



**The City of Calgary**  
Report to the Audit Committee on the  
2018 audit

April 23, 2019

April 15, 2019

To the Audit Committee of The City of Calgary

## **Report on audited annual financial statements**

Dear Audit Committee members:

We are pleased to submit this report on the status of our audit of The City of Calgary ("The City") for the 2018 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 Administration to complete the outstanding matters summarized on page 2 of this report.

As agreed in our master services agreement dated July 25, 2018, we have performed an audit of the financial statements of The City of Calgary as of and for the year ended December 31, 2018, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated April 29, 2019.

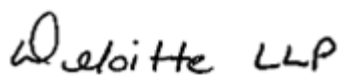
Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on July 25, 2018 except for the changes to our audit plan described on pages 6 and 15 of this report.

This report is intended solely for the information and use of the Audit Committee, Administration and others within The City 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 in 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,



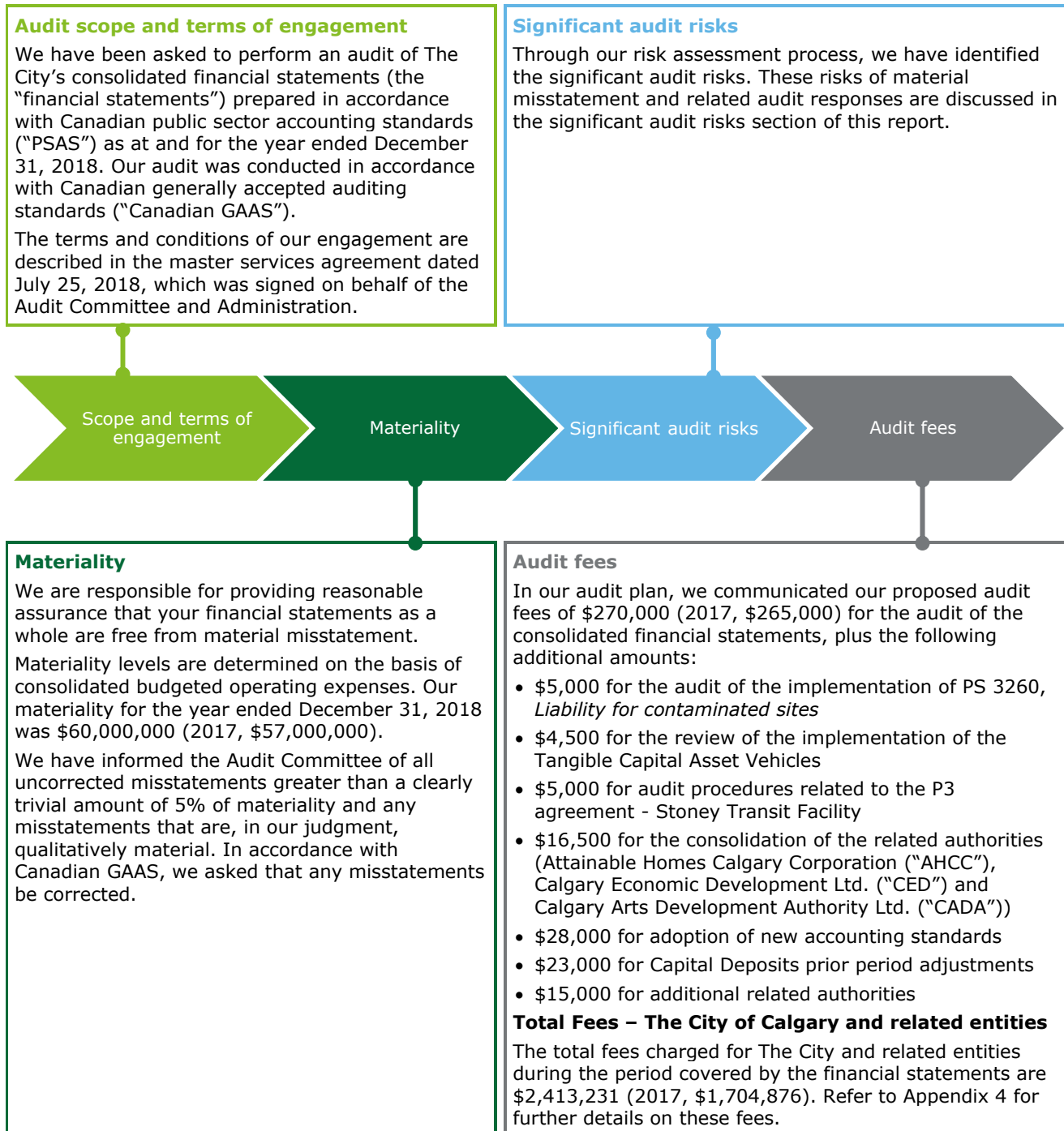
Chartered Professional Accountants

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# Our audit explained

This report summarizes the main findings arising from our audit to date.



**Audit scope and terms of engagement**

We have been asked to perform an audit of The City's consolidated financial statements (the "financial statements") prepared in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2018. 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 master services agreement dated July 25, 2018, which was signed on behalf of the Audit Committee and Administration.

**Significant audit risks**

Through our risk assessment process, we have identified the significant audit risks. These risks of material misstatement and related audit responses are discussed in the significant audit risks section of this report.

**Materiality**

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement. Materiality levels are determined on the basis of consolidated budgeted operating expenses. Our materiality for the year ended December 31, 2018 was \$60,000,000 (2017, \$57,000,000).

