



*Consolidated Financial
Statements Year Ended
December 31, 2021*



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The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The Corporation of the City of Cambridge. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within the reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Corporate Leadership Team. In addition, management meets periodically with the City's external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

KPMG LLP, as the City's appointed external auditors have audited the Consolidated Financial Statements. The external auditors have full and free access to management and Council. The Auditors' Report is dated May 31, 2022 and appears on the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatements and present fairly the financial position and results of operations of the City in accordance with Canadian public sector accounting standards.

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David Calder
City Manager

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Sheryl Ayres, CPA, CGA
Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Cambridge

Opinion

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

- the consolidated statement of the financial position as at December 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “consolidated financial statements”).

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***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 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.



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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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.



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- 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 to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

Consolidated Statement of Financial Position
As at December 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 19,095,963	\$ 59,577,966
Taxes and grants-in-lieu receivable (Note 5)	14,248,144	16,349,530
Trade and other receivables (Note 5)	22,394,199	14,661,426
Land held for resale	-	383,252
Investments (Note 6)	291,132,528	219,029,512
	346,870,834	310,001,686
Liabilities		
Accounts payable and accrued liabilities	55,612,239	42,662,936
Employee future benefits (Note 7)	74,068,758	72,722,803
Deferred revenue - obligatory reserve funds (Note 8)	54,444,384	36,270,803
Deferred revenue - other	2,062,122	1,587,805
Long-term debt (Note 9)	58,875,960	45,776,720
	245,063,463	199,021,067
Net financial assets	101,807,371	110,980,619
Non-financial assets		
Tangible capital assets (Note 10)	706,158,379	661,698,396
Inventories of supplies	625,249	609,139
Prepaid expenses	1,582,021	1,619,622
	708,365,649	663,927,157
Accumulated surplus (Note 14)	\$ 810,173,020	\$ 774,907,776

Approved by

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The accompanying notes are an integral part of these financial statements

**Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2021**

	2021 Budget (Note 13)	2021 Actual	2020 Actual (Note 15)
Revenues			
Taxation	\$ 96,262,600	\$ 97,476,967	\$ 94,584,827
User fees and charges	83,012,200	84,252,950	80,862,512
Penalties and interest on taxes	2,550,000	2,902,950	2,493,156
Investment income	1,289,900	1,111,312	1,654,533
Fines	574,000	214,551	463,705
Government transfers			
Canada	77,000	437,291	164,242
Ontario	1,070,500	3,973,075	5,789,374
Deferred revenue earned	1,204,000	1,194,643	567,534
Land sales and other	280,100	1,122,215	3,244,756
Total revenues	186,320,300	192,685,954	189,824,639
Other Income			
Grants and transfers related to capital			
Deferred revenue earned		3,677,045	6,220,975
Government transfers - Ontario		49,500	84,105
Government transfers - Federal		4,312,496	7,841,896
Contributed tangible capital assets (Note 10)		10,747,516	-
Share of net income for the year from Cambridge and North Dumfries Energy Plus Inc. (Note 6)		5,333,961	5,070,162
Interest earned on reserves		880,482	1,816,963
Total other income		25,001,000	21,034,101
Total revenues and other income	186,320,300	217,686,954	210,858,740
Expenses			
General government	29,788,530	\$ 31,517,181	26,308,722
Protection to persons and property	31,955,432	33,371,824	31,067,976
Transportation services	20,308,910	17,773,512	17,827,950
Environmental services	65,698,346	61,071,594	60,468,060
Health services	1,625,527	1,633,569	1,395,230
Social and family services	1,770,900	1,261,183	1,263,188
Recreation and cultural services	34,604,332	30,107,885	28,689,992
Planning and development	4,670,902	5,684,962	5,025,106
Total expenses	190,422,879	182,421,710	172,046,224
Annual surplus	(4,102,579)	35,265,244	38,812,516
Accumulated surplus, beginning of year		774,907,776	736,095,260
Accumulated surplus, end of year		\$ 810,173,020	\$ 774,907,776

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2021

	2021 Budget (Note 13)	2021 Actual	2020 Actual
Annual surplus	\$ (4,102,579)	\$ 35,265,244	\$ 38,812,516
Acquisition of tangible capital assets		(56,139,615)	(60,176,109)
Amortization of tangible capital assets	-	22,283,631	21,576,987
Loss on disposal of tangible capital assets	-	28,422	186,187
Proceeds on disposal of tangible capital assets	-	115,095	82,155
Contributed tangible capital assets	-	(10,747,516)	-
Change in supplies inventories	-	(16,110)	154,049
Change in prepaid expenses	-	37,601	(122,287)
Change in net financial assets	(4,102,579)	(9,173,248)	513,498
Net financial assets, beginning of year	110,980,619	110,980,619	110,467,121
Net financial assets, end of year	\$ 106,878,040	\$ 101,807,371	\$ 110,980,619

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Cash Flows
For the year ended December 31, 2021

	2021	2020
Operating		
Annual surplus	\$ 35,265,244	\$ 38,812,516
Sources (uses)		
Taxes and grants-in-lieu receivable	2,101,386	2,029,751
Trade and other receivables	(7,732,773)	1,984,872
Accounts payable and accrued liabilities	12,949,303	7,969,627
Employee future benefits	1,345,955	1,417,386
Deferred revenue - obligatory reserve funds	18,173,581	(6,505,719)
Deferred revenue - other	474,317	(2,018,014)
Inventories of supplies	(16,110)	154,049
Prepaid expenses	37,601	(122,287)
Land held for resale	383,252	(383,252)
Items not involving cash		
Amortization	22,283,631	21,576,987
Contributed tangible capital assets	(10,747,516)	-
Loss on disposal of tangible capital assets	28,422	186,187
Cash provided from operations	74,546,293	65,102,103
Capital		
Acquisition of tangible capital assets	(56,139,615)	(60,176,109)
Proceeds on disposal of tangible capital assets	115,095	82,155
Net investment in tangible capital assets	(56,024,520)	(60,093,954)
Investing		
Net change in investments	(72,103,016)	(10,174,949)
Financing		
Debt issued	18,460,000	9,778,000
Debt principal repayment	(5,360,760)	(5,578,115)
Net increase in cash from financing activities	13,099,240	4,199,885
Net change in cash	(40,482,003)	(966,915)
Cash and cash equivalents, beginning of year	59,577,966	60,544,881
Cash and cash equivalents, end of year	\$ 19,095,963	\$ 59,577,966

The accompanying notes are an integral part of these financial statements

1. Municipal status

The Corporation of the City of Cambridge ("the City") was created on January 1, 1973 when the three municipalities of Galt, Preston, and Hespeler and the settlement of Blair were amalgamated into a single legal entity under a new name.

The City operates as a lower tier government in the Province of Ontario, Canada. Cambridge provides municipal services such as fire protection, public works, water distribution, urban planning, recreation and cultural services, and other general government services. The City owns 92.1% of its subsidiary, Cambridge and North Dumfries Energy Plus Inc. and its affiliates.

