City of Toronto

Audit Findings Report
for the year ended December 31, 2022

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Prepared June 23, 2023, for presentation on July 7, 2023

kpmg.ca/audit

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The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2022. This report is intended solely for the information and use of Management and the Audit Committee and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

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

Audit highlights

Status of the audit

We have completed the audit of the financial statements ("financial statements"), with the exception of certain remaining outstanding procedures, which are highlighted on page 7 of this report.

Significant changes from prior year

There was newly effective auditing standard –CAS 315 CAS 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement implemented* in the current year audit

Significant changes to our audit plan

There were no significant changes to our audit plan as previously communicated.

Materiality of $305M, remained unchanged from our audit plan.

Audit risks and results – significant risks

Significant findings related to significant risks are discussed on page 8 of this report.

Audit risks and results – other significant findings

Other significant findings are discussed on slides 8-15.

Uncorrected audit misstatements

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

See slides 16 and 17 of this report.

Corrected audit misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management, and subsequently corrected in the audited financial statements. See page 16-18 of this report.

Significant unusual transactions

No matters to report.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We have identified some additional opportunities for process improvement at the City. We are currently in the process of providing these to the City Management for their consideration.

Accounting policies and practices

No matter to report

Other financial reporting matters

No matters to report.

Technology highlights

We have utilized technology to enhance the quality and effectiveness of the audit.

Summary of advanced technologies

KPMG Clara workflow

A modern, intuitively written, highly applicable audit methodology that allowed us to deliver a globally consistent engagement.

KPMG application software

One way we used KPMG application software (“IDEA") was to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for testing.

KPMG Clara analytics

Using the latest technologies to analyze data, KPMG Clara allowed us to visualize the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures.

Status of the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst other:

- Completing our discussions with the audit committee
- Obtaining evidence of the Council's approval of the financial statements
- Receipt of the signed management representation letter
- Completion of subsequent event review procedures
- Completion of our audit quality control review process

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

Our auditor's report will be dated upon the completion of any remaining procedures.

Significant risks and results

Fraud risk from management override of controls and revenue recognition

Significant risk	Estimate?
Under Canadian auditing standards, there is a presumed fraud risk over management override of controls. The risk resides with management's ability to perpetrate fraud from its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. This is a presumed risk of material misstatement due to fraud. We have considered the type and complexity of revenue transactions, and the perceived opportunities and incentives to fraudulently misstate revenue for the Entity and its subsidiaries. The fraud risk resides within overstatement of revenue through posting manual journal entries and other adjustments relating to deferred revenue (obligatory).	No

Our response

- To address the risk of fraudulent revenue recognition and fraud related to management override of controls reported in the audit planning report, we performed an extensive amount of testing on the journal entry process including the following:
  - we evaluated the design and implementation of selected relevant controls;
  - we tested journal entries that met specific criteria designed as part of our audit plan;
  - we performed journal entry testing focussed on manual journal entries for revenue and deferred revenue transactions. This criterion is based on areas and accounts that are susceptible to manipulation through management override due to their manual nature; and,
  - we used computer assisted audit techniques to identify any unusual journal entries.

Conclusion

We did not identify any issues as a result of our audit work.

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Significant risks and results

Consolidation process

Significant risk	Estimate?
Risk of material misstatement related to the consolidation process due to complex organizational structure and the manual process (in excel spreadsheets) followed by the City.	No

Our response

- We evaluated the design and implementation of selected relevant controls in place over the consolidation and financial reporting process.
- We performed substantive procedures over the consolidation workbooks including material adjustments booked as part of the consolidation process.
- We involved our IT Audit specialists to gain an understanding of the automated inputs into the consolidation process, as relevant.
- We updated our understanding of the consolidation process at the City and various elements and inputs for the consolidation. We obtained supporting schedules to understand the inputs into the consolidation workbook and performed further audit procedures related to these supporting schedules.
- We performed procedures on the completeness of reporting the City's interest in all entities under its control including those that qualify as Government Business Entities which are accounted for using the modified equity basis (Toronto Hydro Corporation and Toronto Parking Authority) and entities subject to joint control, which are accounted for using the proportionate consolidation method (Toronto Waterfront Revitalization Corporation)
- We audited the consolidation workbook for accuracy through recalculation and reperformance of the key aspects of consolidation exercise.
- We tested significant manual journal entries by obtaining supporting documentation for the amounts calculated for these manual journal entries.
- We tested consolidation information related to the significant components to source records for these respective significant components. We obtained financial information of these significant components from the respective component audit teams to ensure we are using the audited information for the purposes of the consolidation.

Conclusion

The audit team noted that certain entities under control of the City were not consolidated into the financial statements of the City. Based on discussion with management, these entities were excluded from consolidation due to the immaterial balances involved. During the year, management performed an in-depth analysis of the financial impact of including these immaterial entities and the amount of effort involved to gather all necessary information for consolidation. Management concluded that the efficiencies gained in terms of timely financial reporting for the consolidated financial statements far out weighed the benefit of including these immaterial balances. The audit team reviewed this assessment and agreed with management that the exclusion of these immaterial balances has no significant impact on the financial statements and our audit opinion. These immaterial balances are above the audit misstatement posting threshold and are reported as uncorrected audit adjustments in accordance with the requirement of the auditing standards.