We have informed the Audit Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

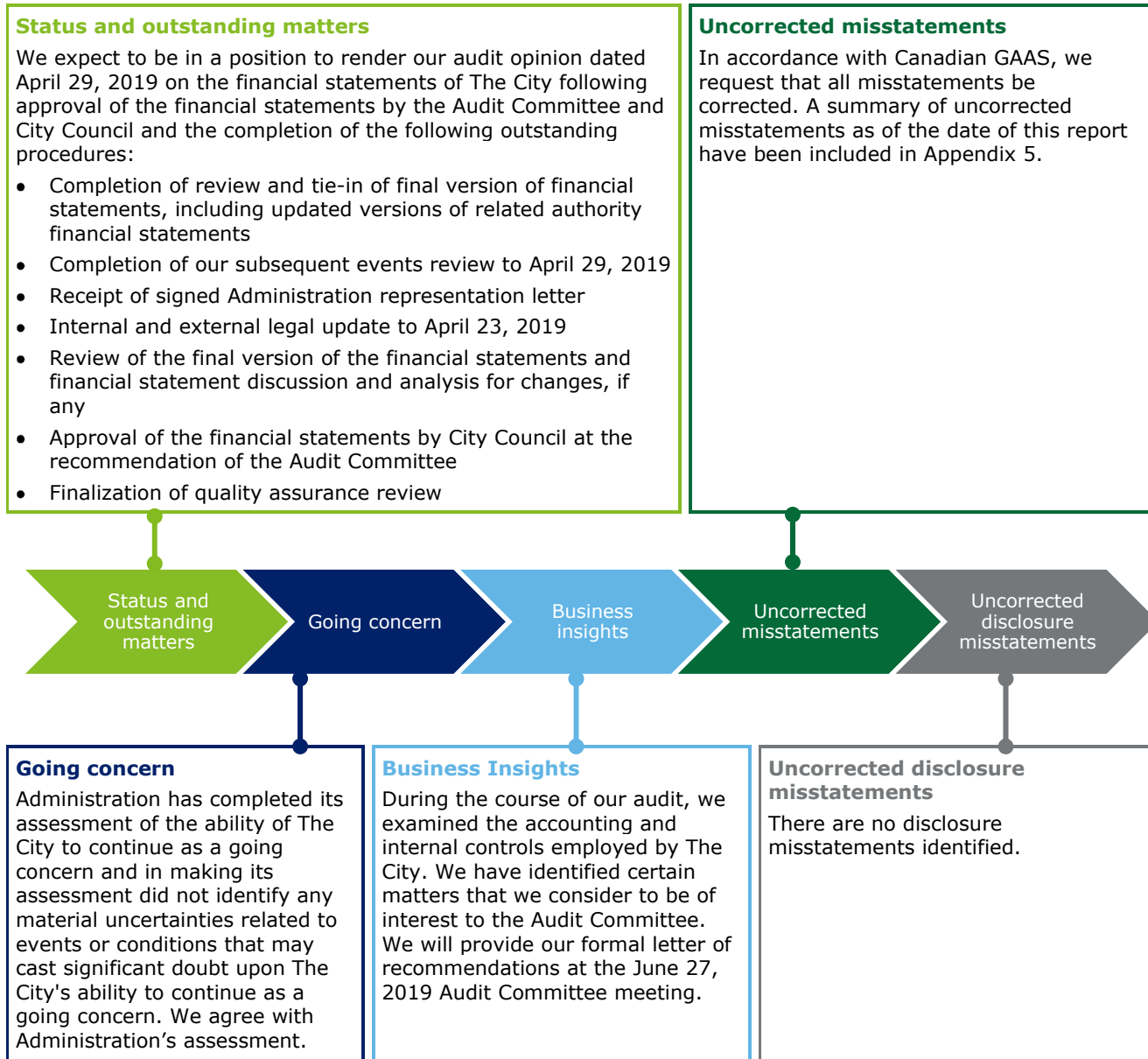
**Audit fees**

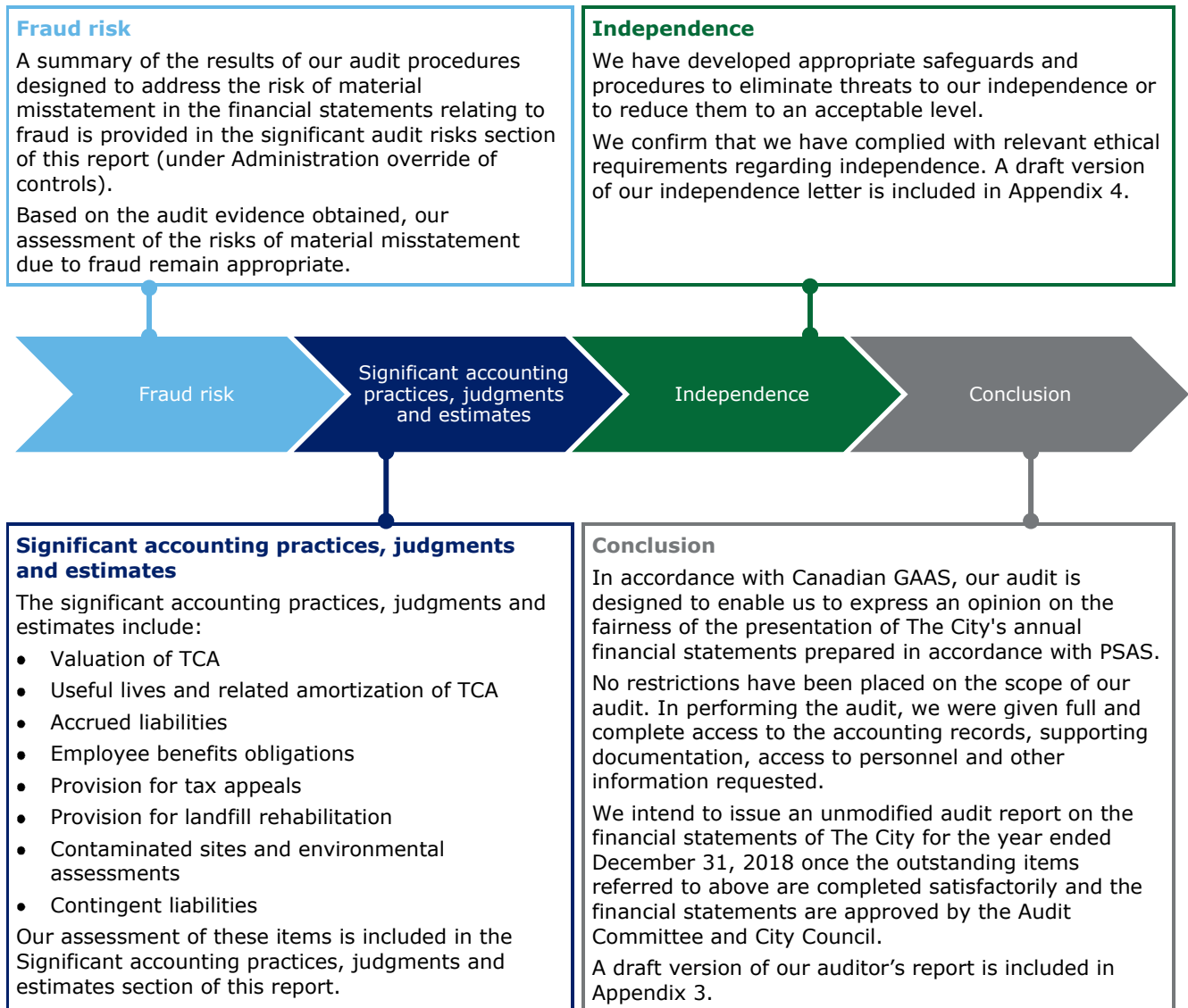
In our audit plan, we communicated our proposed audit fees of \$270,000 (2017, \$265,000) for the audit of the consolidated financial statements, plus the following additional amounts:

- \$5,000 for the audit of the implementation of PS 3260, *Liability for contaminated sites*
- \$4,500 for the review of the implementation of the Tangible Capital Asset Vehicles
- \$5,000 for audit procedures related to the P3 agreement - Stoney Transit Facility
- \$16,500 for the consolidation of the related authorities (Attainable Homes Calgary Corporation ("AHCC"), Calgary Economic Development Ltd. ("CED") and Calgary Arts Development Authority Ltd. ("CADA"))
- \$28,000 for adoption of new accounting standards
- \$23,000 for Capital Deposits prior period adjustments
- \$15,000 for additional related authorities

**Total Fees – The City of Calgary and related entities**

The total fees charged for The City and related entities during the period covered by the financial statements are \$2,413,231 (2017, \$1,704,876). Refer to Appendix 4 for further details on these fees.





# Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below. These are consistent with significant audit risks presented in our Audit Plan except for the addition of Capital Deposits – Revenue Recognition as a significant audit risk.

## Tangible Capital Assets

### Audit risk

Completeness and valuation of Tangible Capital Assets ("TCA").

### Our audit response

- We audited The City's TCA additions, disposals and amortization along with related disclosures. Our testing included, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the definition of capital are included and are appropriately valued.
- We tested a sample of items recorded as repairs and maintenance to ensure these amounts were appropriately expensed.
- We reviewed Administration's assessment of impairment indicators of TCA and performed audit procedures on any amounts written down in the year.
- We tested TCA work in progress ("WIP") additions to ensure these WIP additions were appropriately accounted for as WIP.
- We also tested the aging of TCA projects to ensure appropriate accounting treatment of those projects in the year-end financial statements.
- Given the unique nature of the TCA (roads, infrastructure, recreation centres) held by The City, there is a risk for misclassification of the respective TCA. As a result, we performed increased substantive testing of the financial statement disclosures.

### Audit results

The centralized TCA reporting team and costing system were fully operational during 2018. The TCA costing system has removed the manual element to TCA accounting and reporting. Administration identified an immaterial prior period TCA misstatement of \$4.4M (see appendix 5 for details).

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Administration override of controls

### Audit risk

Under Canadian Auditing Standards, it is the responsibility of Administration, 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.

Administration 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.

This represents a fraud risk for the 2018 audit.

### Our audit response

- We engaged in periodic fraud discussions with certain members of senior Administration and others, including The City Auditor, City Manager and the Audit Committee.
- We considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- We evaluated the business rationale for any significant unusual transactions.
- We evaluated The City's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process.
- We tested journal entries that exhibited characteristics of possible Administration override of controls identified.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## New Accounting Standards

### Risk identified

The following accounting standards are required to be adopted for the year ending December 31, 2018:

- Section PS 2200, *Related Party Disclosures*
- Section PS 3210, *Assets*
- Section PS 3320, *Contingent Assets*
- Section PS 3380, *Contractual Rights*
- Section PS 3420, *Inter-entity Transactions*

There is a risk that the application of these standards is not consistent or compliant with the guidance provided within the standards.

### Our audit response

- We reviewed The City's methodology and process for application and adoption of each standard, which included a review of position papers prepared by Administration.
- We audited a sample of the accounting transactions recorded under these standards.
- We also reviewed the disclosure in the year-end financial statements to ensure compliance with the applicable accounting standards.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements relating to the adoption of the new accounting standards.



## Capital Deposits – Revenue Recognition

### Risk identified

Revenue relating to government funding and private contributions is not recognized in the correct period, as expenditures are incurred.

Revenue recognition of capital deposits was increased to a significant risk as a result of the restatement of prior periods (misstatements identified by Administration), which is a change from the audit plan presented on July 25, 2018.