2. Summary of significant accounting policies

The consolidated financial statements of the City are the representation of management, prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Basis of consolidation

(i) Consolidated entities

These consolidated statements reflect the financial assets, liabilities, operating revenues and expenses, reserve funds and reserves, changes in investment in tangible capital assets and cash flows and include the activities of all governmental functions controlled and exercised by the City and the following boards which are under the control of Council:

The Cambridge Public Library Board
Preston Towne Centre Business Improvement Area
Downtown Cambridge Business Improvement Area
Hespeler Village Business Improvement Area

All inter-organizational transactions and balances between these entities have been eliminated.

(ii) Government Business Enterprises

The Cambridge and North Dumfries Energy Plus Inc. and its affiliates are not consolidated but are accounted for on the modified equity basis which reflects the City's investment in the enterprises and its share of net income or loss less dividends received since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated.

(iii) Accounting for Region and School Board transactions

The taxation, other revenues, expenses, assets and liabilities, with respect to the operations of the School Boards and the Regional Municipality of Waterloo, are not reflected in these consolidated financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the City are not consolidated, but are reported separately on the Trust Funds Statement of Financial Position and Statement of Continuity (see Note 4).

2. Summary of significant accounting policies - Continued

(b) Basis of accounting

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the legal obligation to pay.

(c) Non-financial assets

Non-financial assets are not normally available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess revenues over expenses, provides the consolidated change in net financial assets for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost less residual value of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land	Not Amortized
Buildings	40 to 50 years
Vehicles	
Specialty and fire trucks	9 to 20 years
Vehicles	5 years
Computer hardware and software	5 years
Water and waste plants and networks	
Underground networks	40 to 80 years
Transportation	
Roads	25 to 35 years
Bridges and structures	30 to 50 years
Other	
Machinery and equipment	3 to 15 years
Land improvements	15 to 50 years
Leasehold improvements	24 years

The full amount of annual amortization is charged in year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets (donated)

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Interest capitalization

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

2. Summary of significant accounting policies - Continued

(c) Non-financial assets - Continued

(iv) Works of art and cultural and historic assets

These non-operational heritage assets are not recorded in these financial statements.

(v) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(vi) Inventories and prepaid expenses

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Prepaid expenses relate to expenditures incurred in the current period which relate to and will be expensed in a future fiscal period.

(d) Employee future benefits

The contributions to a multi-employer, defined benefit plan are expensed when the contributions are due. The costs of post-employment benefits are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of post-employment benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, and expected health care costs. Any gains or losses from changes in assumptions or experience are amortized over the average remaining service period for active employees.

(e) Cash and cash equivalents

Cash and cash equivalents are comprised of accounts maintained at chartered financial institutions with an original maturity of three months or less.

(f) Investments

Investments generally consist of high grade bonds, guaranteed investment certificates, and interest rate savings accounts, and are recorded at the lower of cost plus accrued interest and market value. Investment income is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is considered deferred until the funds are applied.

2. Summary of significant accounting policies - Continued

(g) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recorded as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Government transfers, contributions, and other amounts are received from third parties pursuant to legislation, regulation, or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible assets are acquired.

Tax revenue is recognized when it is authorized and in the period for which the tax is levied. Tax revenue reported relates to property taxes.

(h) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

(i) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the City:
 - is directly responsible; or
 - accepts responsibility; and
- iv. a reasonable estimate of the amount can be made.

A liability for contaminated sites has not been accrued for as of the current year-end.

(j) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including employee benefits payable, taxation assessment appeals, legal claims provisions, liability for contaminated sites, the valuation of tangible capital assets and their related useful lives and amortization, are based on management's best information and judgement and may differ significantly from future actual results.

3. Operations of School Boards and the Region of Waterloo

Further to note (2) (a) (iii), the taxation, other revenues, and requisitions of the School Boards and the Regional Municipality of Waterloo are comprised of the following:

	School Boards	Region of Waterloo
Taxation and user charges	\$ 56,174,157	\$ 175,004,522
Share of payments in lieu of taxes	70,136	707,753
Amounts requisitioned	\$ 56,244,293	\$ 175,712,275

4. Trust funds

Trust funds administered by the City amounting to **\$11,517,042** (2020 - \$11,084,311), have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. The trust funds under administration are composed of the following:

2021	Balance, beginning of year		Receipts		Expenditures	Balance, end of year
Cemetery Care and Maintenance Fund	\$ 6,710,666	\$	396,177	\$	47,369	\$ 7,059,474
Cemetery Care and Maintenance Monuments	578,225		18,689		4,039	592,875
Cemetery Charges Prepaid	3,350,633		180,135		116,066	3,414,702
Election Surplus	4,342		30		-	4,372
Arthur White Scholarship Fund	15,318		106		-	15,424
C.I.T.C. Training Cambridge	17,514		121		-	17,635
Prepaid Rent	10,329		71		-	10,400
School of Architecture Bursary	53,895		373		-	54,268
Ancient Mariners Canoe Club Fund	26,822		3,786		-	30,608
Allan Reuter Centre Renovation	30,493		211		-	30,704
Fiddlesticks Neighbourhood Association	188,243		8,347		-	196,590
Cambridge Rowing Club	1,523		11		-	1,534
David Durward Centre	31,679		218		3,500	28,397
G.E. (Ted) Wake Lounge Seniors Fund	11,887		82		-	11,969
Arts Guild Improvement	52,173		346		5,000	47,519
Cambridge Arts Guild	569		2		-	571
Total	\$ 11,084,311	\$	608,705	\$	175,974	\$ 11,517,042

4. Trust funds - Continued

2020	Balance, beginning of year	Receipts	Expenditures	Balance, end of year
Cemetery Care and Maintenance Fund	6,450,926	\$ 379,599	\$ 119,859	\$ 6,710,666
Cemetery Care and Maintenance Monuments	564,425	24,219	10,419	578,225
Cemetery Charges Prepaid	3,279,338	181,726	110,431	3,350,633
Election Surplus	4,264	78	-	4,342
Arthur White Scholarship Fund	15,436	282	400	15,318
C.I.T.C. Training Cambridge	17,199	315	-	17,514
Prepaid Rent	10,143	186	-	10,329
School of Architecture Bursary	54,289	992	1,386	53,895
Ancient Mariners Canoe Club Fund	27,831	491	1,500	26,822
Allan Reuter Centre Renovation	29,875	618	-	30,493
Fiddlesticks Neighbourhood Association	184,858	3,385	-	188,243
Cambridge Rowing Club	1,496	27	-	1,523
David Durward Centre	36,027	650	4,998	31,679
G.E. (Ted) Wake Lounge Seniors Fund	13,662	225	2,000	11,887
Arts Guild Improvement	51,235	938	-	52,173
Cambridge Arts Guild	559	10	-	569
Total	\$ 10,741,563	\$ 593,741	\$ 250,993	\$ 11,084,311

5. Taxes and accounts receivable

Taxes receivable and accounts receivable are reported net of a valuation allowance of **\$5,438,110** (2020 - \$6,484,591) and **\$317,442** (2020 - \$317,442) respectively.

