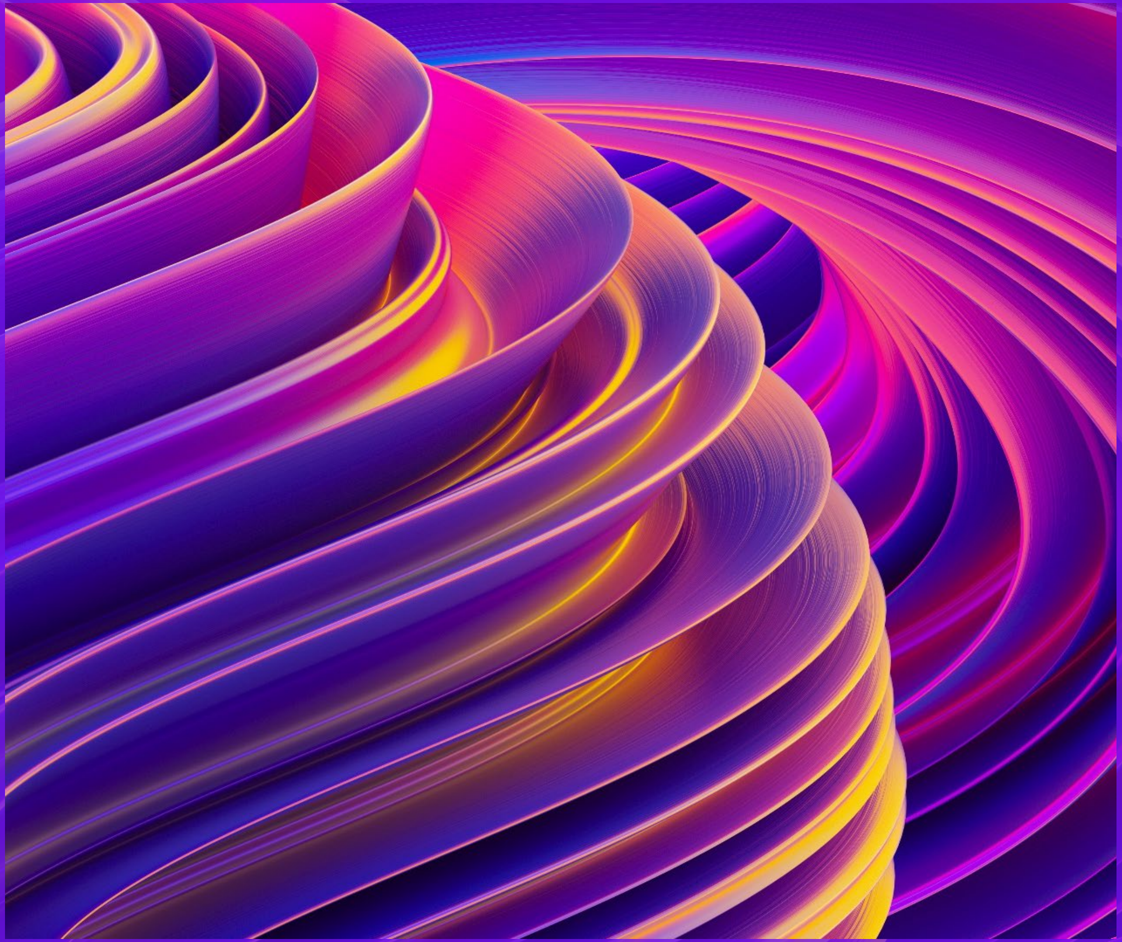
Attachment B

Cowichan Valley Regional District



Audit Findings Report
for the year ended December 31, 2023

KPMG LLP

Prepared for the meeting on May 8, 2024

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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The purpose of this report is to assist you, as a member of the Board of Directors (the "Board"), in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2023. This report is intended solely for the information and use of Management and the Board 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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If you are reading in electronic form (e.g. In "Adobe Reader" or "Board Books"), clicking on the home symbol on the top right corner will bring you back to this slide.

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

Audit highlights

No matters to report

Matters to report – see link for details

Scope

Our audit of the financial statements (“financial statements”) of Cowichan Valley Regional District (the “District” or “Entity”) as of and for the year ended December 31, 2023, was performed in accordance with Canadian generally accepted auditing standards.

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Risks assessment and results

Significant risks

No significant risks to report beyond those required by professional standards

Other risks of material misstatement

Other procedures

Going concern matters

Uncorrected misstatements

Uncorrected misstatements

We identified 4 differences which remain uncorrected in the financial statements, 2 of which are recurring items from prior years. The uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Corrected misstatements

Corrected misstatements

We identified 1 difference which was corrected in the financial statements. This is detailed in the management representation letter in Appendix 2.

Control observations

Control observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

We have issued a separate management letter with control recommendations and updates to prior year observations.