### Our audit response

- We applied audit procedures to revenue recognition of capital deposits. Our testing included, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the revenue recognition criteria under PSAS are recognized as revenue.
- We obtained capital deposit contracts to ensure that the revenue recorded aligns with the stipulations in the contract.
- We extended our audit procedures to add additional completeness testing by reviewing budget deficits in Q1 2019 to determine if grant funding had been applied in the appropriate period.
- We held meetings with impacted business unit personnel to understand the cause of the prior period adjustment.
- We tested the restated balance at a significant risk level.

### Audit results

Administration restated the prior periods. Following the correction of prior period misstatements, we obtained sufficient audit evidence to conclude that there were no material misstatements. Please refer to "Adjustments to prior period" for additional information.

# Areas of focus

## Public Private Partnership (“P3”) Agreements

### Audit risk

During fiscal 2015 and 2016, The City signed the following P3 agreements:

Stoney Transit Facility effective September 13, 2016 and the Composting Facility Project effective June 25, 2015.

P3 agreements can include a number of complex underlying accounting treatments, which require an in-depth, detailed analysis to ensure all accounting and financial reporting matters impacting the consolidated financial statements, are taken into consideration. As there is currently no specific accounting standard under PSAS which provides accounting and financial reporting guidance, an entity is required to complete its own analysis specific to the agreement entered into in conjunction with existing accounting standards.

As the Composting Facility Project was completed in fiscal 2017, The City commenced accounting for this facility in the 2017 year-end financial statements as TCA.

The Stoney Transit Facility is expected to be completed in 2019.

Due to the highly complex nature of P3 agreements and the related accounting implications there is a risk the accounting for these transactions is not complete or accurate. There is also a risk that the financial statement presentation and disclosure is not complete.

### Our audit response

- We applied audit procedures on the accounting transactions for the P3 agreements to ensure that these transactions had been accurately and completely recorded in the year-end financial statements in accordance with Administration’s proposed accounting treatment and applicable accounting standards.
- We reviewed the disclosure in the year-end financial statements to ensure this was in compliance with applicable accounting standards.

### Audit results

Administration enhanced disclosures relating to operating commitments for the Stoney Transit Facility as reflected in the 2018 financial statements.

We obtained sufficient audit evidence to conclude that there were no material misstatements.

**PS 3260, Liability for contaminated sites**

**Audit risk**

Completeness and accuracy of the liability for contaminated sites.

**Our audit response**

- We reviewed The City’s methodology for application of this standard on City owned land and property.
- We audited the assumptions and the calculation of the liability associated with the potential remediation costs.
- We also reviewed The City’s assessment of all sites identified as having a high risk of contamination.
- We reviewed financial statement disclosure to ensure consistency with accounting guidance.

**Audit results**

We obtained sufficient audit evidence to conclude that there were no material misstatements.

**PS 3270, Solid waste landfill closure and post-closure liability**

**Risk identified**

Valuation of environmental liabilities and asset retirement obligations, relating to the accrual of post closure landfill liabilities.

**Our audit response**

- We reviewed The City’s estimates of post-closure landfill liabilities.
- We reviewed City Council minutes and legal confirmations, held discussions with Administration and relied on our knowledge of business to ensure completeness of the liability.
- We reviewed Administration’s estimates and assumptions for reasonability and performed tests of details on the transactions during the year.
- We required representations signed by Administration confirming that all environmental liabilities and clean-up costs are complete and appropriately disclosed.

**Audit results**

We obtained sufficient audit evidence to conclude that there were no material misstatements.

**Funding contracts**

**Audit risk**

Disclosure and completeness of liabilities and commitments under funding contracts provided by The City.

**Our audit response**

- We reviewed Administration’s assessment of liabilities and commitments required to be recorded or disclosed under agreements entered into during the year.
- We tested a sample of funding contracts entered into during the year to assess Administration’s treatment and appropriate recording of these transactions.
- We also assessed the completeness of the balances via review of City Council minutes and performed a search for unrecorded liabilities as well as a review of prior year estimates.

**Audit results**

We obtained sufficient audit evidence to conclude that there were no material misstatements.

**Related parties (authorities / subsidiaries / civic partners)**

**Audit risk**

Completeness and disclosure of the accounting for organizations included in the government reporting entity (related authorities or subsidiaries).

**Our audit response**

- We reviewed The City’s accounting policies and any changes therein related to its related parties.
- We verified that the related parties had been accounted for and disclosed in accordance with The City’s accounting policies and PSAS and performed separate audits of significant related parties.
- We audited all material balances relating to the related parties.
- We applied audit procedures to the four new entities identified by Administration I 2018 as possibly meeting the criteria for consolidation under PSAS guidance. We concur with Administration’s conclusion that one of these entities met the criteria for consolidation.
- We also applied audit procedures to the new related party accounting standard that was required to be adopted for fiscal 2018.

**Audit results**

We obtained sufficient audit evidence to conclude that there were no material misstatements.

**Litigation accruals and contingencies**

**Audit risk**

Completeness and accuracy of claims and litigation matters of The City and its related authorities.

**Our audit response**

- We enquired with The City’s legal department and City Solicitor to determine the status of outstanding legal matters.
- We reviewed legal correspondence from The City Solicitor and external legal counsel (if applicable) and discussed the status of outstanding legal matters with Administration and others, as necessary.
- We then worked with Administration to assess the appropriateness of any contingent liabilities and financial statement disclosures.

**Audit results**

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Government grants and transfers

### Audit risk

Accounting and disclosure of government grants and transfers.

### Our audit response

- We tested a sample of funding agreements to determine if the contract required financial statement disclosure.
- We tested a sample of federal and provincial transfer payments received during the year to fund specific projects.
- We reviewed the related funding agreements to ensure funds were used for their intended purpose and that revenue was recognized in the appropriate period, including deferred revenue.
- We reviewed deferred revenue for compliance with the applicable PSAS guidance.
- We tested expenditures and ensured that the corresponding revenue has been recognized.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Tax revenue

### Audit risk

Completeness and accuracy of the accounting for tax revenue.

### Our audit response

- We performed reasonability tests on tax revenue balances.
- We reviewed and tested the tax revenue business cycle process controls.
- We completed data analytical testing on the property tax revenues for the year ended December 31, 2018.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Reserves

### Audit risk

Completeness and accuracy of the recording and presentation of reserves.

### Our audit response

- We tested expenditures charged to each reserve and vouched a sample of expenditures to invoices to verify that the transaction was within the terms and conditions approved by City Council.
- We also reviewed the completeness and accuracy of the financial statement disclosures relating to reserves.

### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

### Long-term debt, pension liability, contractual and other long term obligations

#### Audit risk

Disclosure and completeness of long-term debt, pension liability, contractual and other long-term obligations.

#### Our audit response

- We reviewed the completeness and accuracy of the financial statement disclosures relating to The City's long-term debt, pension liability, and contractual and other long term obligations.
- We ensured that these disclosures were in accordance with PSAS guidance.

#### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

### Non-standard transactions

#### Audit risk

Completeness and accuracy of non-standard transactions  
 Non-standard transactions are inherently riskier as there is no precedence for which to account for these items. Examples of non-standard transactions may include but are not limited to; consolidation entries, transactions with related authorities, transfer of lands to/from the Province, transfer of corporate properties between business units and the purchase and sale of properties.

#### Our audit response

- We will reviewed non-standards that have occurred during the year to ensure that these transactions had been accurately and completely recorded in the year-end financial statements.

#### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

### Implementation of new TCA policies and procedures

#### Audit risk

There is a risk that the adoption of new TCA policies and procedures are not implemented in a consistent manner across all business units. The City implemented new policies and procedures for the Vehicles asset class during the current year.

#### Our audit response

- We reviewed the policies and procedures implemented to test that they had been designed and implemented effectively and in accordance with PSAS.

#### Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

# Significant accounting practices, judgments and estimates

Accounting estimates are an integral part of the financial statements prepared by Administration and are based on Administration's current judgments. These judgments 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, 2018, Administration advised us that there were no significant changes in accounting estimates or in judgments relating to such estimates, with the exception of changes as described in Note 34 of the financial statements. The change in estimate relates to change in the useful lives of the Vehicle asset category applicable to all business units. We have applied audit procedures to this change in estimate and concur with Administration's accounting of these matters, as the change in estimate is in accordance with PSAS guidance.

