circumstances
- (k) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.



AUDIT OF HISTORICAL FINANCIAL INFORMATION OTHER THAN FINANCIAL STATEMENTS

Appendix - Auditors' Responsibilities

Our function is:

- to express an opinion on whether the Entity's other historical financial information is prepared, in all material respects, in accordance with the financial reporting framework referred to above; and
- to report on the other historical financial information.

We will conduct the audit of the Entity's other historical financial information in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the other historical financial information as a whole is free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the other historical financial information 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
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the other historical financial information based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards



AUDIT OF HISTORICAL FINANCIAL INFORMATION OTHER THAN FINANCIAL STATEMENTS

Appendix - Expected Form of Report

INDEPENDENT AUDITORS' REPORT

To the Ministry of Health and Long-Term Care and the Waterloo Wellington Local Health Integration Network
To the Ministry of Health and Long-Term Care and the Waterloo Wellington Local Health Integration Network

Opinion

We have audited the accompanying Community Support Services Program ("CSS") schedules (ARRFin1, ARRFin2, ARRFin3) and the Proxy Pay Equity Reconciliation Report (excluding Statistics and FTEs) of the Corporation of the City of Cambridge ("City of Cambridge") Annual Reconciliation Report for the period ended March 31, 2020 including a summary of significant accounting policies and other explanatory information (Hereinafter referred to as the "Statement"). In our opinion, the accompanying Statement referred to above is prepared, in all material respects, in accordance with the financial reporting provisions in the guidelines in Chapters 3 and 4 of the Ontario Healthcare Reporting Standards and the Community Financial Policy (2016) issued by the Ministry of Health and Long-Term Care and the agreement between City of Cambridge and the Ministry of Health and Long-Term Care and the Waterloo Wellington Local Health Integration Network

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 "Auditors' Responsibilities for the Audit of the Statement" section of our auditors' report. We are independent of the City of Cambridge in accordance with the ethical requirements that are relevant to our audit of the Statement 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.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1 in the Statement, which describe the applicable financial reporting framework. As a result, the Statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management

Management is responsible for the preparation of the Statement in accordance with financial reporting provisions in the guidelines in Chapters 3 and 4 of the Ontario Healthcare Reporting Standards and the Community Financial Policy (2016) issued by the Ministry of Health and Long-Term Care and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.



AUDIT OF HISTORICAL FINANCIAL INFORMATION OTHER THAN FINANCIAL STATEMENTS

Appendix - Expected Form of Report (continued)

Auditors' Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the Statement. 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 Statement, 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 City of Cambridge's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management



The Corporation of the City of Cambridge

October 4, 2019

Appendix - Fees for Professional Services

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The estimated fee for the services described in this letter is \$71,550.

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm's HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG upon receipt.



**TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS
(NON-LISTED COMPANY CLIENTS)**

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of Entity.

1. DOCUMENTS AND LICENSES.

- a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.
- b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that KPMG may list Entity as a customer in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "Client is an Audit, Advisory, and/or Tax client of KPMG LLP").

2. ENTITY'S RESPONSIBILITIES.

- a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.
- b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity's failure to deliver documents and information as required.
- c. To the extent that KPMG personnel are on Entity's premises, Entity will take all reasonable precautions for their safety.
- d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.
- e. Except as required by applicable law or regulation, Entity shall keep confidential the terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission.
- f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings.

3. FEE ARRANGEMENTS.

- a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues.
- b. Additional time may be incurred for such matters as significant

issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee. Our professional fees are also subject to an additional charge to cover information technology infrastructure costs and administrative support of our client service personnel. Disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

- c. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.
- d. Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in the Engagement Letter.
- e. Canadian Public Accountability Board ("CPAB") participation fees, when applicable, are charged to Entity based on the annual fees levied by CPAB.

4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

- a. KPMG is a member firm of the KPMG International Cooperative ("KPMG International"). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity's confidential information and personal information ("information"). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity's confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above.



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b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information with its legal advisers and insurers for the purposes of obtaining advice.

c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity's information to offer services that may be of interest to Entity.

