



Calgary Municipal Land Corporation

Report to the Audit Committee on the 2018 audit

May 10, 2019

May 3, 2019

To the Audit Committee of
Calgary Municipal Land Corporation

Report on audited annual financial statements

Dear Audit Committee members:

We are pleased to submit this report on the status of our audit of Calgary Municipal Land Corporation ("CMLC") for the 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.

As agreed in our master services agreement dated November 28, 2018, we have performed an audit of the financial statements of Calgary Municipal Land Corporation 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 May 10, 2019.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on November 28, 2018.

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

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

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

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is stylized, with the 'D' being large and the letters following it being more compact.

Chartered Professional Accountants

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Our audit explained

This report summarizes the main findings arising from our audit to date. When possible, we have also provided business recommendations on challenging issues that CMLC faces, based on our understanding of your organization and industry.

Audit scope and terms of engagement

We have been asked to perform an audit, which includes CMLC's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 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 November 28, 2018, which was signed on behalf of the Audit Committee and management.

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 total assets. Our materiality for the year ended December 31, 2018 was \$9,400,000 (2017, \$16,500,000). The decrease in materiality results from a decrease in the total assets balance resulting from the transfer of the NCL asset to the City during the year.

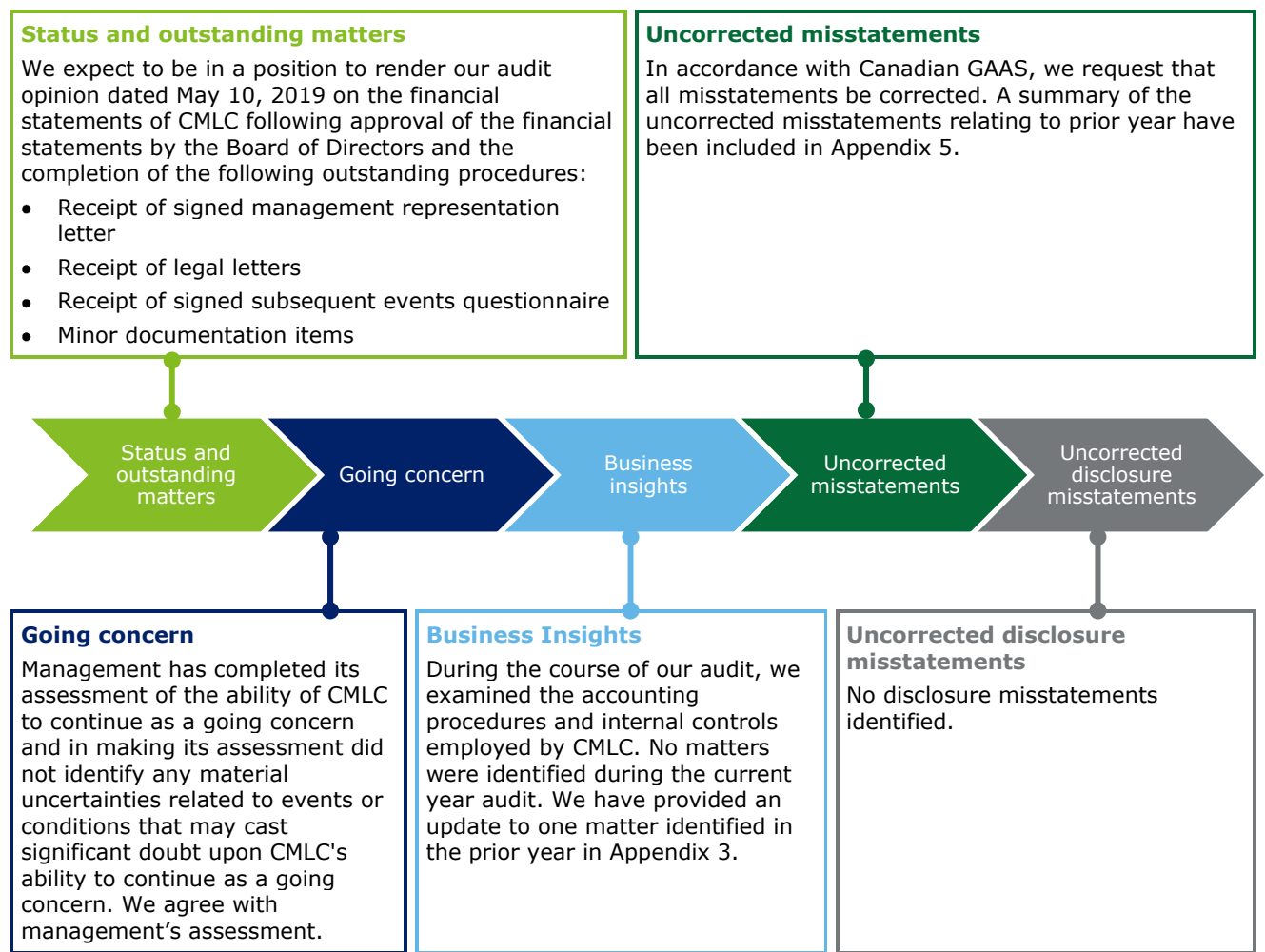
We have informed the Audit Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

