Parkland County

Audit Findings Report
for the year ended December 31, 2018

KPMG LLP

Prepared for the Council meeting on
April 23rd, 2019

kpmg.ca/audit

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Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist the Mayor and Council ("Council"), in the review of the results of our audit of the consolidated financial statements of Parkland County (the "County") as at and for the year ended December 31, 2018.

This Audit Findings Report builds on the Audit Plan we presented to Council on December 4, 2018.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

We are satisfied that audit materiality of $2.49 million as presented in the Audit Planning Report remains appropriate.

Finalizing the audit

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

- Completing our discussions with Council;
- Obtaining evidence of Council's approval of the consolidated financial statements;
- Obtaining a signed management representation letter; and
- Obtaining information on any subsequent events to the date of Council's approval of the consolidated financial statements.

We will update Council, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures (expected April 23, 2019).

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings 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.

Executive summary

Areas of audit focus

We discussed with you at the start of the audit a number of areas of audit focus including:

- Recognition of revenue amounts subject to external restrictions;
- Completeness, existence and accuracy of property assessments and taxation;
- Accuracy and valuation of investments;
- Accuracy and valuation of contributed tangible capital assets;
- Completeness, existence and accuracy of operating costs and accounts payable and accrued liabilities;
- Existence and accuracy of capital expenditures related to approved capital projects;
- Completeness and accuracy of environmental obligations and other contingencies; and
- Completeness and accuracy of salaries and benefits note disclosures; and
- Risk of management override of controls.

We are satisfied that our audit work has appropriately considered and addressed the areas of audit focus.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

Significant accounting policies and practices

As reported in our audit plan, there are new accounting standards applicable to the County for the year ended December 31, 2018.

- Note 1(l) to the consolidated financial statements describes the adoption of the new accounting standards for the year ended December 31, 2018.
- Note 1(m) to the consolidated financial statements describes future accounting standards which may impact the County’s reporting at December 31, 2019 and in future years.

There were not any other changes to significant accounting policies and practices to bring to your attention.

Executive summary

Adjustments and differences

We did not identify any adjustments that were communicated to management and subsequently corrected in the consolidated financial statements. We identified one difference which remains uncorrected; this difference is not considered to be significant and does not impact our audit report on the consolidated financial statements of the County.

We did propose certain adjustments and made recommendations with regards to the County’s consolidated financial statement presentation and disclosure that were accepted by management and included in the consolidated financial statements.

Control and other observations

We identified certain control and other observations we believe may be of interest to Council. None of these observations impact our audit report on the consolidated financial statements.

Executive summary

Additional reporting responsibilities

We have been engaged to report and have reported or will report on the following for the year ended December 31, 2018:

- Parkland County Municipal Financial Information Return (FIR) which is prepared to comply with Section 277 of the Municipal Government Act R.S.A 2000, C.M-26 as amended; and
- Family and Community Support Services (FCSS) special reporting.

The consolidated financial statements include the County's proportionate share of the Tri-Municipal Leisure Facility Corporation (a Part 9 Company operating as the TransAlta Tri Leisure Centre) which was audited by another auditor.

Independence

We are independent with respect to the County, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

Areas of audit focus and results

We highlight our significant findings in respect of significant audit areas of focus as identified in our discussion with you in the Audit Plan.

Significant financial reporting areas of focus	Why is it significant?
Recognition of revenue amounts subject to external restrictions	There is a risk of inappropriate revenue recognition of amounts received with external restrictions attached to them (special taxes and levies, government transfers and other amounts).
Completeness, existence and accuracy of property assessments and taxation	There is a risk that property assessments and taxation are not complete and consistent with approved taxation rates.
Accuracy and valuation of investments	There is a risk that investments are not appropriately valued; specifically, impairment of investments is not appropriately assessed and valuation adjustments are not recorded where appropriate.