6. Investments

Investments are comprised of the following:

	2021	2020
Investment in Cambridge and North Dumfries Energy Plus Inc.		
Capital stock	\$ 37,792,000	\$ 37,792,000
Increase in equity since inception	56,294,597	53,579,489
	94,086,597	91,371,489
Marketable securities	197,045,931	127,658,023
Total investments	\$ 291,132,528	\$ 219,029,512

Marketable securities have a market value of **\$196,592,176** (2020 - \$128,576,023).

6. Investments - Continued

On August 1, 2000, pursuant to requirements of the Ontario Government's Electricity Competition Act (Bill 35), the net assets of the Hydro Electric Commission of Cambridge and North Dumfries were transferred to Cambridge and North Dumfries Energy Plus Inc. ("Energy Plus") and affiliated companies. Energy Plus and affiliates will carry on the former business of the Commission with all its rights, duties, obligations and responsibilities from the date of transfer. During 2020, the shareholders of Energy Plus approved a merger of Energy Plus with Brantford Energy Corporation, subject to certain conditions, the most significant being approval by the Ontario Energy Board of the Mergers, Acquisition, Amalgamations and Divestitures (MAADs) application between Energy+ Inc. and Brantford Power Inc. This approval was received on March 17, 2022. The merger closed on May 2, 2022 and the City owns 54.339% of the merged entity, GrandBridge Energy Inc. Prior to the merger, at December 31, 2021, the City owned 92.1% of Energy Plus and the change in the cost of the original investment by return of capital and its proportionate share of the consolidated net income of Energy Plus for the year ended December 31, 2021 is as follows (see note 2(a) (ii)):

	2021	2020
Investment, beginning of year	\$ 91,371,489	\$ 89,241,216
Increase in equity for year:		
Share of net income for year	5,333,961	5,070,162
Dividends received during year	(2,618,853)	(2,939,889)
Net increase for year	2,715,108	2,130,273
Investment, end of year	\$ 94,086,597	\$ 91,371,489

The following table provides condensed financial information in respect of Energy Plus for its fiscal 2021 year:

	2021 (000's)	2020 (000's)
Financial position		
Current assets	\$ 53,540	\$ 58,689
Capital assets	205,614	193,011
Goodwill	18,965	18,965
Other assets	6,583	6,055
Total assets	284,702	276,720
Current liabilities	42,921	40,923
Long-term liabilities	149,280	144,588
Total liabilities	192,201	185,511
Net assets	92,501	91,209
Regulatory deferral account credit balances	9,656	8,000
Total shareholders' equity	102,157	99,209
Statement of operations		
Revenues	229,036	256,388
Operating expenses	(219,152)	(249,004)
Non-operating revenues (expenses)	(2,411)	(97)
Payments in lieu of corporate income taxes	(1,682)	(1,782)
Net income	5,791	5,505
City's share of net income - 92.1%	\$ 5,334	\$ 5,070

7. Employee and post employment benefits

The City provides certain employee benefits which will require funding in future periods. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. Post-employment benefits and sick leave benefits were estimated by an actuarial update as at December 31, 2019. Workplace safety & insurance benefits was estimated by an actuarial update as at December 31, 2021.

	2021	2020	Change
Post-employment benefits	\$ 61,395,504	\$ 60,976,666	\$ 418,838
Sick leave benefits	7,092,610	7,077,342	15,268
Workplace safety & insurance benefits	5,580,644	4,668,795	911,849
	\$ 74,068,758	\$ 72,722,803	\$ 1,345,955

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations for the accumulated sick leave and post-employment benefit entitlements at December 31, 2021, are as follows:

	Sick leave and post- employment benefits	Library post- employment benefits
Future cost of long term debt	3.75%	3.00%
Future inflation rates	1.75%	1.75%
Future salaries escalations	2.75%	
Future dental premium rates escalations	3.75%	3.75%
Future health care premium rates		
2021	6.09%	5.75%
Declining by	2028 to 3.75%	2027 to 3.75%

Information about the City's benefit plan is as follows:

	2021	2020
Accrued Liability		
Balance, beginning of the year	\$ 72,722,803	\$ 71,305,417
Current service cost	2,035,745	1,948,908
Actuarial adjustment	553,858	-
Interest cost	2,767,864	2,740,755
Amortization of net actuarial loss	(245,725)	124,472
Benefit payments	(3,765,787)	(3,396,749)
Balance, end of the year	\$ 74,068,758	\$ 72,722,803

a) Pension Plan

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of members of its staff. The Plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees based on the lengths of service and rates of pay. Employee contributions are matched by the City.

The amount contributed to OMERS for 2021 was **\$6,179,971** (2020 - \$6,109,701) for current service and is included as an expense on the consolidated statement of operations.

7. Employee and post employment benefits - Continued

a) Pension Plan - Continued

The OMERS pension plan has a deficit. The last available report for the OMERS plan was on December 31, 2021. At that time the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion), based on actuarial liabilities of \$120.8 billion (2020 - \$113.1 billion) and actuarial net assets of \$117.7 billion (2020 - \$109.8 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

b) Post-employment benefits

The City makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for such benefits as extended health and drugs, dental care, and life insurance. Coverage ceases at the age of 65 except for life insurance and extended health and drugs. In addition, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The actuarial valuation report estimated the liability for the above mentioned employee future benefits to be **\$61,395,504** (2020 - \$60,976,666) at year end based on present value of the current obligation for past and current employees.

c) Sick leave

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the City's employment. In addition, adjustments arising from the plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 12 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The liability for these accumulated days based on an actuarial assessment, to the extent that they have vested and could be taken in cash by an employee on termination or retirement, amounted to **\$7,092,610** (2020 - \$7,077,342) at the end of the year. An amount of **\$907,926** (2020 - \$430,787) was paid to employees who either changed union groups or left the City's employment during the current year.

The reserve fund was established to fund the cost of future employee benefits provided by the City. The balance at the end of the year was **\$11,573,980** (2020 - \$11,302,127).

d) Workplace safety & insurance

In 1996, in order to decrease workers' compensation expense, the City assumed the risk of workers' compensation coverage.

The potential liability, based on an actuarial valuation update for all existing claims as at December 31, 2021 amounted to **\$5,580,644** (2020 - \$4,668,795).

A self-insurance Reserve Fund for Workers' Compensation was established which, at December 31, 2021, amounted to **\$2,542,614** (2020 - \$2,626,993). Premiums which otherwise could be paid to Workplace Safety & Insurance Board are paid into the fund and workers' compensation claims are charged to the fund.