In our judgment, the significant accounting practices and policies selected and applied by Administration are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of The City. In our judgment, the significant accounting estimates made by Administration are, in all material respects, free of possible Administration bias. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of The City.

# Internal control matters

As part of our financial statement audit, we are required to consider many components of internal controls, which assist us in determining the risks of material misstatement and the identification of internal controls that will be relevant for our audit. Not all controls are relevant to every audit. For example, some internal controls may exist to address operational risks. For those controls deemed relevant to our audit, we evaluated the design of these controls and determined whether they were implemented. The procedures undertaken during this process allow us to consider whether or not our audit strategy will further rely on the operating effectiveness of those identified internal controls. In such cases, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented to also test whether the controls on which we intend to rely are operating effectively throughout the period of reliance. The determination of whether or not we will test the operating effectiveness of controls is determined on an engagement by engagement basis. In our audit of The City's financial statements, we planned to and were able to rely on internal controls in the following areas, for which we tested the design, implementation and operating effectiveness:

- Property and Business Tax Revenues and Receivables
- Accounts Payable
- Fund 20 Federal and Provincial Grant Revenue

For all others areas, we tested only the design and implementation of controls. Canadian GAAS require us to report to the Audit Committee any significant deficiencies that have come to our attention. We did not note any significant deficiencies during the course of our audit in the areas listed above, significant deficiencies in internal controls and processes relating to the accounting of capital deposits was identified in the current year by Administration as a result of the prior period adjustments. Please refer to "Adjustment to prior period".

Our audit was not designed to provide a high degree of assurance that significant deficiencies, if any, would be detected.



# Adjustments to prior period

The City receives funding from both the government and private contributions for the construction of capital projects. Capital projects can also be funded by The City's own reserves or debt. Government and private contribution funding initially received by The City is recorded as a capital deposit (deferred revenue). As the capital projects are multi-year projects, accounting standards require revenue to be recognized as expenditures are incurred. The City's annual process includes business units collaboratively working with the Corporate Budget Office ("CBO") and Business Unit Finance to review the status of capital project expenditures and analyse funding available, assess if revenue recognition criteria are met and determine the appropriate accounting of the capital deposits in the financial statements.

During fiscal 2018, Administration undertook a review of the balances in the capital deposit account along with the funding that was available for the capital projects. Based on this review, it was noted that some of the business units had not appropriately recognized revenue in the correct period for fiscals 2016 and 2017 for multi-year capital projects. The revenue was recognized in the following fiscal year. This resulted in cut-off errors between the various years, for example, the business units incurred expenses in 2016 in relation to capital expenses but recognized the revenue in fiscal 2017 or 2018, even though the funding was available in 2016. We understand that these misstatements resulted from an untimely review of capital project expenditures at the business unit level.

This resulted in an understatement of revenue (Government transfers related to capital and developer contributions) of \$35.9M, overstatement of the capital deposits of \$114.2M and understatement of 2017 opening accumulated surplus (capital fund and reserves) of \$78.3M.

Note 33 to the financial statements includes details on the prior period adjustments. As a result of the additional work completed by Administration on the above misstatements, Administration has determined that restating prior year's results was appropriate. Administration has concluded that the consolidated financial statements are not materially misstated as at and for the years ended December 31, 2018 and 2017, as restated, in the context of the consolidated financial statements taken as a whole.

We applied additional audit procedures, on a test basis, to the accounting misstatements identified by Administration to test the restatement of 2017 and 2016 balances. Based on our testing and understanding of the cause of the misstatements, we have concluded that there are significant deficiencies in the design, implementation and operating effectiveness of certain internal controls related to the accounting of capital deposits and related funding.

We have held discussions with Administration and the impacted business units during the year end audit and understand that Administration has developed and implemented certain controls to prevent/detect future misstatements.

We will provide Administration and the Audit Committee with formal written recommendations at the June 27, 2019 Audit Committee meeting.

# Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Audit Committee as part of the audit plan.

	<b>Comment</b>
<b>Changes to the audit plan</b>	The audit was conducted in accordance with the audit plan presented to the Audit Committee on July 28, 2018, with the exception of adding capital deposits revenue recognition as an area of significant risk and applying additional procedures on the four new related authorities to determine if consolidation was required. The details of these has been discussed earlier in this report.
<b>Use of the work of specialists and experts</b>	As planned, Deloitte and external specialists and experts assisted in the audit to the extent we considered necessary: <b>IT specialists:</b> Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems <b>Actuarial experts:</b> AON Hewitt assisted in the assessment of the valuation of The City's pension liability
<b>Significant difficulties encountered in performing the audit</b>	During the course of our audit, we did not encounter any significant difficulties in dealing with Administration related to the performance of the audit.
<b>Concerns regarding Administration competence and integrity</b>	We do not have any concerns regarding Administration's competency and integrity.
<b>Related party transactions</b>	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments made by Administration concerning measurement or disclosure.
<b>Disagreements with Administration</b>	We did not have any disagreements with Administration.
<b>Consultation with other accountants</b>	Administration has informed us that The City has not consulted with other accountants about auditing or accounting matters.
<b>Legal and regulatory compliance</b>	Administration is responsible for ensuring that The City's operations are conducted in accordance with the laws and regulations applicable to The City in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with Administration. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations as we perform limited procedures and enquiries regarding compliance with laws and regulations. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by The City. Further discussion to be held during in-camera session.
<b>Post-statement of financial position events</b>	At the date of finalizing this report, Administration has advised us of one subsequent event which is disclosed in Note 37 to the financial statements. We will update our subsequent events to April 29, 2019 prior to the issuance of our auditor's report.

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**Comment**

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**Group Audit**

The audit of The City is considered to be a group audit and therefore, we are also required to determine the scope of work required for each related authority. We are auditors of all related authorities and issue an audit opinion on the standalone financial statements of each entity, with the exception of Attainable Homes Calgary Corporation, Calgary Economic Development Ltd. and Calgary Arts Development Authority Ltd.

No restrictions have been placed on the scope of our audits of the related authorities. In performing the audits, we were given full and complete access to the accounting records, supporting documentation and other information requested.

For the three entities not audited by Deloitte LLP, we apply audit procedures based on The City's consolidated materiality.

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# Appendix 1 – Audit Committee terms of reference

As the external auditors of The City, we have the privilege of assisting in the fulfillment of your responsibility to follow the Terms of Reference for The City of Calgary’s Audit Committee contained in the Audit Committee Bylaw 48M2012, as amended. The following table outlines our involvement in the fulfillment of specific terms of reference and any reports that we have issued that assist in this process.

Bylaw 48M2012	Description	Related Deloitte Involvement
Schedule B, 1(b)	Pre-approves all audit and non-audit services performed by the External Auditor.	All audit and non-audit services are presented to the Audit Committee for pre-approval prior to the commencement of such work. Fee information included in the 2018 Audit Service Plan presented by Deloitte on July 25, 2018.  The Independence letter included as Appendix 4 of the Year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting summarizes the fees of all services performed.
Schedule B, 1(c)	Requires the External Auditor, as an expert in accounting and financial reporting, to express independent judgment about the appropriateness and acceptability of The City’s financial statements, in accordance with professional standards.	Communicated in the Year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting.
Schedule B, 1(d)	Prior to the commencement of the annual external financial audit, review the financial audit plan with the External Auditor.	2018 Audit service plan presented by Deloitte on July 25, 2018.
Schedule B, 1(e)	In conjunction with Administration’s presentation of the annual financial statements, receive and review the External Auditor’s annual audit report. This report is to be forwarded to Council for information.	Report of the Independent Auditor on the Consolidated Financial Statements and Year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting.
Schedule B, 1(f)	Receives and reviews the External Auditor’s Management Letter(s), together with any Administrative responses, and forward, either in full or in summary, to Council for information.	Management recommendations letter to be presented by Deloitte at the June 27, 2019 meeting.
Schedule B, 1(g)	Must meet with the External Auditor, in the absence of Administration, at least quarterly.	In-camera sessions held with Deloitte at Audit Committee meetings throughout 2018 and 2019.
Schedule C, 1(g)	Ensures that the combined work of the City Auditor and the External Auditor provides an appropriate level of audit coverage and is effectively coordinated.	Audit work completed will be discussed in the year-end Audit report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting.