Other matters

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

Matter	KPMG comment
Cash and investments	• We performed testing over manual and automated controls related to bank and investment reconciliation process. • We performed test of details over significant reconciling items for cash and investments. • We performed substantive test of details over additions and disposals of investments and for any derivative financial instruments included in City's financial statements. • We obtained supporting documentation regarding the investment income earned on deferred revenue to ensure appropriate revenue recognition. • We obtain confirmations from third parties. • We reviewed financial statement note disclosure in line with the Public Sector Accounting Standards (PSAS). • Based on the audit work performed, there were no items of significance to be reported.
Deferred Revenue	• We updated our understanding of the activities over the initiation, authorization, processing, recording and reporting related to deferred revenue. • We obtained the detailed continuity for deferred revenue. Tested a sample of cash receipts and revenue recognized using representative sampling techniques. • We obtained the supporting documentation related to the samples tested for the cash receipts and revenue recognized and assessed the support to ensure that recognition for revenue is in accordance with the PSAS. • We reviewed financial statement disclosures in accordance with PSAS. • Based on the audit work performed, there were no items of significance to be reported.

Other matters

Matter	KPMG comment
Taxes Receivable and Taxation Revenue	• Perform substantive audit procedures to recalculate taxation revenue using approved tax rates and assessment data. • Based on the audit work performed, there were no items of significance to be reported.
User Charges and other revenue sources	• We updated our understanding of the activities over the initiation, authorization, processing, recording and reporting of user charges and other revenue. • We obtained the City-prepared calculation of user charges and other revenue balances and performed test of details using a combination of substantive analytical and representative sampling approaches. These calculations come from different divisions at the City. • Based on the audit work performed, there were no items of significance to be reported.
Government Transfers	• We obtained a listing of government transfer revenue reported by the City and performed test of details including a combined approach of substantive analytical and representative sampling methods. These calculations come from different divisions at the City. • We obtained supporting documentation for the eligibility criteria for the sample selected to determine if the government transfers reported in the financial statements meet the criteria outlined in the PSAS. • We reviewed financial statement disclosures in line with PSAS. • Based on the audit work performed, there were no items of significance to be reported.

Other matters

Matter	Findings
Tangible capital assets	• We perform testing over manual and automated controls related to recording costs to the relevant capital projects. • We perform substantive test of details over additions and disposals using a representative sample. • We obtain the amortization policy and assess reasonableness of the estimated useful lives in use and to address the requirements of CAS540, Auditing Accounting Estimates and Related Disclosure related to useful lives. • We reviewed assets under construction to ensure amounts are properly transferred to correct capital asset classes and amortization commences on a timely basis. • We inquired to gain an understanding of asset write-downs during the year, if applicable. • We reviewed financial statement note disclosure in line with the PSAS. • We identified errors in the assets under construction ("AUC") category where the substantially completed assets were not transferred out of AUC in a timely manner. This issue was identified in the prior year and noted in the significant findings. This results in the timing of the commencement of amortization being delayed as well as an overstatement of the assets under construction caption and an understatement of the relevant in-service asset categories. We performed additional audit procedures on the completeness of transfers from AUC and did not identify any other errors. Total tangible capital assets amount did not require an adjustment as this adjustment was a reclassification between the two categories included within tangible capital assets. The impact on the amortization expense was $30 million. • We identified errors in the disposal of assets category where disposals pertaining to 2021 were recognized in 2022 due to the delay in receipt of cash. Accounting standards require disposals to be recognized when the transaction is closed, regardless of cash receipt. KPMG proposed an adjustment for this error in the amount of $75 million gain as an out of period adjustment. Management has corrected this prior period error through the current year, due to the immaterial nature of this adjustment. • Additionally, management identified errors in land acquisition transactions during the audit as a result of variance analysis. As a result, we audited the land acquisitions analysis completed by management in combination with our existing testing to determine reasonableness of the impact identified by management. As a result, the impact was determined to be $271 million adjustment to increase tangible capital assets for land purchases that were previously expensed. Management has corrected this error. Of the $271 million, $112 million relates to prior periods acquisitions, of which, management has not adjusted in the prior period. • Total prior period adjustment relating to TCA based on the above errors results in an understatement in the amount of $187 million for prior period surplus. The audit team has assessed the magnitude of these out of period adjustments and concluded that a restatement is not required, due to the total amount of the prior period adjustment being immaterial. • See slide 16 and 17 for details of the related audit misstatements. • Based on the audit work performed, there were no other items of significance to be reported.