8. Deferred revenue - obligatory reserve funds

A requirement of the Public Sector Accounting Board, of the Chartered Professional Accountants of Canada, is that obligatory reserves be reported as deferred revenue, as these are restricted revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded. Deferred revenue balances are as follows:

	2021	2020
Receipts		
Development charges and user fees	\$ 20,366,351	\$ 4,921,059
Gas tax funding	8,081,522	3,941,283
Investment income	416,792	657,844
	28,864,665	9,520,186
Deferred revenue recognized and other adjustments	(10,691,084)	(16,025,905)
Change in deferred revenue	18,173,581	(6,505,719)
Deferred revenue, beginning of year	36,270,803	42,776,522
Deferred revenue, end of year	54,444,384	36,270,803
Represented as follows:		
Development charges	42,408,941	28,925,420
Recreational land	-	(182,352)
Cash in lieu of parking	26,067	-
Building permits	3,770,276	3,131,469
Gas tax funding	8,239,100	4,396,266
	\$ 54,444,384	\$ 36,270,803

9. Long-term debt

The City has assumed the responsibility for the payment of principal and interest charges on certain debt issued by the Region of Waterloo, which in fiscal 2021 amounted to **\$18,460,000** (2020 - \$9,778,000).

The City has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by the Region of Waterloo. At the end of the year, the total outstanding principal amount of this liability is **\$58,875,960** (2020 - \$45,776,720). This debt bears interest at rates ranging from 1.15% to 3.95% per annum.

Principal repayments required over the next 5 years and thereafter are as follows:

2022 -	\$ 5,631,760
2023 -	5,698,760
2024 -	5,781,760
2025 -	5,812,760
2026 -	5,392,760
Thereafter -	30,558,160
	\$ 58,875,960

Interest charges for fiscal 2021 relating to long-term debt were **\$1,034,870** (2020 - \$1,092,193).

The City has enacted and passed by-laws in authorizing the issue of debentures, not to exceed \$49.77 million, for the rehabilitation of existing assets and construction or purchase of new assets contained in the Capital Funding Program.

Notes to the Consolidated Financial Statements For the year ended December 31, 2021

10. Tangible capital assets

2021	Land	Land improvements	Buildings	Leasehold improvements	Infrastructure	Information technology	Machinery & equipment	Vehicles	Assets under construction	Total
Cost										
Balance, beginning of year	\$ 95,108,670	\$ 88,786,534	\$ 181,891,255	\$ 4,338,125	\$ 528,365,897	\$ 18,765,232	\$ 19,301,858	\$ 21,171,599	\$ 76,265,557	\$ 1,033,994,727
Additions	4,051,440	1,205,298	3,914,230	-	58,982,303	2,550,256	5,760,934	2,682,664	59,224,780	138,371,905
Disposals	-	-	72,840	-	1,406,090	317,909	1,250,705	491,371	71,484,773	75,023,688
Cost, end of year	99,160,110	89,991,832	185,732,645	4,338,125	585,942,110	20,997,579	23,812,087	23,362,892	64,005,564	1,097,342,944
Accumulated amortization										
Balance, beginning of year	-	43,788,200	80,093,062	1,043,058	215,666,888	11,009,849	8,563,779	12,131,495	-	372,296,331
Disposals	-	-	72,840	-	1,262,572	317,909	1,250,705	491,371	-	3,395,397
Amortization expense	-	2,156,881	4,187,460	143,233	9,259,948	3,204,644	2,042,857	1,288,608	-	22,283,631
Accumulated amortization, end of year	-	45,945,081	84,207,682	1,186,291	223,664,264	13,896,584	9,355,931	12,928,732	-	391,184,565
Net book value, end of year	\$ 99,160,110	\$ 44,046,751	\$ 101,524,963	\$ 3,151,834	\$ 362,277,846	\$ 7,100,995	\$ 14,456,156	\$ 10,434,160	\$ 64,005,564	\$ 706,158,379
2020										
	Land	Land improvements	Buildings	Leasehold improvements	Infrastructure	Information technology	Machinery & equipment	Vehicles	Assets under construction	Total
Cost										
Balance, beginning of year	\$ 94,465,880	\$ 86,295,348	\$ 179,229,144	\$ 4,776,537	\$ 508,694,213	\$ 16,249,414	\$ 19,168,706	\$ 20,752,125	\$ 48,135,311	\$ 977,766,678
Additions	642,790	2,671,064	2,662,111	-	21,485,473	2,689,383	938,027	957,015	62,745,271	94,791,134
Disposals	-	179,878	-	438,412	1,813,789	173,565	804,875	537,541	34,615,025	38,563,085
Cost, end of year	95,108,670	88,786,534	181,891,255	4,338,125	528,365,897	18,765,232	19,301,858	21,171,599	76,265,557	1,033,994,727
Accumulated amortization										
Balance, beginning of year	-	41,867,067	75,996,887	1,161,654	208,719,135	7,849,028	7,434,308	11,370,983	-	354,399,062
Disposals	-	179,878	-	280,096	1,707,568	173,565	801,070	537,541	-	3,679,718
Amortization expense	-	2,101,011	4,096,175	161,500	8,655,321	3,334,386	1,930,541	1,298,053	-	21,576,987
Accumulated amortization, end of year	-	43,788,200	80,093,062	1,043,058	215,666,888	11,009,849	8,563,779	12,131,495	-	372,296,331
Net book value, end of year	\$ 95,108,670	\$ 44,998,334	\$ 101,798,193	\$ 3,295,067	\$ 312,699,009	\$ 7,755,383	\$ 10,738,079	\$ 9,040,104	\$ 76,265,557	\$ 661,698,396

10. Tangible capital assets - Continued

During the year, roads and underground networks contributed to the City totalled **\$10,747,516** (2020 - \$-) and were capitalized at their fair value at the time of receipt.

11. General insurance coverage

In order to decrease insurance premiums, the City has undertaken a portion of the risk through increased deductibles. The deductibles generally range up to \$50,000 depending on the types of claims. Insurance coverage is in place for claims in excess of these deductibles up to various policy limits.

The City has made provision for a Reserve for Self-Insurance for various types of insurance, the balance of which at December 31, 2021 amounted to **\$1,628,231** (2020 - \$2,021,485), and is reported in Note 14 under Reserves. The City budgets annually for claims related to self-insurance and the difference between budgeted and actual claims during the year is drawn from the reserve fund. In 2021 the amount drawn from the reserve was **\$435,978** (2020 - \$230,506). Claims for all forms of self-insurance during the year amounting to **\$617,033** (2020 - \$519,970), including adjusters' fees and costs, are reported as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

The City has an agreement with members of the Waterloo Region municipalities to purchase property damage and public liability insurance on a group basis and share a retained level of risk. The members pay an annual levy to fund insurance coverage, losses, and contribute to a surplus. The pool has purchased insurance to fund losses above a pre-determined deductible and any losses above a pre-determined total in any year.