Bylaw 48M2012	Description	Related Deloitte Involvement
2(a)	Oversees the integrity of, and reviews the Annual Financial Statements and recommends their approval to Council.	Report of the Independent Auditor on the consolidated Financial Statements and year-end Audit report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting.
2(b)	Reviews and discusses the City's compliance with financial reporting procedures with Administration, the City Auditor, and the External Auditor.	Report of the Independent Auditor on the consolidated Financial Statements and year-end Audit report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting. Letter of recommendations to be presented by Deloitte at the June 27, 2019 meeting.
2(c)	Engages Administration, the City Auditor, and the External Auditor in candid discussions regarding issues that may alter judgment or affect the quality of the reporting process and search for insight into the results.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
2(d)	Reviews and discusses areas where changes in accounting standards could have a material impact on financial results, and may request a detailed analysis, prepared by Administration in consultation with the External Auditor, of the implications of those changes.	Appendix 8 of 2018 Audit Service Plan presented by Deloitte on July 25, 2018.
2(e)	Maintains open lines of communication with the External Auditor, City Auditor, and Administration.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
6(b)(i)	Review reports from Administration and from the City Auditor as to the adequacy and effectiveness of corporate policies such as legal matters, regulations, ethical principles, code of conduct and conflict of interest.	Year-end Audit report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting includes our notification of whether any violations of this nature have come to our attention.

# Appendix 2 – Communication requirements

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
<b>Audit Service Plan</b>	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master services agreement
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> <li>c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk</li> </ul>	Audit plan communicated on July 25, 2018
3. Significant transactions outside of the normal course of business, including related party transactions	Nothing to report.
<b>Year End Communication</b>	
4. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting practices, judgments and estimates.
6. Alternative treatments for accounting policies and practices that have been discussed with Administration during the current audit period	Significant accounting practices, judgments and estimates.
7. Matters related to going concern	We concluded that there was no substantial doubt about The City's ability to continue as a going concern.
8. Administration judgments and accounting estimates	Significant Accounting practices, judgments and estimates.
9. Significant difficulties, if any, encountered during the audit	No significant difficulties to report.
10. Material written communications between Administration and us, including Administration representation letters	Administration representation letter.
11. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
12. Modifications to our opinion(s)	We will issue an unmodified opinion following the satisfactory completion of outstanding matters discussed earlier in this report.
13. Our views of significant accounting or auditing matters for which Administration consulted with other accountants and about which we have concerns	Consultation with other accountants.

<b>Required communication</b>	<b>Refer to this report or document described below</b>
14. Illegal or possibly illegal acts that come to our attention	We are not aware of any illegal acts.
15. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	Letter of recommendations to be presented at the June 27, 2019 Audit Committee meeting.
16. Uncorrected misstatements and disclosure items	Refer to appendix 5 for uncorrected misstatements.  There were no disclosure items to report.

# Appendix 3 – Draft version of our auditor’s report

## Independent Auditor’s Report

**To His Worship Mayor Naheed Nenshi and Members of City Council, The City of Calgary**

### **Opinion**

We have audited the consolidated financial statements of The City of Calgary (“The “City”), which comprise consolidated the statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial assets 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 The City as at December 31, 2018, and the results of its operations, cash flows and changes in net financial assets 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 The City 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.

### **Other Information**

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor’s report thereon, in the Financial Statement Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Financial Statement Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.



### **Emphasis of Matter**

We draw attention to Note 33 to the financial statements which explains that certain comparative information presented for the December 31, 2017 year end has been restated. Our opinion is not modified in respect of this matter.

### **Responsibilities of City Administration and Those Charged with Governance for the Consolidated Financial Statements**

City Administration is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as City Administration 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, City Administration is responsible for assessing The City’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 City Administration either intends to liquidate The City or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 The City’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by City Administration.
- Conclude on the appropriateness of City Administration’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 City’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 The City 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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.

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.

(To be signed Deloitte LLP)

Chartered Professional Accountants  
April 29, 2019

# Appendix 4 – Draft independence and fees

April 29, 2019

The Audit Committee and City Council  
The City of Calgary

Dear Audit Committee and City Council members:

We have been engaged to audit the consolidated financial statements of The City of Calgary (“The City”) for the year ended December 31, 2018.

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 The City, 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 April 23, 2018, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and The City and its affiliates, or persons in financial reporting oversight roles at The City and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from April 24, 2018 to April 29, 2019.

As summarized in the attached exhibit, the total fees charged to The City during the period covered by the financial statements were as follows:

Audit services	\$1,526,416 (2017, \$1,354,309)
Audit related services	\$184,182 (2017, \$273,417)
Non-audit related services	\$122,633 (2017, \$NIL)
Other services	\$580,000 (2017, \$77,150)

We hereby confirm that we are independent with respect to The City in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of April 29, 2019.

This letter is intended solely for the information and use of the Audit Committee, City Council of The City of Calgary, Administration and others within The City and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

## Total fees charged to The City of Calgary For the years ended December 31, 2018 and 2017

	2018*	2017*
	\$	\$
<b>AUDIT SERVICES</b>		
<i>The City of Calgary</i>		
The City of Calgary	395,900**	390,015***
Calhome Properties Ltd.	98,868	81,855
Calgary Police Service	61,632	51,788
Calgary TELUS Convention Centre	51,360	41,623
Calgary Parking Authority	102,720	90,415
Calgary Municipal Land Corporation	76,719	53,928
Calgary Public Library	51,039	41,516
Municipal Employees Benefits Association of Calgary	29,425	28,730
Family & Community Support Services	21,293	20,758
Core Benefit Plan (audit is conducted every four years)	-	16,125
Elected Officials Pension Plan	7,811	7,597
Supplementary Pension Plan	14,873	14,552
Funds Held in Trust	1,926	1,862
	<b>913,566</b>	<b>840,764</b>
 <i>ENMAX Corporation</i>		
ENMAX Corporation audit	531,250	432,055
ENMAX Corporation quarterly reviews	81,600	81,490
	<b>612,850</b>	<b>513,545</b>
<b>Total Audit Services</b>	<b>1,526,416</b>	<b>1,354,309</b>
 <b>AUDIT RELATED SERVICES</b>		
<i>The City of Calgary</i>		
City of Calgary Municipal Information Return	4,922	4,815
Calhome Properties Ltd. special government reports	19,260	18,725
Calgary TELUS Convention Centre Authority LAPP audit	-	8,817
Calgary Parking Authority PSAS conversion	-	19,260
	<b>24,182</b>	<b>51,617</b>

ENMAX Corporation

ENMAX Corporation Pension Plan audit	17,000	17,550
Audit of the divisional carve out financial statements of ENMAX Transmission and Distribution	113,500	116,750
Comfort letter for private debt replacement	29,500	-
Testing of remediation of SAP general information technology control findings from the year ended December 31, 2016	-	12,500
Testing of taxation matters	-	5,000
IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with clients	-	70,000
	<b>160,000</b>	<b>221,800</b>
<b>Total Audit Related Services</b>	<b>184,182</b>	<b>273,417</b>

**NON - AUDIT RELATED SERVICES**

Enmax Corporation

Bersen by Deloitte 2018 subscription	51,828	-
Workday segregation of duties	55,805	-
COSO review	15,000	-
	<b>122,633</b>	<b>-</b>
<b>Total Non – Audit Related Services</b>	<b>122,633</b>	<b>-</b>

**OTHER SERVICES**

The City of Calgary

One Window consulting services	580,000	-
Intranet migration consulting services	-	50,400
Green Line Review	-	26,750
	<b>580,000</b>	<b>77,150</b>
<b>Total Fees For All Services</b>	<b>2,413,231</b>	<b>1,704,876</b>

\* Includes 7% administration fee; excludes GST. Enmax's reported fees exclude 7% administration fee and GST.

\*\* Fee includes \$270,000 for the base audit and newspaper insert, plus the following:

- \$5,000 - audit of PS 3260 Liability for Contaminated Sites
- \$4,500 - review of implementation of Tangible Capital Assets Vehicles
- \$5,000 - review of the agreements and accounting implications of P3 agreement - Stoney Transit Facility
- \$16,500 - consolidation of CED, CADA and AHCC
- \$28,000 - adoption of new accounting standards
- \$23,000 - Capital deposits prior period adjustments
- \$18,000 - additional related authorities' assessment

\*\*\* Fee includes \$265,000 for the base audit and newspaper insert, plus the following:

- \$5,000 - audit of PS 3260 Liability for Contaminated Sites
- \$17,500 - audit of new processes and policies relating to Tangible Capital Assets
- \$5,000 - review of the agreements and accounting implications of P3 agreement - Stoney Transit Facility
- \$7,500 - review of the agreements and accounting implications of P3 agreement - Composting Facility Project
- \$16,500 - consolidation of CED, CADA and AHCC
- \$18,000 - Testing of the implementation and internal controls relating to the TCA Costing Module
- \$30,000 - TCA prior period adjustments

# Appendix 5 – Draft Administration representation letter

## [The City of Calgary letterhead]

April 29, 2019

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

Dear Sirs:

**Subject:** Consolidated financial statements of The City of Calgary for the year ended December 31, 2018

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the consolidated financial statements of The City of Calgary (“The City” or “we” or “us”) for the year ended December 31, 2018, including the comparative financial statements for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (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, cash flows and changes in net financial assets of The City in accordance with Public Sector Accounting Standards (“PSAS”).