5. PERSONAL INFORMATION CONSENTS AND NOTICES.

KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG's Privacy Officer noted in KPMG's privacy policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.

a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG or a foreign component auditor which has been engaged in connection with an assurance engagement ("component auditor") may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's or the component auditor's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG or its component auditor, as applicable, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG or its component auditor, as applicable, will produce documents and provide information in response to the third party demand, without further authority from Entity, its subsidiaries or affiliates.

b. KPMG will use reasonable efforts to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of Entity is required for such disclosure, then Entity hereby provides its consent.

c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands.

d. Entity waives and releases KPMG from any and all claims that it may have against KPMG as a result of any disclosure or production by KPMG of documents or information as contemplated herein.

e. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.

a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.

b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Entity assumes all responsibility or liability in respect of the risk associated with the use of the foregoing, and agrees that KPMG is not responsible for any issues that might arise (including loss of data) as a result of Entity using the foregoing to transmit information to or otherwise share information with KPMG and, in the case of online tools other than email, KPMG's access to and use of the same in connection with obtaining Entity information and documents.

8. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 14, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION ON LIABILITY AND INDEMNIFICATION

a. Subject to Section 14: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the lesser of one million dollars (\$1,000,000) or two times the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's



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liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. Subject to Section 14, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 14: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 9, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 9 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

10. CONSENT TO THE USE OF THE KPMG NAME OR KPMG REPORT.

Except as otherwise specifically agreed in this Engagement Letter, KPMG does not consent to:

i. the use of our name or our report in connection with information, other than what we have reported on as part of this engagement letter or our report thereon, that contains, incorporates by reference, or otherwise accompanies our report or our name;

ii. the use of our report in another language, or the use of our report in connection with information that we reported on that has been translated into another language, or the use of our name in connection with information that we reported on that has been translated into another language ;

iii. the use of our report in connection with an offering document or other securities filing, including continuous disclosure filings; or

iv. the use of our name or our report in connection with the interim financial statements (or other interim financial information) to any statement by the Entity regarding the services that we provided on the interim financial statements or other interim financial information. Any communication, report, statement or conclusion on the interim financial statements may not be included in, or otherwise referred to in any public document or public oral statements except when the interim review conclusion contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.

If the Entity wishes to obtain KPMG's consent regarding the matters above or other matters not otherwise specifically covered by this Engagement Letter, we will be required to perform procedures as required by applicable professional standards, and such procedures would be a separate engagement and subject to separate engagement terms.

11. ALTERNATIVE DISPUTE RESOLUTION.

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation. If

mediation is not successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing this engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

12. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity; and (ii) provide advice or services to any other person or entity making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.

c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.

d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. In the event that circumstances arise that place KPMG into a conflict of interest as between Entity and a pre-existing client, which in KPMG's sole opinion cannot be adequately addressed through the use of confidentiality and other safeguards, KPMG shall be entitled to immediately terminate the engagement with Entity, without liability.

f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

13. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.



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14. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

15. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

16. LLP STATUS.

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

17. INDEPENDENT LEGAL ADVICE

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

18. SURVIVAL.

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.



Appendix: Audit quality - How do we deliver audit quality?

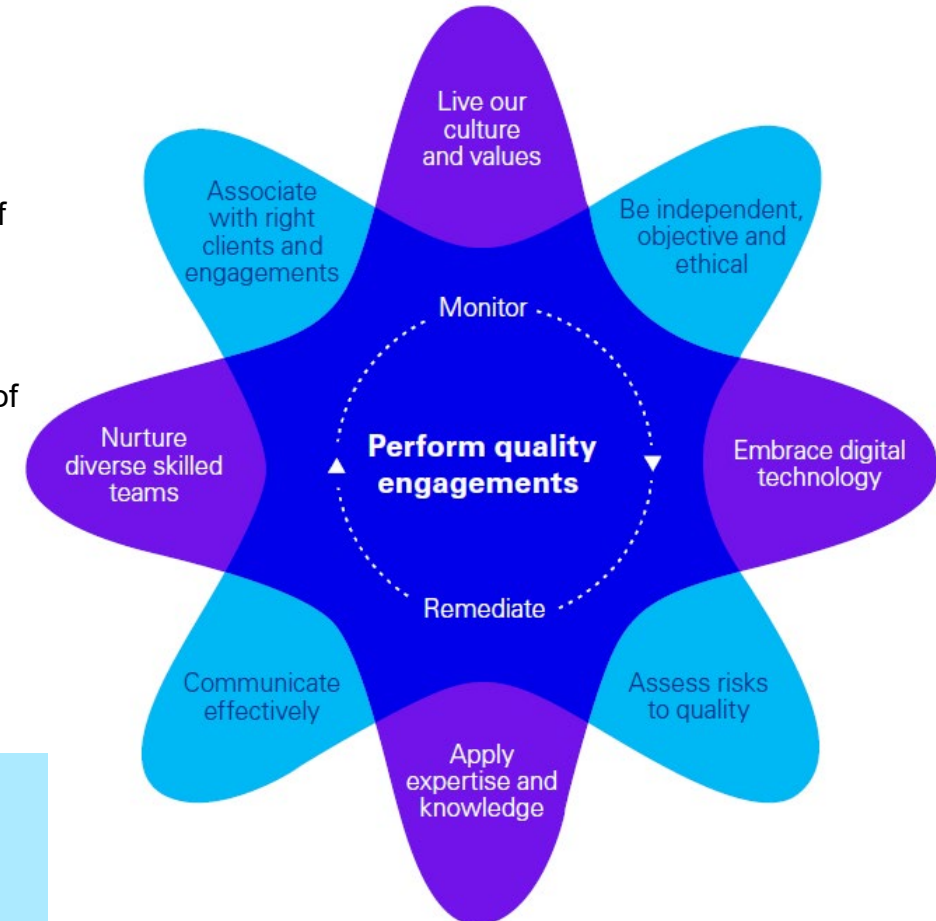
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG 2023 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.



