

Calgary Municipal Land Corporation

Report to the Audit Committee on the 2020 audit

April 23, 2021

April 16, 2021

The Audit Committee of Calgary Municipal Land Corporation

Report on audited annual financial statements

Dear Audit Committee members:

We are pleased to submit this report on the status of our audit of Calgary Municipal Land Corporation ("CMLC") for the 2020 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you. We are continuing to work with management to complete the outstanding matters summarized on page 1 of this report.

As agreed in our confirmation of changes letter dated December 10, 2020, we have performed an audit of the financial statements of Calgary Municipal Land Corporation as of and for the year ended December 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated April 23, 2021.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on December 10, 2020.

This report is intended solely for the information and use of the Audit Committee, management and others within CMLC and is not intended to be, and should not be, used by anyone other than these specified parties.

We, at Deloitte, work as one team to provide you with relevant business insights to assist you improving your current practices.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,



Chartered Professional Accountants

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Executive summary



Audit scope and terms of engagement

We have been asked to perform an audit of CMLC's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2020. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the confirmation of changes letter. We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.



Significant risks

1 Management override of controls

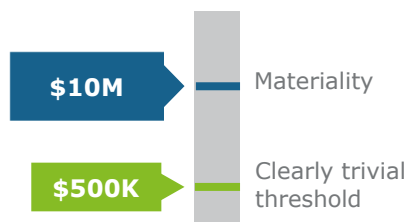


Continued from prior year

Status



Materiality



Materiality levels are determined on the basis of total assets. Our materiality for the year ended December 31, 2020 was \$10,000,000 (2019, \$9,000,000).



Outstanding Matters & Next Steps

Receipt of signed management representation letter

Receipt of legal letters

Completion of audit procedures relating to donations expense and land inventory

Completion of the Engagement Quality Control review



Highlights

Engaged with management on the complex accounting of the Event Centre and Arts Commons

No changes in the significant risks identified

Performed additional audit procedures on land inventory relating to valuation

Communicated with management throughout the fiscal year

**Audit fees**

Audit fees	2020	2019
Audit	\$76,000	\$66,700
System conversion testing	-	\$3,500
Audit procedures applied to the adoption of the new accounting standard	-	\$600
Audit procedures applied to the BMO Expansion accounting entries and agreements	-	\$9,500
Audit procedures applied to the Event Centre accounting entries and agreements	\$3,500	-
Additional audit procedures due to the impact of COVID-19*	-	-
Total fees	\$79,500	\$80,300

* As part of our investment into our valued relationship with CMLC, we have internalized the costs related to additional effort resulting from procedures performed related to COVID-19.

**Going Concern**

Management has completed its assessment of the ability of CMLC to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon CMLC's ability to continue as a going concern. We agree with management's assessment.

**Results**

No restrictions have been placed on the scope of our audit. We intend to issue an unmodified audit report on the financial statements of CMLC for the year ended December 31, 2020 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Board of Directors.

Significant audit risks, significant events and areas of focus

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Significant risk dashboard

Legend



Significant level of management judgment involved



Minimal/No management judgment involved

D+I: Planned testing of the design and implementation of key controls

OE: Planned testing of the operating effectiveness of key controls

Significant risks

Management override of controls

Fraud Risk	Control Testing Planned	Level of management judgement	Specialist, Expert or Innovation Involvement
YES	D+I		Excel Analytics were used to perform journal entry testing.
Analysis of risk		Audit response and results	
<ul style="list-style-type: none"> Under Canadian Auditing Standards, it is the responsibility of management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process. Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk. 		<ul style="list-style-type: none"> We discussed fraud with management. We asked the Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting CMLC and their role in the oversight of management's antifraud programs. We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period. We evaluated the business rationale for any significant transactions. We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates. We obtained sufficient audit evidence to conclude that there were no material misstatements. 	

Significant events

COVID-19

Impact on our 2020 audit

Due to COVID-19, we identified certain areas of our 2020 audit that were directly impacted in comparison to previous years. These changes had an impact to our audit in terms of nature, timing and extent of audit procedures that we were required to perform. We have outlined below the significant changes identified.

- Identified audit risks specific to COVID-19 and planned audit procedures to address the risks.
- Increased communication with management throughout the year to understand the impacts and implications of COVID-19.
- Applied audit procedures to any changes in processes and controls at CMLC.
- Considered alternative methods to obtain audit evidence (scanned copies, electronic versions, video calls to walk through controls, analyses and questions) due to remote work arrangements.
- Performed audit testing remotely.

We also monitored audit scope and timelines and adjusted accordingly to ensure we met reporting deadlines. As part of our investment into our valued relationship with CMLC, we have internalized the costs related to additional effort resulting from procedures performed related to COVID-19.