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 terms of the master services agreement between The City and Deloitte dated July 25, 2018 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 The City as at December 31, 2018 and December 31, 2017, and the results of its operations, cash flows and changes in net financial assets for the years 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, Administration 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. The City 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 Administration's intent and ability to carry out specific courses of action on behalf of The City. No events have occurred subsequent to December 31, 2018 that require adjustment to the estimates and disclosures included in the Financial Statements.

Administration has changed the method of determining the estimated amounts for the following:

- a. Tangible Capital Asset ("TCA") Vehicles: Administration has revised the estimated useful lives and profiles of this TCA category. This change in estimate has been applied prospectively as described in Note 34 to the Financial Statements.
3. The City has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Administration has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
4. 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 and City Council approval is obtained. The Financial Statements have been internally reviewed and approved in accordance with our year end close process to finalize financial statements.
5. We have completed our review of events after December 31, 2018 and up to the date of this letter. 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.
6. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current and comparative prior period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

#### **Internal Controls**

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. 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**

9. 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; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. 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.



12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - a. Administration;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the Financial Statements.
13. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting The City.
14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.
16. 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.

### **Independence matters**

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

17. Prior to The City having any substantive employment conversations with a former or current Deloitte engagement team member, The City has held discussions with Deloitte and obtained approval from the Audit Committee.
18. We have ensured that all non-audit services provided to The City 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 The City in accordance with applicable laws, regulations and rules that apply to The City, including the Audit Committee approval requirements.
19. 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**

20. The City 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.
21. 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.
22. We have disclosed to you, and The City has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt. One Related Authority was not in compliance with certain borrowing covenants, and as such, all their facilities are due on demand and reported as current liabilities as disclosed in Note 14.

23. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

24. We have provided to you final versions of the following other information for your review:

- a. Financial Statement Discussion and Analysis

### **Selection of accounting policies and recording of transactions**

25. The accounting policies selected and the application of those policies are appropriate.

26. The City'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, 2017, except as discussed in paragraph 2.

### **Administration's responsibilities**

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

### **Employee future obligations**

28. We agree with the work of Administration's experts in evaluating the Employee Benefit Obligation and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to Administration's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

29. Employee future benefit costs, assets, and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances. Actuarial gains and the related expenses are amortized in a systematic and rational manner over the expected average remaining service life of the related employee group.

30. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.

31. We have correctly accounted for the multi-employer defined benefit plans (Local Authorities Pension Plan and Special Forces Pension Plan) in which The City is a participating member. As information is not available to determine the City's share of the plans' obligations and assets of these defined benefit plans, they are appropriately reported utilizing the defined contribution method of accounting.

### **Plans or intentions affecting carrying value/classification of assets and liabilities**

32. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

33. We have performed assessments on our known contaminated sites, including those described in Paragraph 34. Based on our PS 3260, *Liability for Contaminated Sites* ("PS 3260") evaluation, we have identified three sites as contaminated sites. We have recorded a liability because the contamination of the site exceeds the environmental standard. The City is responsible or has accepted responsibility for the remediation and we believe it is expected that remediation will be required. We believe that the estimate of the liability is reasonable and is our best estimate of the amount required to remediate the sites.

34. We have identified several other sites that exceed the environmental standard for which The City is not responsible for remediation or it is unclear if the remediation is the responsibility of The City. One of the sites relates to the known contamination of the West Village site. We do not accept responsibility for the remediation of these sites (or, it is unclear who has responsibility for the remediation of these sites) and as such we have not recorded a liability with respect to remediation.

Furthermore, The City of Calgary has signed a release agreement effective November 15, 1997 (the "Effective Date") between Her Majesty the Queen in Right of the Province of Alberta and The City of Calgary, which indicates the following in paragraph 2.01 of this agreement:

*"The Province acknowledges and agrees that the Contamination existing as of the Effective Date was not caused or contributed to by the City. The Province agrees that from and after the Effective Date it shall not initiate any Recovery Action against the City, its Council, officers, agents, employees, contractors, persons in lawful use and occupation of the Lands, or those for whom they are in law responsible for, save and except with respect to any act or omission whether inadvertent, willful, or negligent by the City, its Council, officers, agents, employees, contractors, persons in lawful use and occupation of the Lands or those for whom they are in law responsible for, which in the opinion of the Province has an adverse effect on the Contamination. Subject to any such act or omission whether inadvertent, willful or negligent, the Province releases and forever discharges the City from all Recovery Actions."*

35. Administration's risk assessment process for the identification of potential contaminated sites identified a number of higher potential risk sites. In respect to PS 3260, of these sites, 142 higher risk sites have been identified. The City confirms that the liability recorded in the Financial Statements is adequate and not materially misstated.
36. Administration's policy for the treatment and application of the liability of contaminated sites was finalized as at December 31, 2016, and there were no changes to the policy for the year ended December 31, 2018.

### **Environmental liabilities/contingencies**

37. We have considered the effect of environmental matters on The City and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

### **Solid waste landfill closure and post-closure liability**

38. We have disclosed to you all solid waste landfill sites that we own and operate. We have recorded a liability, which represents our best estimate of the future costs required for closure and post-closure care related to these sites, including changes made in 2018 to the model and assumptions.

### **Work of Administration's experts**

39. We agree with the work of Administration's experts in evaluating the environmental liability, liability for contaminated sites and the solid waste landfill closure and post-closure liability, and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to Administration's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

### **Revenue from exchange transactions**

40. We have fully disclosed to you all sales terms, including all rights of return or price adjustments.

41. All documentation related to sales transactions is contained in files which are used for accounting purposes. We also confirm that:
- a. We have disclosed to you any “side agreements” with any companies that are inconsistent with the applicable sales agreement, the customer’s purchase order, sales invoice, or any other documentation contained in the files which are used for accounting purposes. For the purposes of this letter, a “side agreement” is any agreement, understanding, promise, or commitment whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral by or on behalf of The City (or any subsidiary, director, employee, or agent of The City) with a customer from whom revenue has been recognized that is not contained in the written purchase order from the customer or sales order confirmation and sales invoice of The City delivered to or generated by The City Corporate Finance or Supply Departments. The definition of a side agreement is not limited by any particular subject matter. For purposes of example only, any agreement not contained in the written purchase order from the customer or sales order and sales invoice of The City that relates to return rights, acceptance rights, future pricing, payment terms, free consulting, free maintenance, or exchange rights would be a side agreement.
  - b. We have disclosed to you any commitments or concessions to a customer regarding pricing or payment terms outside of the terms documented in the files which are used for accounting purposes.

### **Tax revenues**

42. We have appropriately recorded tax assets and revenues when they meet the definition of an asset in accordance with CPA Canada Public Sector Accounting Handbook Section PS 1000, *Financial Statement Concepts*, when they are authorized and when the taxable event occurs. These amounts have been appropriately measured in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3510, *Tax Revenue*, and have not been grossed up for any amount of tax concessions.

### **Various matters**

43. We have reviewed and approved the year-end adjusting entries, including all related supporting schedules and the financial statements, and acknowledge our responsibility for their accuracy. While discharging our responsibility we may have requested your assistance or input in certain areas such as:
- a. Recording of transactions for which we have determined or approved the appropriate account classification; and
  - b. Preparing financial statements.

We acknowledge our responsibility for the above listed items and confirm that we have authorized, reviewed and approved all of the above items.