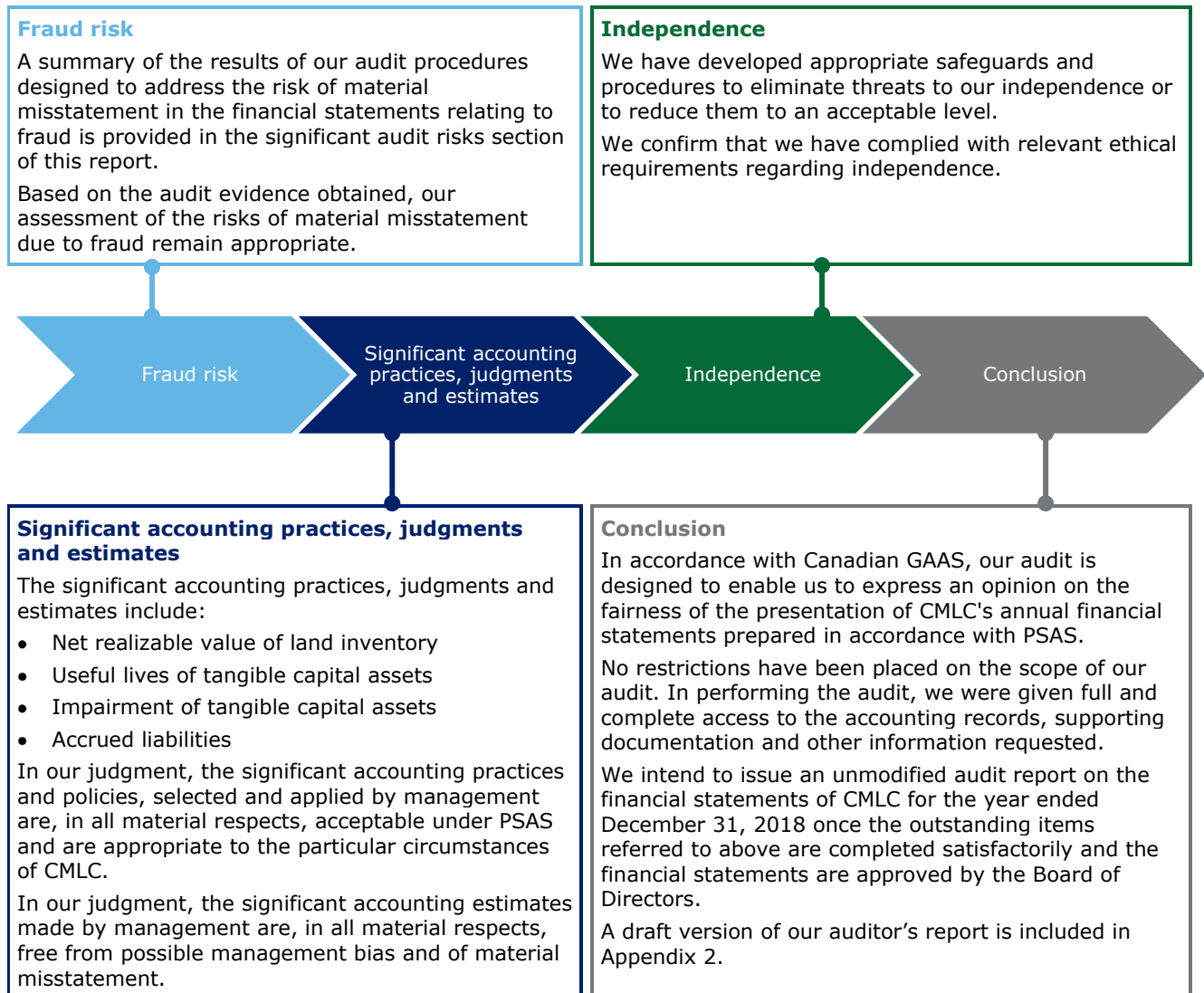
Audit fees

Our fees for the 2018 are as follows:

\$56,700 for the audit plus \$15,000 for the adoption of new accounting standards.