Areas of focus

Accounting for the construction of the Event Centre ("Event Centre")

Analysis	Audit response and results
<ul style="list-style-type: none"> • The agreements entered into by CMLC, The City of Calgary, Calgary Sports and Entertainment Corporation and the Calgary Exhibition and Stampede Ltd. governing the construction and management of the Event Centre are complex and will require management to apply judgment with respect to accounting for the transaction. • There is professional judgment applied in the determination of the appropriate accounting for the Event Centre project as outlined in the agreements. 	<ul style="list-style-type: none"> • We read the underlying agreements and obtained an understanding of the transaction. • We reviewed the accounting treatment prepared by management relating to the agreement. • We held discussions with management with respect to key judgments applied to the transaction which included determination of appropriate accounting standards to apply, determination of whether or not the arrangement meets the definition of a government partnership, and determination of appropriate recognition and measurement of assets, liabilities, revenues and expenditures under the agreements. • We obtained sufficient audit evidence to conclude that there were no material misstatements.

Recording, presentation and valuation of land inventory

Analysis	Audit response and results
<ul style="list-style-type: none"> Land inventory may not be appropriately recorded or valued. The economic impact of COVID-19 may have decreased the market value of the land inventory to be below the cost. If the market value is below cost, a write-down would be required. 	<ul style="list-style-type: none"> We tested a sample of transactions of purchase agreements and supporting documentation to verify that land inventory was recorded at the appropriate amount. We also tested a sample of land inventory parcels for impairment, ensuring that the book value did not exceed the market value. In addition, we reviewed the disposition / transfer of land inventory, if applicable, to ensure that it has been appropriately accounted for in light of PSAS guidance. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Transfer of infrastructure development assets to tangible capital assets

Analysis	Audit response and results
<ul style="list-style-type: none"> Infrastructure development assets are projects currently under construction that will result in an asset being constructed at the final acceptance certificate ("FAC") phase of construction. There is a risk that infrastructure development assets are complete and have been issued at the FAC but have not been transferred to tangible capital assets and commenced amortization. 	<ul style="list-style-type: none"> We obtained and reviewed the list of infrastructure development assets that includes the estimated FAC date. We tested a sample of infrastructure development assets, obtaining the FAC (if already issued) as well as meeting with various individuals in operations to determine the status of the infrastructure development assets, to verify if the asset is complete. For a sample of infrastructure development assets that have been completed, we reviewed the transfer of the assets to tangible capital assets and recalculate the amortization. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Significant accounting policies, judgements and estimates

The accounting policies described below are those that are most important and representative of CMLC's financial condition and financial performance.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

We believe CMLC's significant accounting policies to be:

- Net realizable value of land inventory
- Useful lives of tangible capital assets
- Impairment of tangible capital assets
- Accrued liabilities

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of CMLC.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. These judgements are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2020, management advised us that there were no significant changes in accounting estimates or in judgements relating to the application of the accounting policies.

Appendix 1 – Communication requirements and other reportable matters

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication	Refer to this report or document described below
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Confirmation of changes letter.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	Audit plan communicated on December 10, 2020.
3. Significant transactions outside of the normal course of business, including related party transactions	Related party transactions are disclosed in Note 14 to the financial statements. Refer to Significant Risks section for further details on significant transactions outside the normal course of business.
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	We believe adequate internal controls exist to sufficiently mitigate the risk of management override of controls. Those charged with governance exercise oversight over management's process for identification and response to the risk of fraud by establishing and enforcing a code of conduct, establishing committees to govern various aspects of operations and engaging frequently with key management personnel.
5. Any known suspected or alleged fraud affecting CMLC	We are not aware of any actual or suspected fraudulent events.

Required communication	Refer to this report or document described below
6. Whether CMLC is in compliance with laws and regulations	<p>Management is responsible for ensuring that CMLC's operations are conducted in accordance with the laws and regulations applicable to CMLC in the jurisdictions in which it operates. The responsibility for preventing and detecting noncompliance rests with management. The auditor is not and cannot be held responsible for preventing noncompliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material noncompliance with laws and regulations by CMLC.</p>
Year End Communication	
7. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting policies, judgements and estimates section of this document.
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	Significant accounting policies, judgements and estimates section of this document.
10. Matters related to going concern	Executive summary section of this document.
11. Consultation with other accountants	Management has informed us that CMLC has not consulted with other accountants about auditing or accounting matters.
12. Management judgements and accounting estimates	Significant accounting policies, judgements and estimates section of this document.
13. Significant difficulties, if any, encountered during the audit	During the course of our audit, we did not encounter any significant difficulties in dealing with management related to the performance of the audit.
15. Material written communications between management and us, including management representation letters	Management representation letter.
16. Circumstances that affect the form and the content of the auditor's report	Draft auditor's report.
17. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
18. Modifications to our opinion(s)	Executive summary section of this document.
19. Other significant matters discussed with management	Significant audit risks, significant events and areas of focus section of this document.