44. We have not entered into transactions with members of Council, senior officials, members of their immediate families or enterprises in which such parties have significant interest, which would require disclosures in the Financial Statements.
45. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or potential deficiencies in, financial reporting requirements.
46. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. Losses arising from sale and purchase commitments;
  - b. Agreements to buy back assets previously sold;
  - c. Provisions for future removal and site restoration costs;
  - d. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;

- e. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
- f. All impaired loans receivable; and
- g. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

### **Investments**

- 47. The City does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset-backed commercial paper).
- 48. All investments have been appropriately classified as either temporary investments or portfolio investments.
- 49. The City has used the appropriate valuation allowances to reflect the temporary investments at their net recoverable amount or other appropriate value.
- 50. The City believes that it has properly identified all derivative financial instruments and hedging relationships, if any.
- 51. Investments made during the year and held at the balance sheet date have been made in accordance with Section 250 of the Municipal Government Act.
- 52. All City of Calgary government organizations have been appropriately classified as government component, government business organizations, government business-type enterprises, government not-for-profit organizations and other government organizations and have been appropriately recorded based on this classification.
- 53. Administration has performed an assessment of other organizations (Civic Partners and City Partners) with which The City has fiscal relationships and has determined that these organizations are not required to be consolidated with The City.
- 54. With regard to The City's investment in ENMAX Corporation, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would affect the investment's value as reported in the financial statements as described in Note 37.
- 55. With regard to the fair value measurements and disclosures of certain assets and liabilities, such as investments, we believe that:
  - a. The completeness and adequacy of the disclosures related to fair value are in accordance with PSAS;
  - b. No events have occurred subsequent to December 31, 2018 that require adjustment to the fair value measurements and disclosures included in the Financial Statements; and
  - c. They appropriately reflect Administration's intent and ability to carry out specific courses of action on behalf of The City when relevant to the use of fair value measurements or disclosures.

### **Deficiencies in internal control**

- 56. We have communicated to you all deficiencies in internal control of which we are aware. We have disclosed to you any change in The City's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, The City's internal control over financial reporting.

### **Communicating a threshold amount**

- 57. We understand that the threshold used for accumulating misstatements identified during the year was \$3,000,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

### **Segment Disclosures**

58. With regard to segment disclosures, we believe the activities grouped as segments, as disclosed, are appropriate to meet the objectives of PS 2700, *Segment Disclosures*.
59. In identifying segments, we have considered the definition of a segment and other factors, including:
- The objectives of disclosing financial information by segment;
  - The expectations of members of the community and their elected or appointed representatives regarding the key activities and accountabilities of the government;
  - The qualitative characteristics of financial reporting as set out in Section PS 1000 and Section PS 1700 - *General Objectives of Financial Statements; Local Governments*;
  - The homogenous nature of the activities, service delivery or recipients of the services;
  - Whether the activities relate to the achievement of common outcomes or services as reflected in government performance reports and plans;
  - Whether discrete financial information is reported or available; and
  - The nature of the relationship between the government and The City (within the reporting entity).

### **Government transfers**

60. We have disclosed to you all correspondence relating to government transfers that The City has had with the funding body.
61. We have assessed the eligibility criteria and determined that The City is an eligible recipient for the government transfers received.
62. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
63. All government transfers that have been recorded as capital deposits give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.
64. All authorized transfers that have been expensed have been transferred to recipients whom have met the eligibility criteria.

### **Tangible Capital Assets**

65. TCA have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
66. Contributed TCA have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed TCA have been appropriately disclosed.
67. We have assessed the useful lives of TCA and have determined all TCA contribute to The City's ability to provide goods and services and therefore do not require a write-down. If applicable, we have identified that there are various TCA, which no longer contribute to The City's ability to provide goods and services or have future economic benefits that are below the net book value of the tangible capital asset, and have therefore written down this asset to its residual amount and expensed the charge in the statement of operations.

### **Capital Deposits, Reserves, Transfers Related to Capital, Accumulated Surplus - Prior period adjustments**

68. As discussed in Note 33 of the Financial Statements, during the course of year-end procedures, we identified certain balances relating to Capital Deposits, Reserves, Transfers Related to Capital and Accumulated Surplus that were incorrectly recorded in prior years. We have performed procedures to

assess the impact of these misstatements and have accurately recorded the adjustments in the restated comparative balances for the year ended December 31, 2017. We also confirm that these adjustments are complete.

### **Tangible Capital Assets - Change in Accounting Policy**

69. As discussed in Note 34 of the Financial Statements, The City has changed its estimate on the useful life of vehicles so that assets better reflect actual usage patterns. The change in estimate is being applied prospectively to the current and future periods. The change in estimate has been properly reflected in the Financial Statements in accordance with PS 2120.28, *Accounting changes, Measurement uncertainty*.

### **Impact of the 2013 flood**

70. We have assessed the impact of the 2013 flood on the financial assets of The City and the impairment of TCA as a result of the flood. We have determined that no permanent impairment of TCA exists as a result of the 2013 flood and the year-end financial statements appropriately reflect TCA values. We believe that the completeness and estimates utilized in the determination of the impairment of TCA have been adequately disclosed in the December 31, 2018 year-end financial statements.

### **Notes, loans and receivables**

71. The City is responsible for determining the appropriate carrying amount of loans and accounts receivable, as well as estimates used to determine such amounts. Administration believes that the carrying amounts recorded and disclosed are appropriate.

72. We have identified to you all forgivable loans and have appropriately reflected these amounts including any required allowances in the financial statements. These loans are secured by The City's encumbrance on the title of the related property.

### **Accumulated Surplus**

73. Reserves and surplus accounts are correctly recorded and all transactions comply with the purposes approved according to relevant legislation and City Council authorizations.

74. In accordance with established policy, for all self-supported business units, any levies received in the year are recorded as revenue in the Statement of Operations and are transferred to the Utility Sustainment Reserve at the end of the year. These funds are utilized from the reserve in the future years to pay for debt servicing costs specific to the levy projects.

### **Revenues and deferred revenues**

75. Revenues and deferred revenues are recorded accurately. Specifically:

- a. Revenues are not overstated and deferred revenues are not understated. These inaccuracies result if financial statements record externally restricted transfers/contributions as revenue before the transferor's/contributor's stipulations are met; and
- b. Revenues are not understated and deferred revenues are not overstated. These inaccuracies result if financial statements record externally restricted transfers/contributions as deferred revenue, not as revenue, after the transferor's/contributor's stipulations are met.

### **P3 agreements**

76. The City has entered into a P3 agreement, signed on September 13, 2016, to design, build, finance and maintain a compressed natural gas bus storage and transit facility. As at December 31, 2018 year-end, \$142.7M has been recorded as work in progress (TCA) and accounts payable. As at December 31, 2018, The City asserts that the asset and payable relating to this agreement are not materially misstated and the financial statement impact of this P3 are complete.

### **Related entities**

77. The City has completed a review of all related entities and confirms that all entities that should be consolidated into The City's Financial Statements for the year ended December 31, 2018 have been included.

### **Capital deposits**

78. All capital deposits give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements. Specifically in certain circumstances, The City may receive funds from developers which are not necessarily allocated for a specific project but can be utilized by The City on broader basis for development, but if not spent, are refundable to the developer. Those funds are properly recorded as capital deposits until such time as they are spent, or refunded.

### **Subsequent events - related authorities**

79. We have completed our review of events after December 31, 2018 and up to the date of this letter in relation to Attainable Homes Calgary Corporation, Calgary Economic Development and Calgary Arts and Development Authority. 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.

### **Capital deposits**

80. The funding sources for all current year expenditures have been analyzed to ensure that they have been accurately applied depending on the restrictions of the specific sources. All financing surpluses/deficits and funding shortfalls have been investigated to ensure they are allowable or have been appropriately replenished with available funding sources and financing has been applied.

### **Adoption of new accounting standards**

81. The City has adopted CPA Canada Public Sector Accounting Handbook Section 3210 *Assets* ("Section PS 3210"), PS 3320 *Contingent Assets* ("PS 3320"), PS 3380 *Contractual Rights* ("PS 3380"), PS 2200 *Related Party Disclosures* ("PS 2200") and PS 3420 *Inter-Entity Transactions* ("PS 3420"), as of January 1, 2018 as discussed in Note 1 – *Significant Accounting Policies*.

### **Contingent assets**

82. The City has identified all contingent assets in accordance with PS 3320 and, when the occurrence of the confirming future event is considered likely, appropriately disclosed these items in the financial statements, as disclosed in Note 27 of the financial statements.

### **Contractual rights**

83. The City has identified and disclosed all contractual rights, as discussed in Note 26 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 CPA Canada Public Sector Accounting Handbook Section PS 3380, *Contractual Rights*.

### **Inter-entity transactions**

84. The City has recognized all transactions involving the transfer of assets or liabilities between public sector entities in accordance with PS 3420.