12. Contingent liabilities

The City is involved in several legal suits of varying dollar amounts, the outcome of which is not presently determinable. No provision for possible liability has been recorded in these financial statements.

In the event the City is found liable, any amounts not recoverable from City's insurers will be adjusted against future revenues.

13. Budget figures, unaudited

Budget figures reported on the Consolidated Statement of Operations and Accumulated Surplus are based on the 2021 municipal operating and water/wastewater budgets as approved by Council December 2, 2020 and include subsequent amendments.

Approved budget figures have been reclassified and adjusted for the purposes of these financial statements to comply with Public Sector Accounting Board ("PSAB") reporting requirements. The chart below reconciles the approved operating budgets to the amended budget figures:

	Budget Amount
Approved operating budget revenues	\$ 195,055,700
Budget amendments and reallocations	
PSAB reporting adjustments:	
Dividends from Cambridge and North Dumfries Energy Plus Inc.	(2,560,000)
Contributions from reserves and reserve funds	(6,175,400)
Net operating budget revenues	\$ 186,320,300
Approved operating budget expenses	\$ 195,055,700
Budget amendments and reallocations	
PSAB reporting adjustments:	
Amortization of tangible capital assets	21,576,987
Non-tangible capital asset expenditures	4,220,206
Unfunded accrual for employee future benefit obligation	1,417,386
Contribution to reserves and reserve funds	(25,973,400)
Debt principal repayments	(5,874,000)
Net operating budget expenses	190,422,879
Net expenses before other income	(4,102,579)

14. Accumulated surplus

Accumulated surplus consists of individual surpluses, reserve funds, and reserves as follows:

	2021	2020
Reserve funds		
Capital Works	\$ 5,960,843	\$ 5,748,042
Capital Works Debt Retirement	1,075,056	1,065,352
Capital Works Committed	1,567,759	1,189,345
Wastewater Capital	12,773,825	7,355,214
Wastewater Rate Stabilization	4,977,765	4,038,534
Water System Capital	14,660,028	10,395,628
Water Rate Stabilization	4,624,233	4,188,547
Heritage Conservation	72,337	79,117
Cemetery	953,154	606,445
Equipment	6,180,869	4,178,358
Facility Maintenance	2,871,349	3,912,100
Archives	40,363	39,999
Election	427,191	301,813
Winter Maintenance	606,314	293,512
Soccer Facility Capital	240,387	229,886
Library	841,261	658,139
Public Art	248,374	221,186
Energy Conservation	1,755,969	1,643,780
Economic Development	10,082,381	10,392,796
Cash in Lieu of Parking	-	25,832
Self Insurance	1,628,231	2,021,485
Future Employee Benefits	11,573,980	11,302,127
Workplace Safety and Insurance	2,542,614	2,626,993
Affordable Housing	20,251	17,389
Replacement Tree Planting	240,483	122,278
Municipal Accommodation Tax	552,470	365,553
Core Areas Transformation	18,880,880	19,318,523
Jacob Hespeler Field Capital	274,741	247,276
Total reserve funds	105,673,108	92,585,249
Reserves		
Hydro Dividend Stabilization	\$ 33,292	\$ 1,040,821
Contaminated Sites Grant Program	597,980	547,980
Building Revitalization Program	-	327,014
Rate Stabilization	10,487,076	9,574,476
Total reserves	11,118,348	11,490,291
Total reserve funds and reserves	116,791,456	104,075,540

14. Accumulated surplus - Continued

	2021	2020
Surpluses		
Invested in tangible capital assets	706,158,379	661,698,396
Invested in repair and replacement of assets	16,249,751	27,788,349
Invested in Government Business Enterprise	94,086,597	91,371,489
Sanitary sewage systems	3,803,897	3,163,899
Water supply system	(119,636)	857,589
General revenue fund	4,985,786	3,220,027
Library board	989,529	726,503
Business improvements areas	171,979	122,255
Land held for resale	-	383,252
Amounts to be recovered		
Employee and post-employment benefits	(74,068,758)	(72,722,803)
Long-term debt	(58,875,960)	(45,776,720)
Total surplus	693,381,564	670,832,236
Accumulated surplus	\$ 810,173,020	\$ 774,907,776

15. Comparative figures

Certain of the prior year's comparative figures have been restated to conform to the current year's presentation.

16. Segmented information

The City of Cambridge is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, road, water distribution, sewer collection/conveyance, storm sewer, libraries, and community services.

Segmented information has been prepared by major functional classification of activities provided, consistent with the Consolidated Statement of Operations and Accumulated Surplus and provincially legislated requirements.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

Notes to the Consolidated Financial Statements For the year ended December 31, 2021

16. Segmented information - Continued For the year ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
Revenue									
Taxation	\$ 28,307,545	\$ 28,019,800	\$ 11,138,400	\$ 792,422	\$ 477,000	\$ 652,600	\$ 24,461,700	\$ 3,627,500	\$ 97,476,967
User fees and charges	2,138,321	4,181,015	2,167,092	71,047,500	912,525	56,811	2,537,661	1,212,025	84,252,950
Penalties and interest on taxes	2,902,950	-	-	-	-	-	-	-	2,902,950
Investment income	1,103,720	-	4,187	-	-	-	-	3,405	1,111,312
Fines	-	46,944	167,607	-	-	-	-	-	214,551
Government transfers - Canada	263,189	-	11,345	-	-	-	162,757	-	437,291
Government transfers - Ontario	116,951	2,528,252	-	-	-	989,857	334,005	4,010	3,973,075
Deferred revenue earned	571,800	-	231,500	391,343	-	-	-	-	1,194,643
Land sales and other	336,565	-	91,636	(106,742)	449,364	-	65,531	285,861	1,122,215
Total revenue	35,741,041	34,776,011	13,811,767	72,124,523	1,838,889	1,699,268	27,561,654	5,132,801	192,685,954
Other Income									
Grants and transfers related to capital									
Deferred revenue earned	(1,115,936)	163,689	1,159,611	2,499,768	-	-	385,524	584,389	3,677,045
Government transfers - Ontario	49,500	-	-	-	-	-	-	-	49,500
Government transfers - Federal	-	-	2,462,837	1,577,899	-	-	271,760	-	4,312,496
Contributed tangible capital assets (Note 10)	-	-	1,369,695	9,315,520	-	-	62,301	-	10,747,516
Share of net income for the year from Cambridge & North Dumfries Energy Plus Inc.	5,333,961	-	-	-	-	-	-	-	5,333,961
Interest earned on reserves	237,499	-	63,511	294,714	6,678	-	15,532	262,548	880,482
Total other income	4,505,024	163,689	5,055,654	13,687,901	6,678	-	735,117	846,937	25,001,000
Total revenues and other income	40,246,065	34,939,700	18,867,421	85,812,424	1,845,567	1,699,268	28,296,771	5,979,738	217,686,954
Expenses									
Salaries wages and employee benefits	21,716,401	27,486,394	7,873,694	6,342,839	1,129,834	1,110,411	15,888,068	3,621,706	85,169,347
Long term debt charges	80,631	-	239,080	307,910	-	-	407,249	-	1,034,870
Materials	6,355,618	1,857,103	1,945,861	3,295,652	102,172	103,311	4,149,404	1,233,245	19,042,366
Contracted services	3,626,393	2,809,827	2,204,003	37,105,106	158,217	47,461	2,985,208	267,693	49,203,908
Rents and financial expenses	2,282,284	239,016	221,789	196,366	-	-	27,919	83,603	3,050,977
External transfers	460,179	110,112	-	-	-	-	1,612,625	453,695	2,636,611
Amortization of tangible capital assets	3,445,571	854,730	5,636,418	7,572,605	69,625	-	4,704,682	-	22,283,631
Interfunctional adjustments	(6,449,896)	14,642	(347,333)	6,251,116	173,721	-	332,730	25,020	-
Total expenses	31,517,181	33,371,824	17,773,512	61,071,594	1,633,569	1,261,183	30,107,885	5,684,962	182,421,710
Annual surplus (deficit)	\$ 8,728,884	\$ 1,567,876	\$ 1,093,909	\$ 24,740,830	\$ 211,998	\$ 438,085	\$ (1,811,114)	\$ 294,776	\$ 35,265,244