Required communication	Refer to this report or document described below
20. Matters involving noncompliance with laws and regulations that came to our attention, unless prohibited by law or regulation, including illegal or possibly illegal acts that come to our attention.	We are not aware of any matters involving noncompliance with laws and regulations or illegal acts.
21. Litigation	No litigation matters to report.
22. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report.
23. Uncorrected misstatements and disclosure items	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements and uncorrected disclosure misstatements to report.
24. Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Audit Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
25. Concerns regarding management competence and integrity	We do not have any concerns regarding management's competency and integrity.
26. Disagreements with management	During the current audit, we did not have any disagreements with management.
27. Post-balance sheet events	At the date of finalizing this report, management is in the process of determining any possible significant post-balance sheet events given recent events. We will update you verbally at the meeting.
28. Limitations when sending confirmations	Not applicable.
29. Other significant matters arising from the audit	No other significant matters to report.

Appendix 2 – Draft version of our auditor’s report

Our report on the financial statements is expected to be in the following form. However, the final form may need to be adjusted to reflect the final results of our audit.

Independent Auditor’s Report

To the Shareholder of
Calgary Municipal Land Corporation

Opinion

We have audited the financial statements of Calgary Municipal Land Corporation (“CMLC”), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CMLC as at December 31, 2020, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (“PSAS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CMLC 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 PSAS, 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 CMLC’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 CMLC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CMLC’s financial reporting process.

Auditor’s 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 CMLC’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 CMLC’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause CMLC 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.

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

Chartered Professional Accountants
April 23, 2021

Appendix 3 – Draft independence

April 23, 2021

The Audit Committee of
Calgary Municipal Land Corporation

Dear Audit Committee members:

We have been engaged to audit the financial statements of Calgary Municipal Land Corporation ("CMLC") for the year ended December 31, 2020.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between CMLC, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client.
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 22, 2020, the date of our last letter.

We are not aware of any relationships between the Member Firms of Deloitte Touche Tohmatsu Limited and their respective affiliates (collectively, the "Deloitte Entities") and CMLC and its affiliates, or persons in financial reporting oversight roles at CMLC and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from May 23, 2020 to April 23, 2021.

The total fees charged to CMLC for audit services were \$81,320 (2019, \$71,369) for the audit, \$3,745 (2019, \$nil) for audit procedures applied to the Event Centre accounting entries and adjustments, \$nil (2019, \$3,745) relating to system conversion testing, \$nil (2019, \$642) for audit procedures applied to the adoption of the new accounting standard and \$nil (2019, \$10,165) for audit procedures applied to the BMO Expansion accounting entries and adjustments. These fees include the 7% administration charge but not GST.

We hereby confirm that we are independent with respect to CMLC in accordance with the Rules of Professional Conduct of the applicable Chartered Professional Accountants of Alberta as of April 23, 2021.

This letter is intended solely for the information and use of the Audit Committee, the Board of Directors, management and others within CMLC and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

Appendix 4 – Draft management representation letter

[CMLC letterhead]

April 23, 2021

Deloitte LLP
700, 850 - 2 Street SW
Calgary, AB T2P 0R8

Dear Sirs:

Subject: Financial statements of Calgary Municipal Land Corporation as at and for the year ended December 31, 2020

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Calgary Municipal Land Corporation ("CMLC" or "we" or "us") as of and for the year ended December 31, 2020, the notes to the financial statements and a summary of significant accounting policies (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of CMLC in accordance with Public Sector Accounting Standards ("PSAS").

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Financial statements

1. We have fulfilled our responsibilities as set out in the master services agreement between CMLC and Deloitte dated November 28, 2018 and the confirmation of changes letter dated December 10, 2020 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of CMLC as at December 31, 2020 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. CMLC has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2020 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after December 31, 2020 and up to the date of this letter.
5. The Financial Statements are free of material errors and omissions.

Internal Controls

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

8. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters;
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
10. We have no knowledge of any information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.

11. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting CMLC.
12. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices. There are also no known or possible instances of noncompliance with the requirements of regulatory or governmental authorities.
13. We have disclosed to you the identities of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

14. Prior to CMLC having any substantive employment conversations with a former or current Deloitte engagement team member, CMLC has held discussions with Deloitte and obtained approval from the Audit Committee.
15. We have ensured that all non-audit services provided to CMLC have been pre-approved by the Audit Committee. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to CMLC in accordance with applicable laws, regulations and rules that apply to CMLC, including the Audit Committee approval requirements.
16. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Other matters

Except where otherwise stated below, immaterial matters less than \$500,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

17. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
18. CMLC has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200.
19. There are no instances of identified or suspected noncompliance with laws and regulations.
20. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.
21. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
22. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
23. We have disclosed to you, and CMLC has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

24. CMLC has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Accounting Policy

25. The accounting policies selected and the application of those policies are appropriate.
26. CMLC's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2019.