Other matters

Matter	KPMG comment
Employee benefit liabilities	• We updated our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the actuaries engaged by the City (preparer of the estimate), and the historical accuracy of the estimates. • We obtained an update on the actuarial valuation prepared by management's expert (actuaries engaged by the City) for the year ended December 31, 2022. • We performed audit procedures on the method, data and, assumptions used by actuary and management to address the CAS 540, Auditing Accounting Estimates and Related Disclosure requirements related to employment benefit liabilities. • We engaged KPMG actuarial specialists to complete audit procedures related to assumptions used by management and management's expert • We reviewed financial statement disclosures in accordance with PSAS. • Based on the audit work performed, there were no items of significance to be reported.
Expenses – salaries and benefits	• We performed testing over manual and automated controls related to payroll process. • We vouched a sample of employees' salary and benefit expense to payroll information. • Based on the audit work performed, there were no items of significance to be reported.
Accounts payable, accrued liabilities and expenses	• We perform search for unrecorded liabilities. • We examined significant accrued liabilities for existence, accuracy and completeness and to address the requirements of CAS540, Auditing Accounting Estimates and Related Disclosure requirements related to accrued liabilities. • We performed substantive test of details on selected non-payroll expenditures • We identified errors in expense testing, where an expense sample tested was identified to be capital in nature. KPMG tested additional items and did not identify any additional errors. • In accordance with the auditing standards and firm methodology, this error is required to be projected on the total underlying population that the sample pertains to. The projected error was calculated by the sampling tool in the amount of $182 million decrease in expenses. • Projected errors do not require correction but are required to be reported as uncorrected errors. The audit team will be taking this projected error into consideration as part of next year's risk assessment process for the audit approach related to expenses.

Other matters

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

Matter	KPMG comment
Commitments and Contingencies	• We performed a detailed review of Council Meeting minutes. • We directly communicated with the internal legal counsel (and external as necessary) to ensure significant contingent liabilities were appropriately disclosed and/or recorded. • We reviewed financial statement disclosures in accordance with PSAS. • Based on the audit work performed, there were no items of significance to be reported.
Long-term debt	• We obtained agreements for the unsecured debentures issued by the City and related supporting documentation. • We obtained confirmation from the respective A&Cs that the consolidated entity debt pertains to. • We reviewed disclosures related to long-term debt to ensure it is in accordance with the PSAS. • Based on the audit work performed, there were no items of significance to be reported.
Environmental and contaminated sites	• We obtained management specialist report for the estimated liabilities and updated our understanding of the process in place to determine the estimated liability. • We performed audit procedures on the data, method and assumptions included in management's specialist reports to address the CAS 540, Auditing Accounting Estimates and Related Disclosure requirements related to environmental and contaminated site liabilities. • We reviewed disclosures related to long-term debt to ensure it is in accordance with the PSAS. • Based on the audit work performed, there were no items of significance to be reported.

Other matters

Matter	KPMG comment
Reserves and reserve funds (accumulated surplus)	• We updated our understanding of the reserves and reserve funds (accumulated surplus) set up at the City. • We reviewed the continuity for reserves and reserve funds (accumulated surplus) and ensured that it agreed to the financial statements. • Based on the audit work performed, there were no items of significance to be reported.
Investments in Government Business Enterprises (GBEs)	• We obtained a listing and assessment of the GBEs as prepared by management of the City including any changes from prior year, including impairment assessment. • We obtained support for adjustments made to the investments in GBEs including income from operations, dividends received, distributions to City and any other adjustments. • We reviewed financial statement disclosures in accordance with PSAS. • Based on the audit work performed, there were no items of significance to be reported.

Audit misstatements

Uncorrected audit misstatements include financial presentation and disclosure omissions.

Differences and adjustments include disclosure and presentation differences and adjustments.
Professional standards require that we request of management that all identified differences be corrected, with the exception of out of period errors that are immaterial and projected errors. Projected errors do not require correction but are required to be reported as uncorrected errors. We have already held these discussions with management and made this request of management.

Impact of uncorrected audit misstatements – Not material to the financial statements

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

Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Corrected audit misstatements

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Uncorrected audit misstatements

As at and for the year ended December 31, 2022	Income effect	Financial position			
Description	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Opening Accumulated Surplus (Decrease) Increase**	**Closing Accumulated Surplus (Decrease) Increase**
To adjust for the impact on entities under control of the City not being consolidated into the financial statements of the City due to the immaterial balances involved.	$10.5M	$92M	$23M	-	$69M
To adjust for projected error as a result of operating expense items identified to be capital in nature. This projection is based on a calculation from the KPMG sampling tool. The tool takes into account the total number of items in the population being tested, as well as the dollar values of the individual items included in the population.	$182M	$182M	-	-	$182M
Out of period adjustments relating to prior periods that were corrected through the current year:					
To recognize prior period impact relating to understatement of depreciation expense as a result of a classification error between assets under construction and completed assets	$30M	-	-	($30M)	-
To reverse out prior year disposals recorded out of period in 2022, relating to 2021 disposals	($75M)	-	-	($75M)	-
To reflect impact of reversing out land acquisitions expensed in prior periods, based on managements correction of land acquisitions expensed in the prior year. This entry indicates the out of period error related to expenses, corrected in the current year.	($112M)	-	-	($112M)	-
Total uncorrected audit misstatements	**$35.5M**	**$274M**	**$23M**	**$217M**	**$251M**

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	No matters to report other than the uncorrected presentation/disclosure adjustments on the management representation letter.
Concerns regarding application of new accounting pronouncements	Implementation will be required for the new accounting standards in fiscal year 2023. Refer to Appendix D for a list and further details of the relevant changes in accounting standards.
Significant qualitative aspects of financial statement presentation and disclosure	No matters to report.

New IESBA requirements

The International Ethics Standards Board for Accountants (IESBA) is an independent standard-setting board that develops, in the public interest, independence and ethics standards for professional accountants worldwide. IESBA has issued revisions to the non-assurance services (NAS) provisions of the IESBA Code of Ethics for Professional Accountants.