85. The City has recorded all inter-entity transactions properly at exchange or carrying amount in accordance with the criteria in Section PS 3420.14-.22.

86. The City 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.

### **Assets**

87. The City has recognized all assets, which do not fall within the scope of other standards, only when the requirements in Section PS 3210 have been met. For those assets which do not meet the recognition criteria in Section PS 3210, the City has appropriately disclosed details of such unrecognized assets in accordance with Section PS 3210 in Note 25.



**Attainable Homes Calgary Corporation (“AHCC”)**

88. Administration is working with AHCC to assess its ability to continue as a going concern. Note 14 discloses non-compliance with certain borrower covenants, and as such, all credit facilities totalling \$10.4M are due on demand. Inclusive of all recorded obligations, AHCC has net financial assets of \$13.2M and a preliminary review indicates that an immaterial amount may be at risk in order to return to short-term sustainable operations. AHCC is not material to the City from a financial or operational perspective. The City is a participant with AHCC in initial discussions with the lender regarding their near and medium-term liquidity issues. AHCC’s ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain funding to meet current and future obligations. Specific plans for further action are in development, and the Financial Statement disclosures take into account all available information about the future, which is at least, but is not limited to, twelve months from the statement of financial position date.

Yours truly,

**The City of Calgary**

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Glenda Cole, City Manager

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Carla Male, Acting Chief Financial Officer

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Thao Nguyen, Acting City Treasurer

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Greg Wiebe, Finance Manager Corporate Financial Reporting

## Appendix A The City of Calgary

### Summary of uncorrected financial statement misstatements Year ended December 31, 2018

#### Summary of uncorrected misstatements – December 31, 2018 year-end as identified by Administration

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus DR (CR)	Income DR (CR)
Various unrecorded liabilities in relation to general accounts payable, legal and benefits obligations along with unrecorded assets	1,211	(9,066)	-	7,855
Certain 2017 TCA balances were corrected in 2018. This results in an uncorrected error for both fiscals 2017 and 2018, however, ending 2018 balance is correct.	4,363	-	(4,363)	-
Total	5,574	(9,066)	(4,363)	7,855

#### Summary of uncorrected misstatements – December 31, 2017 year-end as identified by Administration

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus DR (CR)	Income DR (CR)
Certain 2017 TCA balances were corrected in 2018. This results in an uncorrected error for both fiscals 2017 and 2018, however, ending 2018 balance is correct.	(4,363)	-	4,363	-

#### Summary of corrected misstatements – December 31, 2017 year-end as identified by Administration

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus (opening) DR (CR)	Income DR (CR)
Total restatement of 2017 balances	-	114,216	(78,331)	(35,885)

*Certain matters of Appendix A to be presented in-camera*

**Appendix B**  
**The City of Calgary**  
**Summary of disclosure items passed**  
**Year ended December 31, 2018**

None identified.

# Appendix 6 – Related authorities

For the purposes of the consolidated audit, we have completed our audit procedures on the following related authorities or other significant assurance engagements:

Entity	Reporting Entity Relationship	Entity Audit Committee Meeting Date
Calgary Parking Authority*	Calgary Parking Authority Audit Committee	March 26, 2019
Calgary TELUS Convention* Centre	CALGARY TELUS Convention Centre Audit and Finance Committee	April 24, 2019
Calhome Properties Ltd.*	Calhome Properties Ltd. Audit and Risk Management Committee	March 13, 2019
Calgary Municipal Land Corporation*	Calgary Municipal Land Corporation Audit Committee	April 18, 2019
Calgary Public Library*	Calgary Public Library Audit and Finance Committee	March 19, 2019
Calgary Police Service (business unit of The City. An audit opinion on the carve out of the financial statements is issued)	Calgary Police Commission and Finance and Audit Committee	May 15, 2019**
ENMAX Corporation*	ENMAX Audit Committee	March 13, 2019
Elected Officials Pension Plan	Pension Governance Committee	June 6, 2019
Supplementary Pension Plan	Pension Governance Committee	June 6, 2019
Municipal Employees Benefits Association of Calgary	Municipal Employees Benefits Association of Calgary - Finance and Investment Committee	May 15, 2019
Attainable Homes Calgary Corporation Calgary Calgary Economic Development Ltd. Calgary Arts Development Authority	The overall financial results for each of these entities are not significant in relation to The City's consolidated financial statements and therefore, only specified procedures on material account balances were applied for the 2018 audit	Not applicable

\*Audit opinion issued on the standalone financial statements. Entity is consolidated with The City.

\*\*Audit fieldwork has been completed prior to issuance of The City's consolidated financial statements.

Related Authority	Materiality	Areas of audit risk and audit results
<b>Calgary Parking Authority</b>	Materiality levels were determined on the basis of total revenues. Final materiality for the year ended December 31, 2018 was \$2,500,000 (2017, \$2,500,000).	<p>The following areas of significant audit risk were noted relating to Calgary Parking Authority:</p> <ul style="list-style-type: none"> <li>• Revenue recognition – ParkPlus and Parking Control Revenue</li> <li>• Valuation of long term investments – relating to the Parking Structure Replacement Reserve and Cash-in-Lieu Deposits</li> <li>• Management override of controls</li> <li>• Adoption of new PSAS accounting standards</li> </ul> <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated April 12, 2019.</p>
<b>Calgary TELUS Convention Centre</b>	Materiality levels were determined on the basis of a percentage of revenue. Final materiality for the year ended December 31, 2018 was \$800,000 (2017, \$700,000).	<p>The following area of significant audit risk was noted relating to the Calgary TELUS Convention Centre:</p> <ul style="list-style-type: none"> <li>• Management override of controls</li> <li>• Adoption of new PSAS accounting standards</li> </ul> <p>Audit fieldwork has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>
<b>Calhome Properties Ltd.</b>	Materiality levels were determined on the basis of total actual operating expenditures. Final materiality for the year ended December 31, 2018 was \$3,000,000 (2017, \$2,550,000).	<p>The following areas of significant audit risk were noted relating to Calhome:</p> <ul style="list-style-type: none"> <li>• Revenue recognition</li> <li>• Management override of controls</li> <li>• New accounting standards</li> </ul> <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 21, 2019.</p>
<b>Calgary Municipal Land Corporation</b>	Materiality levels were determined on the basis of total assets. Final materiality for the year ended December 31, 2018 was \$9,400,000 (2017, \$16,500,000).	<p>The following area of significant audit risk were noted relating to the Calgary Municipal Land Corporation:</p> <ul style="list-style-type: none"> <li>• Management override of controls</li> <li>• Completeness of work in progress related to new Central Library assets and accounting of transfer of the asset to the City</li> <li>• Adoption of new PSAS accounting standards</li> </ul> <p>Audit fieldwork has been completed and financial statements have been approved by the Board of Directors. We expect to issue an unmodified opinion dated April 18, 2019.</p>
<b>Calgary Public Library</b>	Materiality levels were determined on the basis of total revenues. Final materiality for the year ended December 31, 2018 was \$2,000,000 (2017, \$1,700,000).	<p>The following area of significant audit risk was noted relating to the Calgary Public Library:</p> <ul style="list-style-type: none"> <li>• Management override of controls</li> <li>• Adoption of new PSAS accounting standards</li> </ul> <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 27, 2019.</p>

<p><b>Calgary Police Service</b></p>	<p>Materiality levels were determined on the basis of a percentage of actual operating expenses. Final materiality for the year ended December 31, 2018 was \$7,600,000 (2017, \$7,400,000).</p>	<p>The following areas of significant audit risk were noted relating to the Calgary Police Service:</p> <ul style="list-style-type: none"> <li>• Revenue recognition</li> <li>• Management override of controls</li> <li>• Adoption of new PSAS accounting standards</li> </ul> <p>Audit fieldwork has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>
<p><b>ENMAX Corporation</b></p>	<p>Materiality levels were determined on the basis of consolidated normalized earnings before interest, income tax, depreciation and amortization. Final materiality for the year ended December 31, 2018 was \$21,000,000 (2017, \$19,000,000).</p>	<p>The following areas of significant audit risk were noted relating to ENMAX Corporation:</p> <ul style="list-style-type: none"> <li>• Revenue recognition - residential, commercial and industrial power and natural gas sales</li> <li>• Management override of controls</li> <li>• Impairment of natural gas generating assets</li> <li>• Derivative instruments and related hedging activities</li> <li>• Provision for tax uncertainties associated with the Payments in Lieu of Taxes ("PILOT")</li> </ul> <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 14, 2019.</p>