Results

We received the recognition of amounts subject to external restrictions, including government transfers and development levies, to ensure they are recognized appropriately. We confirmed all significant government transfers, and examined related agreements. We obtained an understanding of the developer levy model and the process the County has in place to collect and recognize revenue related to offsite levies.

We evaluated the application of assessment through the tax roll and taxation rates as established by the County and assessed the adequacy of provisions for uncollectible taxes and outstanding tax appeals.

We verified the cost and market value of investments through external confirmation, and reviewed management's assessment of market value for potential impairment. We performed some recalculations on investment premiums and discounts for investments recorded at amortized cost.

No misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (cont'd)

Significant financial reporting areas of focus	Why is it significant?
Accuracy and valuation of contributed tangible capital assets	There is a risk that contributions of tangible capital assets are not appropriately captured in the consolidated financial statements.
Completeness, existence and accuracy of operating costs and accounts payable and accrued liabilities	There is a risk that appropriate cut-off of accounts payable and accrued liabilities is not achieved.

Results

We obtained an understanding of the process by which departments capture tangible capital assets which are contributed from developers and other parties and assessed the consistency of the process applied across all departments.

We reviewed a number of developments that were completed in the County in 2018 and noted that contributed tangible capital assets were recorded appropriately in the current year; however, we also noted that the County recorded contributed land in 2018 which were contributed from the developer in 2016. Refer to the *Adjustments and differences'* and *'Control and other observations'* sections of this report.

We performed a further review of the contributed tangible capital assets and did not identify audit inconsistencies with the value ascribed to the contributed tangible capital assets by the developers, and the value recorded by the County.

We used our understanding of the County's operations, discussions with management and our review of Council minutes to ensure completeness of accruals has been achieved as at December 31, 2018. We performed work of the County's budgeting process and interim reporting on variances from the approved budget. We obtained a detailed understanding of significant variances from budget as well as key accruals. We completed a search for unrecorded liabilities and a detailed analysis was done of key accruals.

No additional misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (cont'd)

Significant financial reporting areas of focus	Why is it significant?
Existence and accuracy of capital expenditures related to approved capital projects	There is a risk that capital expenditures are not appropriately recorded in the consolidated financial statements and are not appropriately recorded related to approved capital projects.
Completeness and accuracy of environmental obligations and other contingencies	There is a risk that environmental obligations and other contingent liabilities are not appropriately identified and reasonably estimated.

Results

We reviewed a sample of capital expenditures and ensured they were applied against the appropriate capital projects. We did not identify any issues regarding the existence and accuracy of capital expenditures incurred during the year and the related approved capital projects.

The County has performed an updated review of land and other assets for the potential risk of contamination and determination of resulting obligation, if any. We are satisfied that the County has appropriate procedures and systems in place to ensure consistent and accurate identification of liabilities, including those associated with environmental obligations and other contingencies.

No misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (cont'd)

Significant financial reporting areas of focus	Why is it significant?
Completeness and accuracy of salaries and benefits note disclosures	There is a risk that salaries and benefits note disclosure are not complete and accurately reported.
Risk of management override of controls	This is a presumed risk. We have not identified any specific additional risks of management override relating to this audit.

Results

We reviewed County policies and related supporting documentation to ensure salaries and benefits comply with County policies and are appropriately disclosed.

We performed testing over journal entries and other adjustments, performed a retrospective review of estimates and assessed the existence of any significant unusual transactions.

No misstatements or other findings were identified as a result of performing the above procedures.

Critical accounting estimates

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting year, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "critical accounting estimates."

We have summarized our assessment of the subjective areas.

Asset / liability

1. Environmental obligations and other contingencies
2. Useful lives of tangible capital assets
3. Accrued liabilities

KPMG comment

1. The County obtained information from external and internal resources who specialize in assessing potential environmental obligations and other contingencies. There have been no significant changes in how the obligations are estimated year over year.
2. The County estimates the useful life of tangible capital assets and reviews the amortization policy on a regular basis. There have been no changes to the manner in which the estimate is determined.
3. The County estimates accrued liabilities based on expenses and payables incurred throughout the year. There was no change in the way the County estimated accrued liabilities from the prior year.