Appendix: Audit quality - Indicators (AQIs)

The objective of these measures is to provide the Audit Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.



Team composition



Experience of the team

- Engagement Partner: Matt Betik 25+ years experience in the industry
- Senior Manager: Courtney Cheal 15 years of experience in the industry
- In-Charge: Lucas Machalski 3+ years of experience in the industry



Technology in the audit



Implementation of Technology in the Audit

- We have expanded the number of technologies implemented in the audit including:
 - **KPMG Clara Workflow ("KWc")** – new audit workflow to allow us to deliver globally consistent engagements
 - **KPMG Clara Advanced Capabilities** – Journal Entry Analysis – focuses audit effort on journal entries that are riskier in nature
 - **Datasnipper** – Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout
 - **Datashare** - Data extraction tool that enables easy and reliable data extraction to support our year-end audit work from clients using a compatible accounting system



Timing of prepared by client (PBC) items



Timeliness of PBC items

- We requested 50 PBCs, with various follow-up requests as a result of our findings.
- We had confirmed the availability of PBCs with management in advance of interim and year-end fieldwork.
- All PBC requests were received on time and in due course.



Nothing to report



Some matters to report



Specific matters to report



Appendix : Changes in accounting standards

Standard	Summary and implications
Asset retirement obligations	<ul style="list-style-type: none"> • The new standard PS 3280 <i>Asset retirement obligations</i> is effective for fiscal years beginning on or after April 1, 2022. • The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. • The asset retirement obligations (“ARO”) standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use. • The City implemented this standard in the current year. See note 3 of the financial statements for overall impact
Financial instruments and foreign currency translation	<ul style="list-style-type: none"> • The new standards PS 3450 <i>Financial instruments</i>, PS 2601 <i>Foreign currency translation</i>, PS 1201 <i>Financial statement presentation</i> and PS 3041 <i>Portfolio investments</i> are effective for fiscal years beginning on or after April 1, 2022. • Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity’s choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. • Hedge accounting is not permitted. • A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. • PS 3450 <i>Financial instruments</i> was amended subsequent to its initial release to include various federal government narrow-scope amendments. • The City implemented this standard in the current year. There was no impact to the financial statements for the current year



Appendix : Changes in accounting standards (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> • The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	<ul style="list-style-type: none"> • The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.
Public Private Partnerships	<ul style="list-style-type: none"> • The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.



Appendix : Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. The proposed section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present total assets followed by total liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix : Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.



Appendix: Newly effective auditing standards

For more information on newly effective and upcoming changes to auditing standards – see Current Developments



Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

.....
(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

.....
Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

.....
Engagement quality reviews



Appendix: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

[KPMG Audit & Assurance Insights](#)

Curated research and insights for audit committees and boards.

[Board Leadership Centre](#)

Leading insights to help board members maximize boardroom opportunities

[Audit Committee Guide – Canadian Edition](#)

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

[Accelerate 2023](#)

The key issues driving the audit committee agenda in 2023.

[Momentum](#)

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

[KPMG Climate Change Financial Reporting Resource Centre](#)

Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

[Government and public sector - KPMG Canada](#)

KPMG in Canada's Government & Public Sector practice aims to deliver meaningful results through a deep understanding of the issues, an intimate appreciation of how the public sector works, and global and local insight into the cultural, social and political environments.