Fair Value

27. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
- a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS;
 - b. No events have occurred subsequent to December 31, 2020 that require adjustment to the fair value measurements and disclosures included in the Financial Statements; and
 - c. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of CMLC when relevant to the use of fair value measurements or disclosures.

Management's responsibilities

28. All transactions and events have been carried out in accordance with law, regulation or other authority.

Receivables

29. CMLC is responsible for determining the appropriate carrying amount of accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate.

Government transfers

30. We have disclosed to you all correspondence relating to government transfers that CMLC has had with the funding body.
31. We have assessed the eligibility criteria and determined that CMLC is an eligible recipient for the government transfers received.
32. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
33. All government transfers that have been recorded as deferred revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

Tangible capital assets

34. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
35. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to CMLC's ability to provide goods and services and therefore do not require a write down.

Section PS 3260, *Liability for Contaminated Sites*

36. CMLC was required to adopt Section PS 3260, *Liability for Contaminated Sites* effective for fiscal 2015 for the purposes of the PSAS. Management has determined the impact of this standard on the year-end financial statements, and based on management's assessment, there is no impact on the adjustments for the December 31, 2020 PSAS Financial Statements of this standard.

Communicating a threshold amount

37. We understand that the threshold used for accumulating misstatements identified during the year was \$500,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Land Inventory

38. CMLC is responsible for determining the appropriate carrying amount of inventories held for resale. All inventories are the property of CMLC and do not include any items consigned to it, any items billed to customers or any items for which the liability has not been recorded.
39. Management asserts that certain properties are designated as Heritage properties by The City of Calgary and the value will be recovered through long-term tenant agreements with or direct sales to third parties. For those parcels not sold to third parties, the land inventory will be transferred to The City of Calgary at cost; therefore, management believes that no impairment of land inventory exists at December 31, 2020.
40. Management have declared the true intent for items classified as land inventory and have appropriately classified items as land inventory versus tangible capital assets.
41. We have evaluated all of our tangible capital assets that we have direct responsibility for or accept responsibility for, and have not identified any sites in which contamination exceeds an environmental standard.
42. We have reviewed all outstanding construction invoices at year-end, and have determined that year-end accrual regarding construction invoices is complete.

Infrastructure development assets – long term plans

43. All costs incurred to date relating to East Village, RiverWalk, 4th Street Underpass, St. Patrick's Island, West Village, Victoria Park, 9th Avenue Parkade, Arts Commons, David D. Oughton, Fifth Street Underpass and Event Centre sites are appropriately capitalized as infrastructure development assets in the year-end financial statements, as based on CMLC's 2020 Business Plan, these sites are part of the long term development plan of CMLC.
44. We have disclosed to you all Infrastructure development assets that received Final Acceptance Certificates during the year.

Contingent assets

45. CMLC has identified all contingent assets in accordance with Section PS 3320, *Contingent Assets* when the occurrence of the confirming future event is considered likely. No items have come to the attention of CMLC that require disclosure.

Contractual rights

46. CMLC has identified and disclosed all contractual rights, as discussed in Note 19 of the financial statements that will result in both an asset and revenue in the future, once the terms of the contract or agreement are met, in accordance with Section PS 3380, *Contractual Rights*.

Inter-entity transactions

47. CMLC has recognized all transactions involving the transfer of assets or liabilities between public sector entities in accordance with Section PS 3420, *Inter-entity Transactions* ("PS 3420").
48. CMLC has recorded all inter-entity transactions properly at exchange or carrying amount in accordance with the criteria in PS 3420.14-.22.
49. CMLC has disclosed all inter-entity transactions in the notes to the Financial Statements whether or not such transactions are recognized in the financial statements, in accordance with PS 2200, as shown in Note 13 of the financial statements.

Assets

50. CMLC has recognized all assets, which do not fall within the scope of other standards, only when the requirements in Section PS 3210, *Assets* ("PS 3210") have been met. For those assets which do not meet the recognition criteria in PS 3210, CMLC has appropriately disclosed details of such unrecognized assets in accordance with PS 3210. There was no impact on CMLC's financial statements upon adoption of PS 3210.

Restructuring transactions

51. CMLC has identified all restructuring transactions, as defined in Section PS 3430, *Restructuring Transactions*.

Yours truly,
Calgary Municipal Land Corporation

Kate Thompson, President and CEO

Kondwani Bwanali, Director, Finance and Corporate Services

Appendix A

Calgary Municipal Land Corporation

Summary of uncorrected financial statement misstatements and disclosure deficiencies
Year ended December 31, 2020

There were no uncorrected misstatements or disclosure deficiencies identified for the year ended December 31, 2020.