Critical accounting estimates (cont'd)

Asset / liability

4. Fair value of contributed tangible capital assets

5. Allowance for doubtful account reserve (taxes and other)

KPMG comment

4. The County typically relies on the value of the contributed tangible capital asset as outlined in development agreements and the Construction Completion Certificates which are issued by the County and signed by the developer. The fair value of contributed land is determined based on the assessed value of the property in the year title is transferred to the County. The value of contributed land under roads is calculated using a per-acre dollar value, determined based on third party land appraisals. Other components of contributed tangible capital assets are assessed at fair value using the best available information.
5. The County estimates allowance for doubtful accounts (taxes and other) based on historical collections and examination of aged balances. Tax appeals are reviewed on an appeal by appeal basis and legal counsel is consulted where required. There have been no changes in the manner in which the estimate is determined.

We are satisfied that management's process for identifying critical accounting estimates is adequate.

Financial statement presentation and disclosure

The presentation and disclosure of the consolidated financial statements are, in all material respects, in accordance with the County's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements	The consolidated financial statements have been prepared in accordance with the Canadian Public Sector Accounting Standards. As disclosed in Note 1(l) of the County's consolidated financial statements, certain Canadian public sector accounting standards came into effect for the County's year ending December 31, 2018, specifically, PS2200 - Related Party Disclosures, 3320 – Contingent Assets, 3380 – Contractual Rights and PS3420 - Inter-Entity Transactions. We assessed the County's current disclosures for related party transactions and inter-entity transactions and have determined these disclosures meet the new accounting standards. The other accounting standards applicable for the December 31, 2018 year end did not have measurement or disclosure impacts related to the County's financial reporting. In addition, we provided management with recommendations on consolidated financial statement presentation and disclosure that have been incorporated into the consolidated financial statements.
Application of accounting pronouncements issued but not yet effective	As described in Note 1(m) of the County's consolidated financial statements, a number of new Canadian public sector accounting standards will be in effect beginning with the County's December 31, 2019 year end and beyond. These new standards include: PS3430 – Restructuring Transactions; PS1201 – Financial Statement Presentation; PS2601 – Foreign Currency Transactions; PS3041 – Portfolio Investments; PS3280 – Asset Retirement Obligations; PS3450 – Financial Instruments; and PS3400 – Revenue. Although it is not anticipated these new accounting standards will result in significant measurement differences in the County's consolidated financial statements in future years, additional disclosures will likely need to be provided.

Control and other observations

We have highlighted matters below that we would like to bring to your attention:

Matter	KPMG Comment
Consistency of budgeting and financial reporting	**Observation (2018):** During our audit we noted that the operating and capital budgets that are approved by Council are prepared on a basis that differs from the budgets that are presented in the County’s consolidated financial statements, which are prepared in accordance with the Canadian Public Sector Accounting Standards. In addition, we identified certain instances in the consolidated financial statements where certain budgeted revenues and expenditures were presented in an alternate format from the budget that was approved by Council; however, in aggregate the budgeted revenues and expenditures did agree to the approved budget. **Recommendation:** We recommend that the County prepare a reconciliation between the operating and capital budgets that are to be approved by Council to the budgets that will be presented in the County’s consolidated financial statements and include this reconciliation when the Council approves the operating and capital budgets. In addition, we recommend that when certain budgeted revenues and expenditures are reclassified from what was originally approved by Council, management should maintain a road map of the changes to the budget that was approved by Council.