Key changes to the IESBA code of ethics

The revisions create new requirements for public interest entities (PIEs), which include Canadian reporting issuer and US SEC issuer audit clients. As a reminder, before accepting a NAS for a PIE audit client, the auditor is required to:

- inform Those Charged with Governance (TCWG) (e.g. the Audit Committee) of the firm's determination that the service is not prohibited and that the service will not create a threat to the firm's independence; and
- provide information to enable the Audit Committee to make an informed assessment about the impact of the provision of each service on the firm's independence and obtain their pre approval (also referred to as "concurrence").

This is effective for audits and reviews of financial statements for periods beginning **on or after December 15, 2022** and applies for NAS engagements provided to:

- a PIE audit client;
- an entity that controls the PIE directly or indirectly; or
- an entity controlled by the PIE directly or indirectly (regardless of consolidation).

Impact for reporting issuers

The IESBA NAS standard creates incremental pre approval requirements for Canadian reporting issuer and US SEC issuer audit clients.

- pre approval will be required to perform NAS for entities that are currently not in scope under existing Canadian and/or SEC/PCAOB pre approval rules, specifically upstream controlling entities and downstream controlled entities that are not consolidated by the reporting issuer audit client.

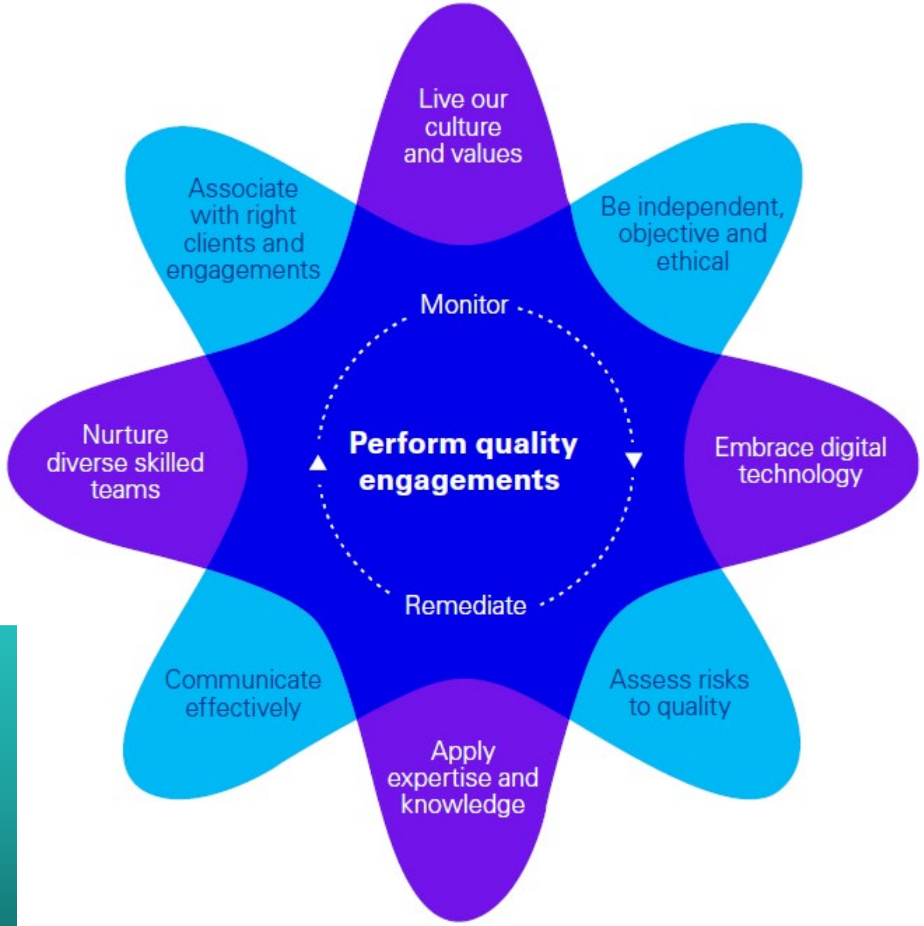
Audit quality: How do we deliver audit quality?

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

Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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

KPMG 2022 Audit Quality and Transparency Report



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

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

Appendices

A — Draft auditor's report

B — Management representation letter

C — Other required communications

D — Changes in accounting standards

E — Environmental, social and governance (ESG)

F — Audit and assurance insights

Appendix A: Draft auditor's report

(see attachment below)

INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council, Inhabitants and Ratepayers of the City of Toronto

Opinion

We have audited the consolidated financial statements of the City of Toronto (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

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

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

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the City 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 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 generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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Appendix B: Management representation letter

(see attachment below)

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, Ontario L4K 0J3
Canada

Date: ______________________

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Toronto ("the Entity") as at and for the period ended December 31, 2022.

General:

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

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 23, 2020, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;

      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement.

   f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

   g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

   h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

   a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   b) all information in relation to fraud or suspected fraud that we are aware of that involves:

      — management;

      — employees who have significant roles in internal control over financial reporting; or

      — others

      where such fraud or suspected fraud could have a material effect on the financial statements.

   c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

   d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

   e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

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

Related parties:

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

8) The list of related parties attached to this letter as **Attachment III** accurately and completely describes the City's related parties and the relationships with such parties.

Estimates:

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

Going concern:

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

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

Misstatements:

12) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.

13) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

Other information:

14) We confirm that the final version of Annual Financial Report 2022 will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

15) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

16) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Sinking fund:

17) We have appropriately recognized and disclosed the balances related to the sinking fund as per the term sheet that provides details related to the issuance of the sinking fund. We confirm that the issuance of the sinking fund debt is in accordance with the most recent financing policy approved by the council.

Accounting policies:

18) We confirm that we have reviewed the City's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the consolidated financial statements is appropriate in the City's particular circumstances.

Minutes

19) All matters requiring disclosure to or approval of the Executive Committee and the Audit Committee have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions

20) All contractual arrangements entered into by the City with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the consolidated financial statements, have been disclosed to you. the City has complied with all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Assets and liabilities

21) We have satisfactory title or control over all assets. All liens or encumbrances on the City's assets and assets pledged as collateral, to the extent material, have been disclosed in the consolidated financial statements.

    We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the City is contingently liable in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3300, *Contingent Liabilities*, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

Litigation and claims

22) All known actual or possible litigation and claims, which existed as at December 31, 2022 or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Cash and banks

23) The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the City.

All cash balances are under the control of the City, free from assignment or other charges, and unrestricted as to use, except as disclosed to you. The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of the City. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed. All cash and bank accounts and all other properties and assets of the City are included in the consolidated financial statements.

Restricted assets and revenues

24) All assets and revenues subject to externally imposed restrictions are disclosed in the consolidated financial statements.

All externally restricted inflows, other than those that relate to government transfers received or trusts under administration, have been recognized as revenue in the year/period in which the resources were used for the purpose specified. All externally restricted inflows received before this criterion has been met have been reported as liabilities until the resources are used for the purpose specified.

Condensed supplementary financial information relative to internally restricted entities has been disclosed in the consolidated financial statements, by entity and as a whole.

Accounts receivable

25) All amounts receivable by the City were recorded in the books and records.

Amounts receivable are not subject to discount except for normal cash discounts which are appropriately provided for.

All receivables were free from hypothecation or assignment as security for advances to the City, except as hereunder stated.

The City has disclosed to us all transfers of receivables (including securitizations) that have occurred during the year.

Receivables, other than transfers receivable accounted for in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3410, *Government Transfers* and taxes receivable accounting for in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3510, *Tax Revenue*, recorded in the consolidated financial statements, represent bona fide claims against debtors for sales or other charges arising on or before year end and are not subject to discount except for normal cash discounts.

Loans receivable

26) We have disclosed to you all loan agreements containing forgivable conditions, significant concessionary terms and those that are to be repaid through future appropriations.

Loans receivable that are not to be repaid through future appropriations, nor contain forgivable conditions have been accounted for as financial assets, in accordance with CPA Canada Public Sector Accounting Handbook PS 3050, *Loans Receivable*. The cost of loans receivable excludes any portion of the loan that will be repaid through future appropriations and any grant portion relating to significant concessionary terms of the loan. We have reviewed loans receivable for collectability, risk of loss and expected forgiveness, and made appropriate valuation allowances or writeoffs thereon if necessary, in accordance with CPA Canada Public Sector Accounting Handbook PS 3050, *Loans Receivable*. The valuation allowance for loan losses and/or forgiveness encompasses probable credit losses related to specifically identified loans as well as probable credit losses inherent in the remainder of the loan portfolio that have been incurred as at year end.

Portfolio investments and other financial assets

27) All securities and other financial assets that were owned by the City were recorded in the accounts.

All income earned on the financial assets has been recorded in the accounts, and any interest income has been accrued using the effective interest rate method.

We are not aware of any objective evidence of impairment that would result in the recognition of an impairment loss on any financial assets.

You have been informed of the acquisition of or the formation of all government units, business enterprises, partnerships, joint ventures or other participations during the year.

All transactions with subsidiaries, business enterprises, partnerships or joint ventures have been recorded in the accounts presented to you. All investments in and advances to subsidiaries, business enterprises, partnerships, joint ventures or other participations are appropriately recorded, and there is no evidence of impairment in value below the resulting balances shown in the consolidated financial statements.

There has been no activity in any dormant or inactive subsidiaries, business enterprises, partnerships, joint ventures or other participations, except as disclosed to you.

Toronto Hydro Corporation and Toronto Parking Authority meet the definition of government business enterprise (GBE) in accordance with PS 3070, *Investments in Government Enterprises.* The modified equity method has been used to account for the City's investment in the above mentioned GBEs.

Inventory

28) Provision has been made to reduce excess or obsolete inventories held for resale to their estimated net realizable value.

There have been no events conditions or changes in circumstances that indicate inventory held for consumption will no longer be used or consumed in the City's operations.

Tangible capital assets

29) All charges to tangible capital asset accounts represented the actual cost of additions to tangible capital assets.

All contributed tangible capital assets have been recorded at fair value at the date of the contribution.

No significant tangible capital asset additions were charged to repairs and maintenance or other expense accounts.

Book values of tangible capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Tangible capital assets owned by the City are being depreciated on a systematic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous date.

All lease agreements covering assets leased by or from the City have been disclosed to you and classified as leased tangible capital assets or operating leases.

Leased tangible capital assets are being amortized on a systematic basis over the period of expected use.