Policies and practices

Accounting policies and practices

Other financial reporting matters

Status

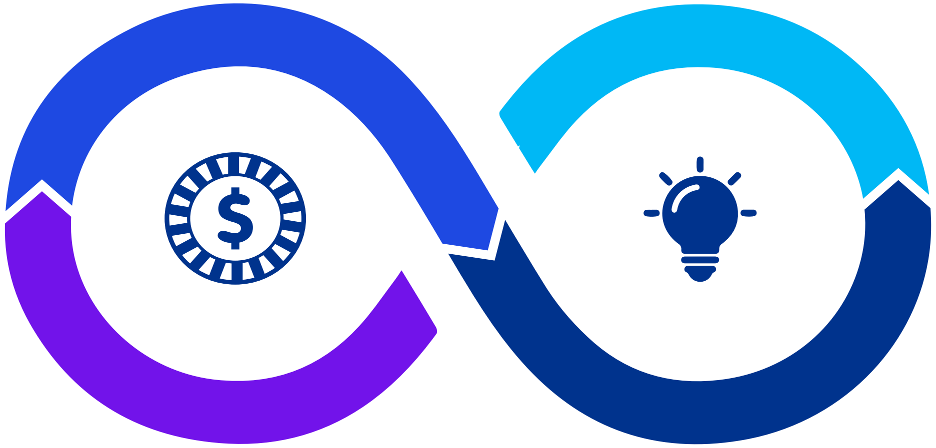
As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Board
- Obtaining evidence of the Board’s acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of Board’s acceptance of the financial statements.

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

A draft of our auditor’s report is included in the draft financial statements.

Materiality



We ***initially determine materiality*** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of ***professional judgement***, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We ***reassess materiality*** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We ***initially determine materiality*** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Evaluate the effect of misstatements

We also ***use materiality*** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Materiality

Materiality
$1,900,000
(2022: $1,700,000)

Total Expenses
$65.9 million
(2022: $60.4 million)

% of Benchmark
2.88%
(2022: 2.81%)

Audit Misstatement Posting Threshold
$95,000
(2022: $85,000)

Significant risks

Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF FRAUD

Presumption of the risk of fraud resulting from management override of controls

Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

There were no issues noted in our testing.

Fraud inquiries of those charged with governance

Inquiries required by professional standards

Professional standards require that we obtain your view on the risk of fraud. We make similar inquiries to management as part of our planning process:

- Are you aware of, or have you identified any instances of actual, suspected, possible, or alleged non-compliance of laws and regulations or fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- What are your views about fraud risks in the entity?
- How do you exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the entity and internal controls that management has established to mitigate these fraud risks?
- What is the Board's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of Board have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?
- Has the entity entered into any significant unusual transactions?

Other areas of focus

Asset retirement obligations

The District adopted PS 3280 *Asset Retirement Obligations* (“ARO”) for the fiscal year ended December 31, 2023. This accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. Under the new standard, an District is required to review its tangible capital assets and identify any legal obligations associated with the retirement of those tangible capital assets (ex: removal of asbestos), estimate the future remediation cost, and record that future obligation as a corresponding asset and liability in the statement of financial position today.

Management implemented the new standard on a prospective basis which resulted in a liability of approximately $1.5M being recognized on adoption at January 1, 2023. The liability relates to asbestos abatement, underground tank removal, decommissioning of water wells and landfill post-closure care. On adoption, $745,000 of expense was recognized related to tank removal and water wells, and $895,071 recognized as asset retirement obligation assets to be amortized over the period until remediation occurs.

Our response

- We obtained an understanding of management’s process for adopting the standard through discussion with management and review of the scoping and measurement analysis.
- We evaluated the knowledge, skills and abilities of the external consultant engaged by the District to assist with scoping and measurement.
- We tested completeness of in-scope identified assets, through review of external hazardous materials reports (where applicable), and review of other external source documents to validate whether any AROs existed at the financial reporting date.
- We tested the accuracy of the calculations made by management to arrive at the estimated remediation cost, including evaluating inputs used to calculate the liability such as inflation and discount rates.
- We reviewed the related financial statement disclosures and accounting policies.

Findings

- We noted no issues as a result of our testing.

Other areas of focus

Government transfers and deferred revenue

Our response

- We updated our understanding of the process activities and controls over government transfers and deferred revenue.
- We performed analytical procedures over interest income, user fees and revenue from own sources.
- We agreed tax requisition revenue to the approved budget and funds received.
- We selected a sample of government transfers received and government transfers recognized as revenue and obtained supporting documentation to validate the appropriateness of accounting treatment either as revenue or as deferred revenue.
- We assessed revenue recognition in accordance with the requirements of public sector accounting standards including government transfers.
- We tested the receipt of the Growing Communities Fund grant of $5.65 million and assessed the appropriateness of the accounting treatment in accordance with public sector accounting standards, including government transfers.

Findings

- We recommended the Growing Communities Fund Grant of $5,659,000 be recognized as revenue and reserve due to broad range of permitted expenditures. Management has corrected this difference.

Other areas of focus

Tangible capital assets

Tangible capital asset additions during 2023 totaled $11.6M, including the purchase of vehicles and land as well as the donation of land and sewer infrastructure.