These fees are subject to a 7% administrative charge and GST.





Significant audit risks

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

Management override of controls

Audit risk

Under Canadian Auditing Standards, it is the responsibility of management, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection.

Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.

This represents a fraud risk for the 2018 audit.

Our audit response

- We discussed fraud with management.
- We asked the Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting CMLC and their role in the oversight of management's antifraud programs.
- We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.
- We evaluated the business rationale for any significant unusual transactions.
- We determined whether the judgments and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.

Audit results

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

Completeness of work in progress amounts relating to new Central Library assets and accounting of transfer of the asset to the City

Audit risk

There may be a risk that not all work in progress amounts relating to New Central Library ("NCL") assets have been recorded or accounted for.

Our audit response

- We tested the work in progress billings the NCL assets that are being constructed by CMLC to ensure that the appropriate amounts had been accounted for as at year-end.
- We engaged in interviews with project managers as required to ensure that all costs related to the NCL assets had been recorded.
- We also reviewed the accounting treatment prepared by management relating to the transfer of the NCL assets to The City of Calgary.

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 CMLC's methodology and process for application and adoption of each standard, which included a review of position papers prepared by management.
- We audited a sample of the accounting transactions recorded under these standards, including testing of internal controls, if applicable.
- 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.

Areas of focus

Recording, presentation and valuation of land inventory

Audit risk

Land inventory may not be appropriately recorded or valued.

Our audit response

- We reviewed and tested a sample of transactions of purchase agreements and supporting documentation to verify that land inventory was recorded at the appropriate amount.
- We also reviewed the market value of land inventory in relation to book value to verify the balance was accurately valued.

Audit results

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

Transfer of infrastructure development assets to tangible capital assets

Audit risk

Infrastructure development assets are projects currently under construction that will result in an asset being constructed at the final acceptance certificate ("FAC") phase of construction.

There is a risk that infrastructure development assets are complete and have been issued the FAC but have not been transferred to tangible capital assets and commenced amortization.

Our audit response

- We obtained and reviewed the list of infrastructure development assets, which include the estimated FAC date.
- We tested a sample of infrastructure development assets, obtained the FAC (if already issued) as well as met with various individuals in operations to determine the status of the infrastructure development assets to verify if the asset is complete. For the sample of infrastructure development assets, which have been completed, we reviewed the transfer of the assets to tangible capital assets and recalculated the amortization.

Audit results

Management identified an error with respect to the transfer of the St. Patrick's Bridge, which was corrected in the current year. Please refer to Appendix 5 for details. Following the correction of the above error, we obtained sufficient audit evidence to conclude that there were no material misstatements.

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.

	Comment
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Audit Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	During the course of our audit, we did not encounter any significant difficulties in dealing with management related to the performance of the audit.
Concerns regarding management competence and integrity	We do not have any concerns regarding management's competency and integrity.
Related party transactions	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments made by management concerning measurement or disclosure.
Disagreements with management	During the current audit, we did not have any disagreements with management.
Consultation with other accountants	Management has informed us that CMLC has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	<p>Management is responsible for ensuring that CMLC's operations are conducted in accordance with the laws and regulations applicable to CMLC in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by CMLC.</p>
Post-statement of financial position events	At the date of finalizing this report, we are not aware of any significant post-statement of financial position events.

Appendix 1 – 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
Audit Service Plan	
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"> a. Timing of the audit b. Significant risks, including fraud risks c. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit 	Audit plan communicated on November 28, 2018.
3. Significant transactions outside of the normal course of business, including related party transactions	Nothing to report.
Year End Communication	
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 management 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 CMLC's ability to continue as a going concern.
8. Management 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 management and us, including management representation letters	Management 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.

Required communication	Refer to this report or document described below
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	Nothing to report.
14. Significant matters discussed with management	Nothing to report.
15. Illegal or possibly illegal acts that come to our attention	We are not aware of any illegal acts.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report.
17. Uncorrected misstatements and disclosure items	See Appendix 5 for prior year uncorrected misstatements. There were no disclosure misstatements.