Insights and Resources



Public sector and not-for-profit organizations across Canada are facing a plethora of challenges: financial uncertainty, advanced technological risk, environmental, social, and governance objectives, all which demand innovative approaches to policy, strategies, and operating models.

To help you understand and navigate these challenges, we have compiled insights and resources in one spot for you. This page was built for you, to ensure you have the right information in a timely way to enable your organization's success.

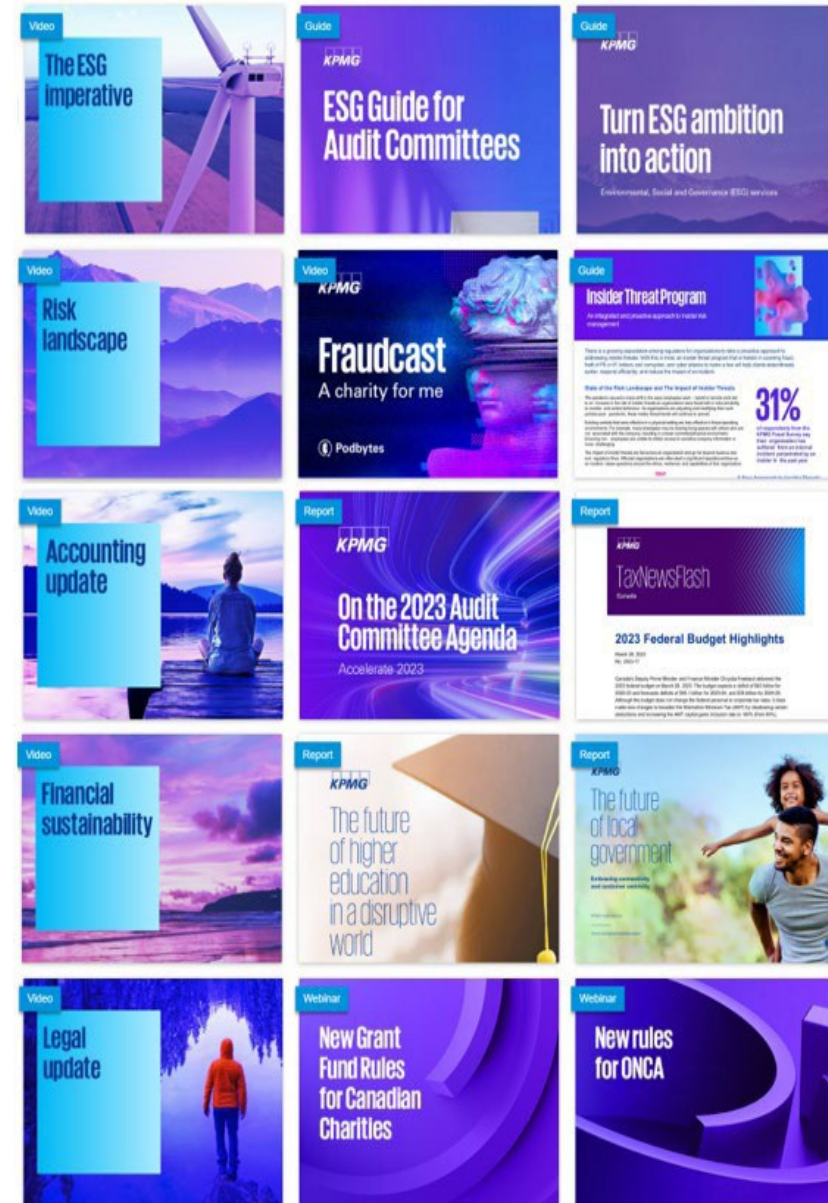
Organized into five content tracks, each section is dedicated to a specific area of relevance to the public sector and not-for-profit organizations. This resource site has guides, reports, on-demand webinars and articles. You will find content on topics such as ESG, legal considerations, accounting updates, risk considerations and financial sustainability.

The resources on this site go beyond the traditional areas of tax and accounting and will be of interest and importance to Board Members and Executive Directors, as well as CFOs, Directors of Finance, and accounting professionals.

We encourage you to visit the site to learn more about these topics; simply [scan/click the QR code to access](#).

Our local team of trusted advisors in the Waterloo Wellington Region bring a creative and innovative approach to problem solving that reflects a keen understanding of the public sector and not-for-profit organizations.

We can help you understand relevant sector insights to help achieve sustainable results.