There have been no events, conditions or changes in circumstances that indicate that a tangible capital asset no longer contributes to the City's ability to provide goods and services or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. We believe that the carrying amount of the City's long-lived tangible capital assets is fully recoverable in accordance with CPA Canada Public Sector Accounting Handbook PS 3150, *Tangible Capital Assets*.

Long-term debt

30) All borrowings and financial obligations of the City of which we are aware are included in the consolidated financial statements as at year end, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

the City has not violated any covenants on its long -term debt during the year. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.

Deferred revenue and deferred contributions

31) All material amounts of deferred revenue and deferred contributions were appropriately recorded in the books and records.

Retirement benefits, post-employment benefits, compensated absences and termination benefits

32) All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The details of all pension plan amendments since December 31, 2022, the date of the last actuarial valuation, have been identified to you.

The actuarial valuation dates December 31, 2022 incorporates management's best estimates, detailed as follows:

- The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances; and
- The City does not plan to make frequent amendments to the pension of other post-retirement benefits.

All changes to the plan provisions and the employee group, or events that impact the plan's performance since the last actuarial valuation have been reviewed, communicated to you as well as to the actuary, and considered in determining the pension plan costs and the estimated actuarial present value of accrued pension benefits and value of pension plan asset.

The City's actuaries have been provided with all information required to complete their valuation as at December 31, 2022, and where applicable, their extrapolation to December 31, 2022.

We confirm that the extrapolations are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with CPA Canada Public Sector Accounting Handbook PS 3250, *Retirement Benefits* and CPA Canada Public Sector Accounting Handbook PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*. In particular:

- The significant accounting policies that the City has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits*, and CPA Canada Public Sector Accounting Handbook Section PS 3255, *Post-employment Benefits, Compensated* Absences *and Termination Benefits*, are accurately and completely disclosed in the notes to the consolidated financial statements.

- Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.
- The discount rate used to determine the accrued benefit obligation was determined by reference to the City's borrowing rate or the plan asset earnings using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets.
- The assumptions included in the actuarial valuation are those that management instructed Mondelis and Morneau Shepell to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named consolidated financial statements, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits*.
- In arriving at these assumptions, management has obtained the advice of consulting actuaries who assisted in reaching best estimates, but has retained the final responsibility for them.
- The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

Consolidated statements of operations, changes in net debt

33) All transactions entered into by the City have been recorded in the books and records presented to you. All amounts have been appropriately classified within the statements of operations and net debt.

The accounting principles and policies followed throughout the year were consistent with prior period practices (except as disclosed in the consolidated financial statements).

Liabilities for contaminated sites

34) Liabilities for remediation of contaminated sites were recognized and accounted for in accordance with CPA Canada Public Sector Accounting Handbook PS 3260, *Liabilities for Contaminated Sites*. We believe that such estimate is reasonable based on available information and that the liabilities have been adequately described in the City's consolidated financial statements.

Environmental matters

35) There are no liabilities or contingencies arising from environmental matters that have not already been disclosed to the auditor.

Liabilities or contingencies related to environmental matters have been recognized, measured and disclosed, as appropriate, in the consolidated financial statements.

We have considered the effect of environmental matters and the carrying value of the relevant assets is recognized, measured and disclosed, as appropriate, in the consolidated financial statements.

All commitments related to environmental matters have been measured and disclosed, as appropriate in the consolidated financial statements.

Use of a specialist

36) We assume responsibility for the findings of specialists in evaluating the employee benefits obligation, contaminated sites liability and landfill closure and post-closure liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the consolidated financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

General

37) There are no proposals, arrangements or actions completed, in process, or contemplated that would result in the suspension or termination of any material part of the City's operations.

Information relative to any matters handled on behalf of the City by any legal counsel, including all correspondence and other files, has been made available to you.

Segment disclosures

38) Pursuant to CPA Canada Public Sector Accounting Handbook Section PS 2700, *Segment Disclosures*, in identifying segments, management has 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 CPA Canada Public Sector Accounting Handbook Section PS 1000, *Financial Statement Concepts*;
- the homogeneous 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 its organizations (within the reporting entity).

Management has identified following operating segments: General Government, Protection, Transportation, Environmental, Health, Social and Family, Social Housing, Recreation and Cultural and Planning and Development.

The consolidated financial statements disclose all the relevant factors used to identify the City's reportable segments.

Government transfers

39) Transferring organization

- Transfers have only been recognized as an expense in the year the transfer has been authorized and all eligibility criteria have been met by the recipient.

40) Recipient organization

- We have disclosed all significant terms and agreements in respect of transfers received from governments.
- Transfers without eligibility criteria or stipulations have been recognized as revenue once the transfer has been authorized.
- Transfers with eligibility criteria but without stipulations have been recognized as revenue once the transfer has been authorized and all eligibility criteria have been met.
- Transfers with or without eligibility criteria but with stipulations have been recognized as revenue in the year the transfer has been authorized and all eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government in accordance with CPA Canada Public Sector Accounting Handbook PS 3200, *Liabilities*.

41) Disclosure

- The major kinds of transfers recognized have all been disclosed in the consolidated financial statements as well as the nature and terms of liabilities arising from government transfers received.