Appendix 2 – Draft version of our auditor’s report

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

Independent Auditor’s Report

To the Shareholder of
Calgary Municipal Land Corporation

Opinion

We have audited the financial statements of Calgary Municipal Land Corporation (“CMLC”), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CMLC as at December 31, 2018, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (“PSAS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CMLC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing CMLC’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CMLC or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CMLC’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CMLC’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause CMLC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

(To be signed Deloitte LLP)

Chartered Professional Accountants

May 10, 2019

Appendix 3 – Letter of recommendations and business insights



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

Tel: 403-267-1700
Fax: 403-213-5791
www.deloitte.ca

May 10, 2019

The Audit Committee of
Calgary Municipal Land Corporation

Dear Audit Committee members:

We have recently completed our audit of the financial statements of Calgary Municipal Land Corporation ("CMLC") for the year ended December 31, 2018.

Our audit was designed to provide a cost-effective basis for formulating an opinion on your financial statements. As part of our examination, we reviewed and evaluated relevant aspects of the systems of internal controls and the accounting systems to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian GAAS. We did not identify any matters in the current year, however, have provided an update to the one matter identified in the prior year.

While the audit did not include an in-depth evaluation of all controls and should not be relied upon to identify all significant internal control deficiencies, or all errors, irregularities or inefficiencies that might occur, we undertake to report such matters to you when they come to our attention. Our comments relating to these and other matters are attached.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants

Update to December 31, 2017 recommendations

1. Infrastructure development assets final acceptance certificate listing

Observation:

During the course of the prior years' audits, and throughout the interim and year-end audit for fiscal 2017, we held discussions with management regarding the status of the infrastructure development assets ("IDA"). Based on our knowledge of the business, many of these assets would be close to the Construction Completion Certificate ("CCC") and Final Acceptance Certificate ("FAC") stage. The intent of these discussions during the past and current year's audits was to ensure the appropriate and timely accounting treatment of these assets within the financial statements.

We note that management maintains an excel spreadsheet which includes all IDA assets by phase and date of CCC and FAC.

Recommendation:

It is expected that many assets would be nearing the FAC stage during fiscal 2018. We recommend management ensure any accounting impact of those IDA assets having completed the FAC stage is considered on a timely basis in fiscal 2018 and future financial statements.

Managements Response:

Management agrees with the recommendation.

Management Response (2018):

In FY 2018, management had monthly discussions around the expected timing of FAC with their Project Manager as well as EXP., engineering consultant. For year-end procedures, management checked with EXP. on expected timing of future FAC to determine whether there were any FACs received in FY 2018 that were not yet passed to CMLC. These procedures have helped ensure any accounting impact on those IDA assets, having completed the FAC state, is being considered on a timely basis in the FY 2018 financial statements. These procedures in place will also help ensure FACs are considered on a timely basis for future financial statements.

Auditor Response (2018):

During our year-end audit procedures, we performed substantive procedures around the IDA FAC stages by obtaining the FACs done in 2018, along with reviewing communications from EXP., indicating that not all IDA assets have reached the FAC stage. Through these procedures, we did not note any deficiencies. We note that this matter has been satisfactorily addressed.

Appendix 4 – Draft independence

May 10, 2019

The Audit Committee
Calgary Municipal Land Corporation

Dear Audit Committee members:

We have been engaged to audit the financial statements of Calgary Municipal Land Corporation ("CMLC") for the year ended December 31, 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 CMLC, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

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

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

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

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 27, 2018, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and CMLC and its affiliates, or persons in financial reporting oversight roles at CMLC and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from April 28, 2018 to May 10, 2019.

The total fees charged to CMLC for audit services were \$60,669 (2017, \$53,928) for the audit and \$16,050 for the adoption of new accounting standards during the period covered by the financial statements.

We hereby confirm that we are independent with respect to CMLC in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of May 10, 2019.

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

Yours truly,

(To be signed Deloitte LLP)

Chartered Professional Accountants

Appendix 5 – Draft management representation letter

[CMLC letterhead]

May 10, 2019

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

Dear Sirs:

Subject: Financial statements of Calgary Municipal Land Corporation 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 financial statements of Calgary Municipal Land Corporation (“CMLC” or “we” or “us”) for the year ended December 31, 2018, 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, and cash flows of CMLC 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 engagement letter between the CMLC and Deloitte dated November 28, 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 CMLC as at December 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. CMLC has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates

where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2018 that require adjustment to the estimates and disclosures included in the Financial Statements.

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

3. CMLC has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. 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. The Financial Statements have been approved in accordance with our 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 it, 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. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
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 CMLC.
14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies 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 purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

17. Prior to CMLC having any substantive employment conversations with a former or current Deloitte engagement team member, CMLC has held discussions with Deloitte and obtained approval from the Audit Committee.
18. We have ensured that all non-audit services provided to CMLC have been pre-approved by the Audit Committee. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to CMLC in accordance with applicable laws, regulations and rules that apply to CMLC, including the Audit Committee approval requirements.
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. CMLC has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
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 CMLC 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.
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*.