Notes to the Consolidated Financial Statements For the year ended December 31, 2021

16. Segmented information - Continued

For the year ended December 31, 2020 (Note 15)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
Revenue									
Taxation	\$ 29,813,705	\$ 26,039,700	\$ 11,291,700	\$ 776,622	\$ 471,900	\$ 418,800	\$ 22,186,400	\$ 3,586,000	\$ 94,584,827
User fees and charges	1,604,444	3,035,916	2,308,998	69,575,298	833,988	102,751	2,380,359	1,020,758	80,862,512
Penalties and interest on taxes	2,493,156	-	-	-	-	-	-	-	2,493,156
Investment income	1,638,512	-	16,021	-	-	-	-	-	1,654,533
Fines	-	70,591	393,114	-	-	-	-	-	463,705
Government transfers - Canada	16,682	-	3,920	-	-	-	143,640	-	164,242
Government transfers - Ontario	136,879	4,367,100	44,643	-	-	983,898	246,031	10,823	5,789,374
Deferred revenue earned	32,000	357,334	168,200	-	-	-	10,000	-	567,534
Land sales and other	268,680	-	617,383	(73,206)	394,450	-	1,138,561	898,888	3,244,756
Total revenue	36,004,058	33,870,641	14,843,979	70,278,714	1,700,338	1,505,449	26,104,991	5,516,469	189,824,639
Other Income									
Grants and transfers related to capital									
Deferred revenue earned	(82,719)	(32,035)	1,040,313	3,266,051	-	-	1,324,252	705,113	6,220,975
Government transfers - Ontario	-	-	84,105	-	-	-	-	-	84,105
Government transfers - Federal	-	-	3,420,731	3,916,155	-	-	505,010	-	7,841,896
Contributed tangible capital assets (Note 10)	-	-	-	-	-	-	-	-	-
Share of net income for the year from Cambridge & North Dumfries Energy Plus Inc.	5,070,162	-	-	-	-	-	-	-	5,070,162
Interest earned on reserves	504,573	-	167,273	493,142	9,232	-	29,551	613,192	1,816,963
Total other income	5,492,016	(32,035)	4,712,422	7,675,348	9,232	-	1,858,813	1,318,305	21,034,101
Total revenues and other income	41,496,074	33,838,606	19,556,401	77,954,062	1,709,570	1,505,449	27,963,804	6,834,774	210,858,740
Expenses									
Salaries wages and employee benefits	20,474,847	26,603,552	8,111,605	5,662,431	992,552	1,143,179	14,135,373	3,644,225	80,767,764
Long term debt charges	89,809	-	228,095	300,653	-	-	473,546	-	1,092,103
Materials	4,810,896	1,458,192	2,545,732	4,184,911	112,134	42,737	3,603,195	632,745	17,390,542
Contracted services	3,072,534	1,869,308	2,050,590	37,344,922	86,398	61,972	2,663,025	252,821	47,401,570
Rents and financial expenses	930,594	133,766	215,394	(89,493)	-	-	33,045	71,409	1,294,715
External transfers	341,732	-	4,700	-	-	-	1,765,067	411,044	2,522,543
Amortization of tangible capital assets	3,134,526	714,232	5,296,576	7,069,177	54,021	-	5,308,455	-	21,576,987
Interfunctional adjustments	(6,546,216)	288,926	(624,742)	5,995,459	150,125	15,300	708,286	12,862	-
Total expenses	26,308,722	31,067,976	17,827,950	60,468,060	1,395,230	1,263,188	28,689,992	5,025,106	172,046,224
Annual surplus (deficit)	\$ 15,187,352	\$ 2,770,630	\$ 1,728,451	\$ 17,486,002	\$ 314,340	\$ 242,261	\$ (726,188)	\$ 1,809,668	\$ 38,812,516

The Corporation of the City of Cambridge

Audit Findings Report
for the year ended
December 31, 2021

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Prepared April 20, 2022, for the
Council Meeting May 31, 2022

kpmg.ca/audit



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Our refreshed Values

What we believe

 **Integrity**
We do what is right.

 **Excellence**
We never stop learning and improving.

 **Courage**
We think and act boldly.

 **Together**
We respect each other and draw strength from our differences.

 **For Better**
We do what matters.



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.

‘**Perform quality engagements**’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

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 controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.



Visit our [Resources](#) page for more information.

Doing the right thing. Always.

Audit highlights

Purpose of this report¹

The purpose of this report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements as at and for the year ended December 31, 2021.

Status of the audit

As of April 20, 2022, we have completed the audit of the consolidated 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
- Completing our final quality control and review procedures
- Receipt of management representation letter
- Completing our discussions with Council
- Obtaining evidence of Council's approval of the financial statements.

We will update Council, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors' report, a draft of which is provided in Appendix: Draft Auditors' Report, will be dated upon the completion of any remaining procedures.

Going concern

No matters to report.