Budgetary data

42) We have included budgetary data in our consolidated financial statements, which is relevant to the users of consolidated financial statements. Planned results were presented for the same scope of activities and on a basis consistent with that used for actual results

Yours very truly,

____
Chief Financial Officer and Treasurer

____
City Manager

____
Controller

cc: Audit Committee

Attachment I – Definitions

Materiality

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

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

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

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;

c) dissimilar items, transactions or other events are inappropriately aggregated;

d) similar items, transactions or other events are inappropriately disaggregated; and

e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.]

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedule(s)

Summary of Audit Misstatements - Corrected

Entity: City of Toronto
For Period E December 31, 2022

Correcting Entry Necessary at Current Period End								Balance Sheet Effect - Debit (Credit)				Cash Flow Effect - Increase (Decrease)			Statement of Comprehensive Income - Debit (Credit)
ID	**Description of misstatement**	**Factual, judgmental or projected misstatement?**	**Misstatement in accounts or in disclosure?**	**Accounts (if applicable)**	**Debit**	**(Credit)**	**Income effect according to Rollover method**	**Accumulated Surplus**	**Financial Assets**	**Liabilities**	**Non-Financial Assets**	**Operating Activities**	**Investing Activities**	**Financing Activities**	**Annual Surplus**
1	Projects found in Assets Under Contruction listing should have been transferred in prior years to Final Assets, allowing for amortization to have taken place. The two misstatements are: 1) A classification error between AUC and Final Assets 2) An understatement of the depreciation expense in the year.	Factual	Accounts	Tangible Capital Assets		(29,547,093)					(29,547,093)	29,547,093			
				Other Expenditures	29,547,093	-	29,547,093	29,547,093				(29,547,093)			
2	CREM land acquisitions mistakenly expensed in prior periods and current year, reclassified to tangible capital assets	Factual	Accounts	Tangible Capital Assets	272,224,612						272,224,612	(272,224,612)			
				Other Expenditures		(272,224,612)	(272,224,612)	(272,224,612)				272,224,612			
							(242,677,518)	**(242,677,518)**	-	-	**242,677,518**	-	-	-	-

Summary of Audit Misstatements - Uncorrected

Entity: City of Toronto
For Period E December 31, 2022

Correcting Entry Necessary at Current Period End							Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)				Cash Flow Effect - Increase (Decrease)		
ID	**Description of misstatement**	**Factual, judgmental or projected misstatement?**	**Misstatement in accounts or in disclosure?**	**Accounts (if applicable)**	**Debit**	**(Credit)**	**Income effect of correcting the balance sheet in prior period (carryforward from prior period)**	**Income effect of correcting the current period balance sheet**	**Income effect according to Rollover method**	**Accumulated Surplus**	**Financial Assets**	**Liabilities**	**Non-Financial Assets**	**Operating Activities**	**Investing Activities**	**Financing Activities**
					A	**B**	**C=A (Only Income Statement accounts)**	**D=C-B**	**E = (B+D = C)**							
1	To adjust for the impact on entities under control of the City not being consolidated into the financial statements of the City due to the immaterial balances involved.	Factual	Accounts	Total Revenue		(72,752,778)		(72,752,778)	(72,752,778)	(72,752,778)				(72,752,778)		
				Total Expenses	62,193,858			62,193,858	62,193,858	62,193,858				62,193,858		
				Total Assets	74,002,321						74,002,321			74,002,321		
				Total Liabilities		(23,072,789)						(23,072,789)		(23,072,789)		
				Total Non-financial Assets	17,880,752								17,880,752	17,880,752		
				Accumulated Surplus		(58,251,364)				(58,251,364)				(58,251,364)		
2	To reverse out prior year disposals recorded out of period in 2022, relating to 2021 disposals	Factual	Accounts	Other Revenue	75,126,975		(75,126,975)		75,126,975					(75,126,975)		
3	To reflect impact of reversing out land acquisitions expensed in prior periods, based on managements correction of land acquisitions expensed in the prior year. This entry indicates the out of period error related to expenses, corrected in the current year.	Factual	Accounts	Other Expenditures		(112,197,997)	(112,197,997)		112,197,997					112,197,997		
4	To adjust for projected error as a result of operating expense items identified to be capital in nature. This projection is based on a calculation from the KPMG sampling tool. The tool takes into account the total number of items in the population being tested, as well as the dollar values of the individual items included in the population.	Projected	Accounts	TCA	181,996,418								181,996,418		(181,996,418)	
				Other Expenditures		(181,996,418)		(181,996,418)	(181,996,418)	(181,996,418)				181,996,418		
5	To recognize prior period impact relating to understatement of depreciation expense as a result of a classification error between assets under construction and completed assets	Factual	Accounts	Other Expenditures		29,547,093	29,547,093		(29,547,093)					(29,547,093)		
								Aggregate effect of uncorrected audit misstatements:	**(34,777,459)**	**(250,806,702)**	**74,002,321**	**(23,072,789)**	**199,877,170**	**189,520,347**	**(181,996,418)**	**-**

Attachment III – Related Parties

Agencies and Corporations

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Build Toronto Inc. (BTI)
- Casa Loma Corporation
- Heritage Toronto
- Lakeshore Arena Corporation
- TOLive
- Toronto Atmospheric Fund (TAF)
- Toronto Board of Health
- Toronto Community Housing Corporation (TCHC)
- Toronto Licensing Commission
- Toronto Public Library Board
- Toronto Transit Commission (TTC)
- Create TO
- Yonge-Dundas Square
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company (TPLC)
- Toronto Pan Am Sports Centre Inc. (TPASC)
- Toronto Waterfront Revitalization Corporation (TWRC)
- Toronto Senior Housing Corporation (TSHC)