Accounting Policy

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

CMLC's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2017.

Fair Value

25. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:

- a. The completeness and adequacy of the disclosures related to fair values are in accordance with Public Sector Accounting Standards ("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.
- c. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of CMLC when relevant to the use of fair value measurements or disclosures.

Management's responsibilities

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

Receivables

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

Government transfers

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

Tangible capital assets

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

Communicating a threshold amount

34. We understand that the threshold used for accumulating misstatements identified during the year was \$470,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Land Inventory

35. CMLC is responsible for determining the appropriate carrying amount of inventories held for resale. All inventories are the property of CMLC and do not include any items consigned to it, any items billed to customers or any items for which the liability has not been recorded.

36. Management asserts that certain properties are designated as Heritage properties by the City of Calgary and the value will be recovered through long-term tenant agreements with or direct sales to third parties. For those parcels not sold to third parties, the land inventory will be transferred to the City of Calgary at cost. Therefore, management believes that no impairment of land inventory exists at December 31, 2018.
37. Management have declared the true intent for items classified as land inventory and have appropriately classified items as land inventory versus tangible capital assets.
38. We have evaluated all of our tangible capital assets that we have direct responsibility for or accept responsibility for, and have not identified any sites in which contamination exceeds an environmental standard.
39. We have reviewed all outstanding construction invoices at year-end, and have determined that year-end accrual regarding construction invoices is complete.

Infrastructure development assets – long term plans

40. All costs incurred to date relating to East Village, RiverWalk, 4th Street Underpass, St. Patrick's Island, West Village, Victoria Park, 9th Avenue Parkade, Arts Commons, David D. Oughton, Fifth Street Underpass and BMO Expansion sites are appropriately capitalized as infrastructure development assets in the year-end financial statements as based on CMLC's 2018 Business Plan, these sites are part of the long term development plan of CMLC.
41. We have disclosed to you all Infrastructure development assets that received Final Acceptance Certificates during the year.

Adoption of new accounting standards

42. CMLC has adopted CPA Canada Public Sector Accounting Handbook Section 3210 Assets ("PS 3210"), PS 3320 *Contingent Assets* ("PS 3320"), PS 3380 *Contractual Rights* ("PS 3380"), PS 2200 and PS 3420 *Inter-Entity Transactions* ("PS 3420"), as of January 1, 2018 as discussed in Note 2 – *Significant accounting policies*.

Contingent assets

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

Contractual rights

44. CMLC has identified and disclosed all contractual rights, as discussed in Note 18 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 PS 3380.

Inter-entity transactions

45. CMLC has recognized all transactions involving the transfer of assets or liabilities between public sector entities in accordance with PS 3420.
46. CMLC has recorded all inter-entity transactions properly at exchange or carrying amount in accordance with the criteria in CPA Canada Public Sector Accounting Handbook Section PS 3420.14-.22.
47. CMLC has disclosed all inter-entity transactions in the notes to the Financial Statements whether or not such transactions are recognized in the financial statements, in accordance with PS 2200, as shown in Note 13 of the financial statements.

Assets

48. CMLC 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, CMLC has appropriately disclosed details of such unrecognized assets in accordance with Section PS 3210. There was no impact on CMLC's financial statements upon adoption of PS 3210 *Assets*.

Yours truly,

Calgary Municipal Land Corporation

Michael Brown, President and CEO

Kondwani Bwanali, Director, Finance and Corporate Services

Appendix A

Calgary Municipal Land Corporation

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

December 31, 2017 uncorrected misstatement, corrected in current year, identified by management

	Assets Dr (Cr)	Liabilities Dr (Cr)	Accumulated Surplus Dr (Cr)	Income Statement Dr (Cr)
Missed classification of the St. Patrick's Bridge from infrastructure development assets ("IDA") to tangible capital assets ("TCA") in FY 2017 due to a contractor informing CMLC that the bridge had a FAC in the prior year. Therefore, the bridge should have been re-classified during FY 2017.	(30,136,447) 30,136,447	-	-	-
Missed amortization of the St. Patrick's bridge in FY 2017 due to the misclassification of the IDA and TCA to which amortization should have been recorded. Therefore an understatement in expenses and overstatement in assets	(602,729)	-	-	602,729
2017 CRL revenue received in fiscal 2018 by CMLC due to delayed reconciliation process at the shareholder level, resulting in an understatement of revenue and asset in 2017.	1,190,014	-	-	(1,190,014)