Control and other observations (cont'd)

Matter	KPMG Comment
Asset Management System Reconciliation to the Financial Records	**Observation (2017):** Annually, the County reconciles its capital projects recorded in its financial system with the capital projects recorded in its asset management system. In 2017, a number of variances were identified all of which related to contributed tangible capital assets. **Recommendation:** Contributed tangible capital assets are challenging as they represent assets that are not paid for but rather are contributed by developers. The annual reconciliation performed by the County is a good detective control; however, we recommend that the County refine control processes that would limit the occurrence of such errors related to maintaining dual records (asset management and financial) for tangible capital assets. The County should fully integrate the asset management system so that assets can be managed and recorded in real time within the financial records. **2018 Update:** During our work performed over contributed tangible capital assets, we identified a cut-off error land that was transferred to the County in 2016 but was not recorded in the County's consolidated financial statements until fiscal 2018. Additionally, we noted one instance where a project under construction was completed on October 12, 2017, but was not transferred into service until fiscal 2018. The County has two established processes to verify the completeness, existence and accuracy of its tangible capital assets: 1. Departmental review of the tangible capital asset listing for each department, with sign-off verifying the completeness of the listing and existence of all assets included therein; and 2. Reconciliation between the County's land title registry, asset management system and financial records to ensure all land under County ownership has been recognized in the financial statements. We continue to recommend that the County move to maintaining one fully integrated asset management system.

Control and other observations (cont'd)

Matter	KPMG Comment
Capital budget, including budgeting for contributed tangible capital assets	**Observation (2017):** We noted that the budgeted amounts for the acquisition of tangible capital assets was significantly different than the actual acquisitions for the year. This variance is, in large part, a result of unspent carry forward amounts for capital expenditures that were budgeted for in prior years that have fallen behind plan, or have not occurred as scheduled. We acknowledge that the County has controls in place to monitor the progress of capital projects in progress and that these results are reported to Council on a regular basis; however, this underlying understanding of the timing of capital projects does not fully translate to the capital budget approved by Council and the amounts that are ultimately reported within the consolidated financial statements of the County. **Recommendation:** We recommended that the County review the components of its capital plan. These components include its processes for capital budget amendments, its historic capital priorities including approved but delayed capital projects, and the carry-forward amounts that are brought forward into the upcoming fiscal year to ensure the County has the capacity and funds necessary to execute and complete the capital projects. **2018 Update:** We note that for years after 2018, changes in the MGA require the County to budget on a 4-year cycle, which is expected to increase the budgeting precision as the County is required to look at projects and capacity more holistically rather than in isolation on a year by year basis and would expect that this matter will be resolved in future years.

Control and other observations (cont'd)

Matter	KPMG Comment
Disclosure of Government Partnerships, TransAlta Tri Leisure Centre (TLC)	**Observation (2017):** The TLC is a government partnership, which is described in the County's consolidated financial statements as included in the 'Government Reporting Entity', and is proportionately consolidated into the County's consolidated financial statements. Currently, the County's consolidated financial statements do not meet the disclosure standard requirements relating to the TLC government partnership. **Recommendation:** The County's consolidated financial statements should include a note disclosing its proportionate share of the financial position, operations and changes in net financial assets of the TLC. **2018 Update:** The County has included a note disclosing its proportionate share of the financial position, operations and changes in net financial assets of the TLC in the December 31, 2018 consolidated financial statements, and therefore, the disclosure standard requirements in PSAS 3060 have been met. We are satisfied that this recommendation has been adopted the matter will be removed from future reports.

Control and other observations (cont'd)

Matter	KPMG Comment
Environmental obligations	**Observation (2017):** The County identified a number of environmental matters that existed in the prior year including the requirement to reclaim lands used for the extraction of aggregate material. Although these environmental requirements have been in place for a number of years, the County had not been tracking or recording the obligation in their financial records. **Recommendation:** We recommended that the County review its processes and procedures related to gathering information and assessing environmental obligations. As the nature of tangible capital assets (land) and the levels of contamination change over time and throughout use, the requirement to remediate or reclaim could also change. The County should regularly re-evaluate all tangible capital assets that have been identified as higher risk on its risk register (for contamination), which would include ongoing dialogue between various departments/environmental experts and finance, to ensure that condition assessments and financial records are consistent. **2018 Update:** During our audit, we noted that the County continued to reassess current environmental obligations and review County records and assets for potential environment obligations. The environmental obligations that were identified in the prior year were reviewed by internal and/or external experts to evaluate the costs to remediate and compare to the obligations recorded in the consolidated financial statements. We are satisfied that the County has made sufficient improvements in these processes and have adopted the recommendation. The matter will be removed from future reports.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified adjustments or differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any audit adjustments that were subsequently corrected in the consolidated financial statements.