Arenas

- Forest Hill Memorial
- Moss Park
- George Bell
- North Toronto Memorial
- Leaside Memorial Community Gardens
- McCormick Playground
- Ted Reeve
- William H. Bolton

Community Centres

- 519 Church Street
- Applegrove
- Eastview Neighbourhood
- Waterfront Neighbourhood
- Cecil Street
- Ralph Thornton
- Central Eglinton
- Scadding Court
- Community Centre 55
- Swansea Town Hall

Business Improvement Areas (BIAs)

- Albion Islington Square
- Baby Point Gates
- Bayview Leaside
- Bloor Annex
- Bloor By The Park
- Bloor West Village
- Bloor-Yorkville
- Bloorcourt Village
- Bloordale Village
- Broadview Danforth
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- City Place & Fort York
- College Promenade
- College West
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- DuKe Heights
- Dundas West
- Dupont by the Castle
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Korea Town
- Lakeshore Village
- Leslieville
- Liberty Village
- Little Italy
- Little Portugal on Dundas
- Long Branch
- MarkeTo District
- Midtown Yonge
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant Village
- Oakwood Village
- Ossington Avenue
- Pape Village

- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside District
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- shoptheQueensway.com
- St. Clair Gardens
- St. Lawrence Market
- Neighbourhood
- The Beach
- The Eglinton Way
- The Kingsway
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wilson Village
- Wychwood Heights
- Yonge and St. Clair
- Yonge Lawrence Village
- York Eglinton

Appendix C: Other required communications

Engagement terms

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

CPAB communication protocol

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

- CPAB Audit Quality Insights Report: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Interim Inspections Results
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results

Appendix D: Changes in accounting standards

Standard	Summary and implications

Asset retirement obligations	• The new standard PS 3280 *Asset retirement obligations* is effective for fiscal years beginning on or after April 1, 2022 (Fiscal year 2023).
	• The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets.
	• The asset retirement obligations (“ARO”) standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use.
	• As a result of the new standard, the public sector entity will:
	  • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
	  • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;
	  • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.

Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
Financial instruments and foreign currency translation	• The new standards PS 3450 *Financial instruments*, PS 2601 *Foreign currency translation*, PS 1201 *Financial statement presentation* and PS 3041 *Portfolio investments* are effective for fiscal years beginning on or after April 1, 2022 (Fiscal year 2023). • Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. • Hedge accounting is not permitted. • A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. • PS 3450 *Financial instruments* was amended subsequent to its initial release to include various federal government narrow-scope amendments.
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023 (Fiscal year 2024). • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 (Fiscal year 2024) with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023 (Fiscal year 2024). • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.

Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 (Fiscal year 2027) with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 (Fiscal year 2027) to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
	  • Separating liabilities into financial liabilities and non-financial liabilities.
	  • Restructuring the statement of financial position to present total assets followed by total liabilities.
	  • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	  • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
	  • A new provision whereby an entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix D: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix E: Environmental, Social and Governance (ESG)

KPMG Ready for Assurance Services

Companies need to get started on the ESG journey as soon as possible to get prepared – they need to be able to gather, measure, and report their ESG metrics. This also means having the information assured by an external party so that it is credible, robust and trusted in the market. Given the pace at which things are moving, a fast start is needed to get your journey underway.

The first step in the assurance journey

KPMG Ready for Assurance service is the foundation for full ESG assurance. It reduces the risk of poor outcomes in the future by identifying areas that need to be addressed and providing clarity over specific issues that need to be resolved so you can move ahead with confidence.

Findings and observations

KPMG Ready for Assurance service consolidates findings and observations in a report that also identifies impediments to preconditions. Your organization can address these issues ahead of undergoing full ESG assurance.

Working with your people

We will leverage our existing understanding of your business, processes and people to help make the KPMG Ready for Assurance service process mirror the experience that you have with us as your auditor. Our interactions with you will be similar to those of the process understanding and walkthroughs performed as part of the audit, and we will work closely with you to minimize the required efforts of your personnel where possible.

Assurance quality and consistency

Your KPMG audit and assurance professionals can provide insights into whether current systems and processes can support assurance of ESG reporting in varying frameworks (GRI, SASB, TCFD, etc.) and standards in the countries where you have operations.

See here for more information

KPMG Ready for Assurance service is an engagement that determines whether the necessary preconditions for ESG assurance are present to allow us to assure your ESG reporting in the future.

In particular, KPMG Ready for Assurance service examines your organization's criteria for ESG measures and determines if you have the evidence that would be required to support the disclosures you want to make, regardless of the reporting framework. Being able to perform this work now will reduce your risk when you are required to have your information assured in the future.

It is a service that can be performed on new information that you add to your ESG reporting disclosures over time as stakeholder needs evolve.

Appendix F: Audit and assurance insights

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

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2023
The key issues driving the audit committee agenda in 2023.

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

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News
A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.

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KPMG member firms around the world have 227,000 professionals, in 145 countries.