Appendix: ESG - Global regulatory reporting standards

EU

US

ISSB

CAN

Recent Activity¹⁻⁶

- The European Financial Reporting Advisory Group (EFRAG) was mandated to develop European Sustainability Reporting Standards (ESRSs) setting out the detailed disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD)
- On July 31, 2023, the European Commission published the final text of its first set of twelve ESRSs as delegated acts
- The ESRSs will become effective as early as 2024 reporting periods for some companies
- **There are potentially considerable ESG reporting implications for Canadian entities** – as most EU-listed companies and large subsidiaries of Canadian companies with significant operations in the EU are in scope. Non-EU parent entities with substantial activity in the EU may also be in scope, with separate standards to be developed for these entities, with an effective date of 2028 reporting periods
- SEC's climate rule proposal published in March 2022 would require investor-focused climate disclosures
- The SEC's latest regulatory agenda, published in December 2023, included three items of note:
 - **the climate rule, scheduled to be finalized in April 2024;**
 - a proposal for human capital management disclosures, scheduled for April 2024; and
 - a proposal for corporate board diversity, scheduled for October 2024
- On October 7, 2023, the **California** Governor signed **two climate disclosure laws** that will shape climate disclosure practices beyond the state's borders. The laws will apply to US businesses (**including US subsidiaries of non-US companies**) that meet specified revenue thresholds and do business in California
- Under the climate disclosure laws, certain businesses will be required to disclose **scope 1, 2 and 3 GHG emissions**, with **limited assurance requirements** from 2026 (on FY25 data)
- In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards – IFRS S1 (general requirements standard) and IFRS S2 (climate standard)
- The standards are effective for annual periods beginning on or after January 1, 2024 – subject to local jurisdiction adoption
- Companies will be required to report material sustainability-related financial disclosures for the same period and at the same time as their annual financial statements, subject to temporary transition relief options
- **The Canadian Sustainability Standards Board (CSSB)** has been established with the mandate to develop and support the adoption of the ISSB standards in Canada. The **CSSB expects to release draft requirements in March 2024** for public consultation
 1. Refer to our [US Quarterly Outlook](#) publication for regulatory updates on the proposed SEC climate rules
 2. Refer to our [ESRS resource centre](#) for resources on implementing the ESRSs
 3. Refer to our [ISSB resource centre](#) for resources on implementing the IFRS Sustainability Disclosure Standards
 4. Refer to our [guide](#) which compares the sustainability proposals issued by the ISSB, SEC and EFRAG
 5. Refer to our [publication](#) on California's introduction of climate disclosures and assurance requirements
 6. Refer to our [publication](#) on the impact of EU ESG reporting on non-EU companies
- The CSA proposal published in October 2021 would require investor-focused climate disclosures
- Subsequent to the release of the IFRS Sustainability Disclosure Standards, the **CSA announced** that they intend to conduct further consultations to adopt disclosure standards based on the IFRS Sustainability Disclosure Standards, with **modifications considered necessary and appropriate in the Canadian context**
- Bill S-211, **Canada's new Act on fighting against forced labor and child labour** will take effect on January 1, 2024. Canadian and foreign businesses impacted by the Act will be required to file a report on their efforts to prevent and reduce the risk of forced labour and child labour in their supply chain, by May 31st of each year



Appendix: How we can help along your ESG reporting journey

Preparing for ESG reporting in accordance with regulatory standards will take substantial time and resources – it is a journey. The end goal is implementing and sustaining ESG external reporting in compliance with the applicable reporting frameworks in such a way that the ESG information and metrics reported can be verified and assured.

As your financial statement auditor, we are able to support you across a number of activities throughout your ESG reporting journey, prior to undertaking assurance readiness or formal assurance on your reported ESG information and metrics.



Establish

- Findings and observations with respect to **materiality assessment**, governance structure, reporting strategy
- **Gap assessment** to global reporting standards (e.g., IFRS S1 and S2)
- **Peer benchmarking and insights** on industry best practices



Implement / Report

- ESG reporting **training** to Board and Management



Assess

- Feedback on **current state operating model**, including processes, people, technology, service delivery model and data
- Review existing **data and estimation methodologies**



Design

- Provide management with feedback on the **reporting roadmap**
- Findings and observations on draft **external disclosures** based on leading practice





Appendix: Why your auditors should be engaged in the reporting journey

We are one-team at KPMG.

With KPMG's one-team approach, you will benefit from the efficiencies gained by having members of your financial statement audit team engaged in your ESG reporting journey along with our ESG subject matter experts.