Audit and business risks and results

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting. These include:

- Post employment benefits
- Tangible capital assets
- Obligatory reserve fund revenue and deferred revenue

See pages 8-12

Uncorrected audit misstatements

Professional standards require that we request of management and Council that all identified audit misstatements be corrected. We have already made this request of management.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. A significant deficiency in

¹ This report to the audit committee 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.

internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Independence

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

Materiality

Materiality is used to identify risks of material misstatements, develop an appropriate audit response to such risks, and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors. To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

Materiality determination	Comments	Group amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. Prior year materiality was \$4.5 million	\$5,250,000
Benchmark	Based on revenues for the year. This benchmark is consistent with the prior year.	\$217,686,954
% of Benchmark	The corresponding percentage for the prior year's audit was 2.31%	2.41%

We will report to Council:



Corrected audit misstatements



Uncorrected audit misstatements

Group audit scope

Entities for which KPMG includes in their scope for the City of Cambridge audit and performs an audit over are as follows:

Entities	Scoping
Corporation of the City of Cambridge	Audit
Trust Funds Administered by the City of Cambridge	Audit
Cambridge Public Library Board (o/a Idea Exchange)	Audit
Preston Towne Centre BIA	Audit
Downtown Cambridge BIA	Audit
Hespeler Village BIA	Audit
Annual Reconciliation Report (ARR) for the Ministry of Health & Long Term Care	Special Report

Audit risks and results

We highlight our significant findings in respect of **significant financial reporting risks** as identified in our discussion with you in the Audit Plan, as well as any additional significant financial reporting risks identified.

Significant financial reporting risk	Why is it significant?
<p>Risk of material misstatement due to fraud resulting from fraudulent revenue recognition.</p>	<p>This is a presumed risk of material misstatement due to fraud under Canadian auditing standards. However, the audit team has rebutted this presumption due to the following reasons:</p> <ul style="list-style-type: none">— The presumed fraud risk is ordinarily associated with for-profit enterprises— The majority of revenue is calculated based on MPAC data, approved property tax rates, utility rates, and user fees, as well as funding agreements with senior levels of governments, and is not subject to complexity or judgement at the reporting level;— KPMG does not believe that the use of inappropriate cut-off would be utilized to perpetuate fraud.
Our response	
<p>Not applicable.</p>	
Significant financial reporting risk.	Why is it significant?
<p>Risk of material misstatement due to fraud resulting from management override of controls</p>	<p>This is a presumed risk of material misstatement due to fraud under Canadian auditing standards. We have not identified any specific additional risks of management override relating to this audit.</p>
Our response	
<p>As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures included testing of journal entries and other adjustments, performing a retrospective review of estimates, and evaluating the business rationale of significant unusual transactions.</p> <ul style="list-style-type: none">— KPMG performed various substantive based procedures examining journal entries that were being posted to the general ledger.— Journal entries were selected using various criteria to identify journal entries that could possibly be related to override activities. <p>No findings were identified in our testing performed.</p>	

Audit risks and results

We highlight our significant findings in respect of **areas of focus** as identified in our discussion with you in the Audit Plan, as well as any additional areas of focus identified.

Area of focus	New or changed?	Estimate?
Post-employment benefits	No	Yes These amounts are determined through actuarial valuations and involve complex accounting guidance involving judgments.

Our response & significant findings

Our procedures included:

- 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.
- Discount rate used in calculating the employee future benefits in 2021 of 3.50%, considered to be reasonable, and consistent with similar term borrowing rate.
- We used the work of the Nexus Actuarial Consultants Ltd. (Actuarial Consultant) in our audit of the accounts and disclosures.

KPMG did not find any issues identified through our audit procedures.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
Obligatory reserve funds revenue and deferred revenue	No	No

Our response and significant findings

Our procedures included:

- Tested controls around the recording of revenues/cash receipts
- Obtained management’s continuity schedule for deferred development charges and ensured the spreadsheet was accurate
- Vouched a sample of development charges collected from developers during the current fiscal year
- Performed substantive testing over amounts being recognized as revenue by ensuring the expenditure meets the criteria as a “growth-related” project.

During the year, the City has created a program called Credit for service agreements (“CFSA”) which is a program to facilitate the construction of growth-related municipal infrastructure ahead of the City’s capital program. Under these agreements, developers construct, or pay to have constructed, infrastructure that the City is unwilling or unable to fund within the time frame sought by a developer. The reimbursement to the developer is provided by way of development charge credit and/or refund. Because of this, the City has a payable at the end of the year for \$11,705,800. This liability will be satisfied as developers take out permits in future years and credits will be applied to the DCs otherwise payable at that time. KPMG has audited this accrual to ensure it is complete and accurate.

On January 1, 2020, changes to the Development Charges Act came into effect due to the passing of Bill 108. Historically, development charges (“DCs”) were assessed and paid at building permit issuance to the area municipality. The amendment resulted in two significant changes: the deferral of payments and the rate freeze. The deferral of payments changed how the City collected DCs for some properties, as the first installment becomes due at occupancy and the remaining payable is due in installments on annual anniversaries after that date, over a period of 5 or 20 years. Therefore, as at December 31, 2021 there was an accounts receivable balance of \$1,474,000 relating to the deferrals of payments from developers. KPMG performed procedures over the accounts receivable and ensured the existence and accuracy of the receivable was appropriate. KPMG did not find any issues identified through our audit procedures.

During our procedures, KPMG noted that there was a growth-related capital expenditure that had \$607,000 of development charges recognized during the year. Per further review, we noted this capital expenditure was completed in 2020 and therefore there was a cut-off issue relating to the recognition of revenue. We also note other projects whereby revenue was recognized in 2020 that should not have been recognized until 2021. The net impact of these adjustments was \$560,000 of revenue recognized in 2020 that should not have been recognized until 2021, resulting in an understatement of revenue in 2021. Please see management representation letter for uncorrected adjustment relating to this.

Audit risks and results (continued)

Area of focus	New or changed?	Estimate?
Tangible capital assets (TCA)	No	<p>Yes</p> <p>The useful lives used to calculate the net book value of the City's assets are estimated ranges, though based on historical data.</p> <p>Risk of error in inappropriately recognizing costs as either capital or operating.</p>

Our response and significant findings

Our procedures included:

- Discussion over capitalization policies and their application with management
- Substantive test of details approach, vouching samples of additions and retirements in fiscal 2021.
- Review of expense accounts to ensure that items related to tangible capital assets were not inappropriately expensed in 2021.
- Testing of the reasonableness of amortization expense.

During our audit procedures relating to contributed assets management identified that there was a wastewater pond that had the incorrect inputs within the fair value calculation. During our procedures we noted that there was a replacement value for a road within a subdivision that was incorrect. Further review of the subdivision, management identified additional differences within the contributed asset. Management has determined to not correct these entries and KPMG agrees with their conclusion.

Audit risks and results (continued)

Other areas of focus	Our audit approach and findings
Investments and related income	— Confirmation of details with investment managers
Taxation Revenue	— Performed a substantive analytical procedure using MPAC data and budgeted tax rates
User Fees and Service Charge Revenue	— Analytical procedures were performed comparing current year's revenues on a disaggregated basis to the current year budget and the prior year, adjusting for known changes in assumptions
Expenses	— Analytical procedures comparing current year's expenses on a disaggregated basis to the prior year, adjusting for known changes in assumptions — Substantive procedures to test the existence and accuracy of expenses — Testing the completeness, existence, and accuracy of yearend accruals, most notably those that contain areas of estimate of judgment
Government Transfers	— Review agreements to ensure proper revenue recognition criteria is followed. To ensure transfers are authorized and all eligibility criteria and any stipulations were met. — Perform test of details on significant transfers

KPMG did not find any issues through our audit procedures on the above noted areas of focus.