There were certain adjustments that were identified by management and corrected in the consolidated financial statements. The adjustments were not significant and therefore are not reflected in this report. We reviewed all client adjustments and updates to the consolidated financial statement presentation and disclosure and are satisfied that they have been appropriately reflected in the final consolidated financial statements.

Uncorrected differences

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

Adjustments and differences (continued)

Based on both qualitative and quantitative considerations, management have decided not to correct certain differences and represented to us that the differences —individually and in the aggregate—are, in their judgment, not material to the consolidated financial statements.

As at and year ended December 31, 2018	Annual Surplus (Decrease) Increase	Financial Position (Decrease) Increase		
Materiality - $2,495,000		Assets	Liabilities	Opening Accumulated Surplus
To record the tangible capital land asset contributed to the County in 2016 but not recorded until fiscal 2018.	$ (1,145,570)	–	–	$ 1,145,570

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

Appendices

Appendix 1: Required communications

Appendix 2: Draft Auditors’ Report

Appendix 3: Management representation letter

Appendix 4: Audit Quality and Risk Management

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit.

These include:

Auditors' Report

The conclusion of our audit is set out in our draft auditors' report as attached.

Management representation letter

In accordance with professional standards, copies of the management representation letter are provided to Council. The management representation letter is attached.

CPAB Audit Quality Insights Report (October 2018) (formerly the "Big Four Firm Public Report")

Appendix 2: Draft Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of Parkland County

Opinion

We have audited the consolidated financial statements of Parkland County (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

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

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Edmonton, Canada
April 23, 2019

Appendix 3: Management representation letter

KPMG LLP
2200, 10175 – 101 Street NW
Edmonton, AB
T5J 0H3

April 23, 2019

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of Parkland County ("the Entity") as at and for the period ended December 31, 2018.

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 our Contract No. 1705023CF dated September 28, 2017, 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, such as all financial records and documentation and other matters, including:

      (i) the names of all related parties and information regarding all relationships and transactions with related parties; and

      (ii) 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 management, 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.

Estimates:

8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

9) We have disclosed to you the nature of all environmental liabilities of which we are aware.

Going concern:

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

Misstatements:

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

Non-SEC registrants or non-reporting issuers:

12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Other:

13) We confirm that the contributed tangible capital assets reported in the financial statements are complete and accurate.

14) We have disclosed to you details of all significant property tax appeals and are satisfied that the financial statements reflect our best estimate of property tax appeal losses, if any.

Yours very truly,

M.A. (Mike) Heck, MBA, ADGM
Chief Administrative Office

Tracy Kibblewhite, CPA, CMA, CLGM
Chief Financial Officer

ATTACHMENT I – DEFINITIONS

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

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

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

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

Related parties

In accordance with Canadian accounting standards for public sector a *related party* is defined as:

- A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with Canadian accounting standards for public sector a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

ATTACHMENT II – SUMMARY OF AUDIT MISSTATEMENTS SCHEDULE(S)

Uncorrected audit misstatements

As at and year ended December 31, 2018	Annual Surplus (Decrease) Increase	Financial Position (Decrease) Increase		
Materiality - $2,495,000		Assets	Liabilities	Opening Accumulated Surplus
To record the tangible capital land asset contributed to the County in 2016 but not recorded until fiscal 2018.	$ (1,145,570)	–	–	$ 1,145,570

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

Appendix 4: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.

Visit our Audit Quality Resources page for more information including access to our most recent Audit Quality Report.

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

We do not offer services that would impair our independence.

The processes we employ to help retain
and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

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