We know you

It is important to have a general understanding of the entity and its control environment (e.g., IT systems and underlying processes) to best support you in your ESG reporting journey



Coordinated approach

Management meetings are carried out once and leveraged across your financial statement and ESG journey process, wherever possible



Synergies gained

Key messages and reports to management and the audit committee will be consistent and include both financial and ESG information



Connected to financial statements

Increased demand for consistency between ESG reporting and financial reporting puts us in the best position to support you



Single point of contact

Having KPMG as your ESG service provider – your key audit points of contacts will enable you to get clear perspectives on all your reporting needs when you need them



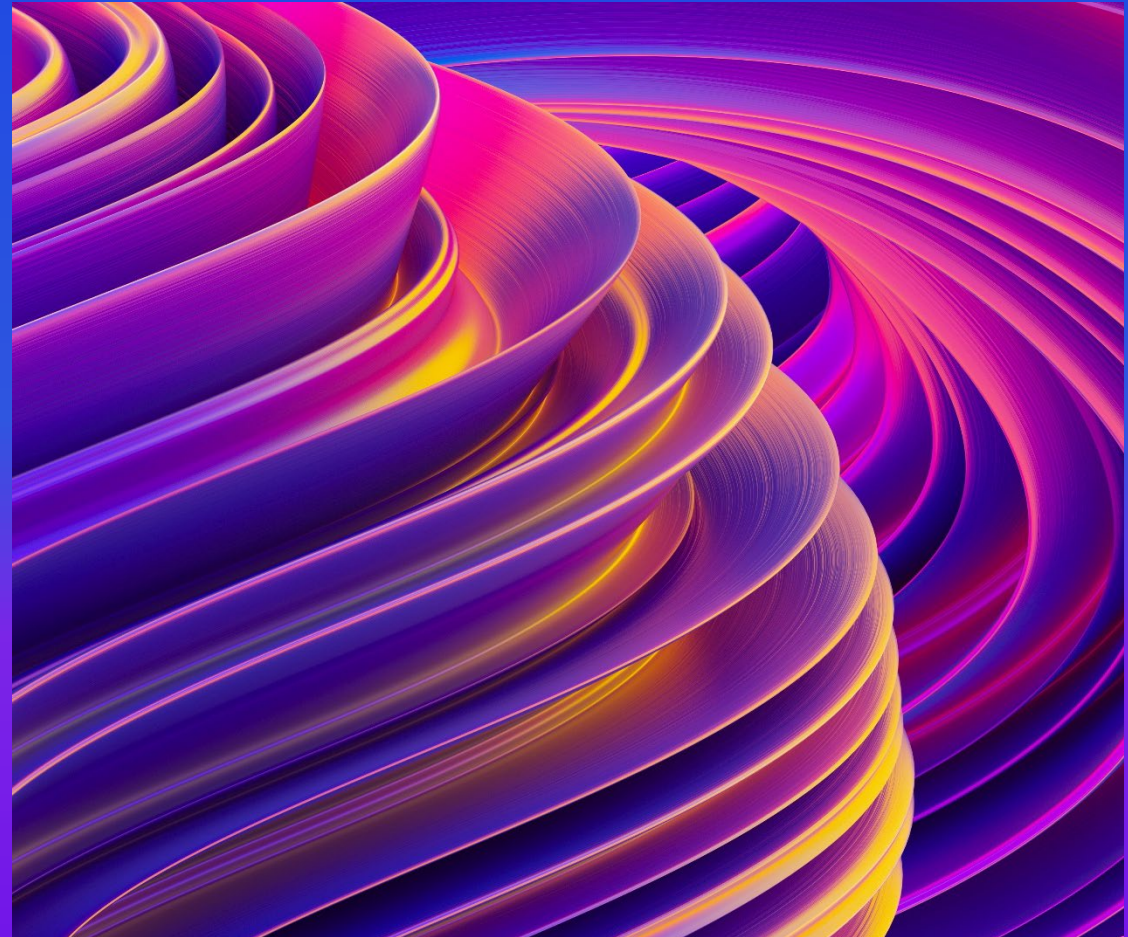
Future efficiencies

Engaging us in the reporting process today will be an investment that will lead to efficiencies when undergoing limited assurance in the future












<https://kpmg.com/ca/en/home.html>

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Highlights	Status	Risks and results	Significant unusual transactions	Misstatements	Control deficiencies	Policies and practices	Specific topics	Independence	Appendices	
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