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including 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 auditors' report.

Corrected audit misstatements

We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

Control deficiencies

Consideration of internal control over financial reporting

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

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.

Significant deficiencies in internal control over financial reporting

We have not identified any significant deficiencies in internal controls.

Financial statement presentation and disclosure

Misstatements, including omissions, if any, related to presentation and disclosure items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements

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

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.

Significant accounting policies and practices



Initial selections of significant accounting policies and practices

Nothing to report



Description of new or revised significant accounting policies and practices

Nothing to report

Appendices

Content

Appendix: Other required communications

Appendix: Draft auditors' report

Appendix: Management representation letter(s)

Appendix: Newly effective accounting standards

Appendix: Upcoming changes to auditing standards

Appendix: Audit and assurance insights



Appendix: Other required communications

Audit Quality in Canada

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 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2020 Annual Inspections Results](#)

Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to Council.

Appendix: Draft auditors' report

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Cambridge

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statements of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "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 the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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 to cease to continue as a going concern.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

Appendix: Management representation letter(s)

KPMG LLP

115 King Street South 2nd Floor

Waterloo, ON N2J 5A3

May 31, 2022

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of Corporation of the City of Cambridge (“the Entity”) as at and for the period ended December 31, 2021.

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 such 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 management is 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 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.

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

11) 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.

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,

Sheryl Ayres, Chief Financial Officer

cc: Council

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: Newly effective accounting standards

New accounting standards

The following new accounting standards that are effective for the current year had an impact on our audit.

Standard	Key observations
PS 3280, Asset Retirement Obligations (new)	<p>This standard describes how to account for and report asset retirement obligations associated with tangible capital assets. The City will have to identify if they have any asset retirement obligations which will be a significant project.</p> <p>On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 yearend). Earlier adoption is permitted.</p>
PS 3160 Public Private Partnerships (new)	<p>This section contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership. This section applies when the private sector partner is obligated to design, build, acquire or better new or existing infrastructure; finance the transaction past the point where the infrastructure is ready for use; and operate and/or maintain the infrastructure. The infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure. This asset should be initially measured at cost and amortized over the useful life of the asset in a rational and systematic manner. A liability should be recognized when the public private partnership recognizes an asset. The liability would be measured at the same value of the asset, reduced for any consideration previously transferred. The financial liability should be at amortized cost using the effective interest method.</p> <p>This standard will be in effect for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 yearend). Earlier adoption is permitted.</p>
PS 3400, Revenue (new)	<p>Currently the Public Sector Accounting Handbook has two sections that address two major sources of revenue, government transfers and tax revenue. This new standard addresses the recognition, measurement and presentation of revenues that are common in the public sector other than government transfers and tax revenue.</p> <p>On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 yearend). Earlier adoption is permitted.</p>

PS 1150 Generally Accepted Accounting Principles (amendment)

In April 2021, the Public Sector Accounting Board (PSAB) issued amendments to the GAAP hierarchy set out in PS 1150 to position International Public Sector Accounting Standards (IPSAS) as the first accounting framework to consult in situations where PSAB has not issued a specific standard, situations not covered by primary sources of GAAP, or for assistance in applying a primary source of GAAP to specific circumstances and it is necessary to consult pronouncements issued by other bodies authorized to issue accounting standards. PSAB will continue to issue Canadian Public Sector Accounting Standards (PSAS), but future standards would be based on the principles of IPSAS.

This amendment will be in effect for fiscal years beginning on or after April 1, 2021 (the City's December 31, 2022 yearend).

PS 1201 Financial Statement Presentation (new)

In June 2011, PSAB issued a new standard, PS 1201 which revises and replaces PS 1200 Financial Statement Presentation. The main change to the standard is the introduction of a new statement, the statement of remeasurement gains and losses.

On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 yearend). Earlier adoption is permitted.

PS 3041 Portfolio Investments (new)

The PSAB has issued a new standard, PS 3041 Portfolio Investments, which replaces PS 3030 Temporary Investments and PS 3040 Portfolio Investments. The new standard does not make a distinction between temporary and portfolio investments and investments previously within the scope of PS 3030, which are not cash equivalents, are now accounted for within the scope of PS 3041.

On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 yearend). Earlier adoption is permitted.

PS 3450 Financial Instruments (new)

This new standard establishes requirements for recognition, measurement, derecognition, presentation, and disclosure of financial assets and financial liabilities, including derivatives. In this standards, financial instruments are classified into two measurement categories, fair value, or cost or amortized cost. Almost all derivatives are measured at fair value. Portfolio investments in equity instruments quoted in an active market are measured at fair value. Other financial assets and liabilities are generally measured at cost or amortized cost. Remeasurement gains and losses on financial instruments measured at fair value are reported in the new statement of remeasurement gains and losses until the financial instrument is derecognized. Financial assets and liabilities are only offset and reported on a net basis if a legally enforceable right to set off the recognized amounts exists, and the entity intends to settle on a net basis or realize/settle the amounts simultaneously.

Measurement provision are applied prospectively and adjustments to previous carrying amounts are recognized in opening accumulated remeasurement gains or losses.

On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 yearend). Earlier adoption is permitted.

Appendix: Upcoming changes to auditing standards

The following changes to auditing standards applicable to our 2022 audit are listed below.

Standard	Key observations
Revised CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i>	<p>Revised CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i> has been released and is effective for audits of financial statements for periods beginning on or after December 15, 2021.</p> <p>The standard has been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. Key changes include:</p> <ul style="list-style-type: none">— Enhanced requirements relating to exercising professional skepticism— Distinguishing the nature of, and clarifying the extent of, work needed for indirect and direct controls— Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of controls— Introduction of scalability— Incorporation of considerations for using automated tools and techniques— New and revised concepts and definitions related to identification and assessment of risk— Strengthened documentation requirements

CPA Canada plans to publish a Client Briefing document in early 2022 to help you better understand the changes you can expect on your 2022 audit.

Appendix: Audit and assurance insights

Our latest thinking on the issues that matter most to audit committees, Boards and Management.

Featured insight	Summary	Reference
Accelerate 2022	The key issues driving the audit committee agenda in 2022	Learn more
Audit Committee Guide – Canadian Edition	A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada	Learn more
Unleashing the positive in net zero	Real solutions for a sustainable and responsible future	Learn more
KPMG Audit & Assurance Insights	Curated research and insights for audit committees and boards.	Learn more
Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	Learn more
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.	Learn more
The business implications of coronavirus (COVID 19)	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	Learn more
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	Learn more
Momentum	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	Sign-up now
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