Our response

- We updated our understanding of the process activities and controls over capital asset transactions.
- We tested a sample of tangible capital asset additions by agreeing a sample of additions to supporting invoices and payment. For assets put into service, we validated the date put into service, as well as confirmed that the amortization method and useful life was consistent with the amortization policy.
- We performed an analytical procedure over amortization expense by comparing the current year expense, adjusting for current year additions, to prior year.
- For donated assets, evidence of change in title and support for the value of the assets at the time of donation were inspected.

Findings

We noted 2 instances where land was donated in 2022 but was recorded as an addition in 2023. There is no impact to tangible capital assets, and the impact to revenue and accumulated surplus remains uncorrected.

The assumptions and data used to estimate asset retirement obligations will change over time, for example the estimated cost and life of assets. As the District performs remediation work, the retirement obligation should be reduced. These activities will require ongoing monitoring to maintain the accuracy of reporting related to asset retirement obligations in future years.

Other areas of focus

Cash and investments and debt

Response and findings

- We confirmed the balances with the respective financial institutions and MFA, including debt recoverable from members.
- We inspected items noted on the bank reconciliation and agreed a sample to source documentation to verify timing of the transaction was recorded appropriately.
- Consistent with previous years, we noted that accrued actuarial earnings on MFA debt had not been recorded as a reduction of debt and the debt reserve fund cash was disclosed in the notes to the financial statements but not recognized as an asset on the statement of financial position; these amounts remain uncorrected in the financial statements as management considers the impact not material and will consider these adjustments in future years as new debt is obtained.
- We obtained an understanding of management's process for implementing PS 3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation*. We reviewed financial statement presentation and notes disclosures for consistency with the requirement of PS 3450.

Expenses, procurement and payables

Response and findings

- We compared actual balances to expectations including prior year taking into account known significant transactions during the year.
- Salaries and wage expense included testing internal controls over management review of payroll expense as well as comparing actual to prior year, incorporating changes in expected pay rates based on collective agreements and changes in headcount.
- We performed a search for unrecorded liabilities by testing payments made subsequent to year end and assessing the completeness of liabilities and expenses.
- We noted no issues as a result of our testing.

Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.

Impact of uncorrected misstatements – Not material to the financial statements

- The table below and the management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial. This includes the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.
- 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.

	Statement of operations	Financial position		
Description	**Annual Surplus (Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Opening accumulated surplus (Decrease) Increase**
To recognize debt reserve fund cash on the statement of financial position	(33,202)	290,573	-	323,775
To recognize the accrued actuarial earnings related to MFA debt	14,122	-	(465,006)	225,442
Estimated understatement of asset retirement obligations	-	595,000	595,000	-
To recognize the land donation revenue in 2022 rather than 2023	(746,770)	-	-	746,770
Total uncorrected misstatements	**(765,850)**	**885,573**	**129,006**	**1,295,987**

Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements.

Impact of corrected misstatements

During the year, the CVRD received $5,649,000 as part of the Growing Communities Fund from the Province to support the delivery of infrastructure projects necessary to enable community growth. Based on the review of the funding, the eligible costs noted are specific to infrastructure but encompass a wide range of costs that are typical types of expenditures for most local governments. Therefore we concluded that the wording and nature of the stipulations are not strong enough to create an unavoidable obligation to meet the definition of a liability. We recommend recognition of the grant as revenue in 2023.

We recommended and management accepted a presentation adjustment to show GICs maturing longer than a year as investments, and interest as accounts receivable, rather than cash equivalents.

Below is a summary of the impact of the corrected misstatements:

	Statement of operations	Financial position		
Description	**Annual Surplus (Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Opening accumulated surplus (Decrease) Increase**
To recognize the Growing Community Grant as revenue in 2023	5,659,000	-	(5,659,000)	-
Reclassification of GICs from cash equivalents to investments and accounts receivable (accrued interest)	-	(10,371,896) 10,000,000 371,896	-	-
Total corrected misstatements	**5,659,000**	**-**	**(5,659,000)**	**-**

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any significant deficiencies in internal control over financial reporting.

Accounting policies and practices

We also highlight the following:

Significant accounting policies

- Management adopted PS 3280 *Asset Retirement Obligations* during the year using the prospective method. Management adopted PS 3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation* during the year.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the District's transactions in relation to the period in which they were recorded other than previously discussed in this report.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transactions and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.

Significant qualitative aspects of financial statement presentation and disclosure

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

Appendices

1. Required communicated
2. Management representation letter
3. Audit quality
4. Changes in accounting standards
5. Audit and Assurance Insights
6. Environmental, social and governance (ESG)

Appendix 1: Required communications

Auditor's report	Engagement letter
Refer to the draft report attached to the financial statements.	The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.

Independence	Management representation letter
As required by professional standards, we have considered all relationships between KPMG and the Entity that may have a bearing on independence. We confirm that we are independent with respect to the Entity 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 from January 1, 2023 up until the date of this report.	We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter is attached.

Appendix 2: Management representation letter

KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria, BC V8W 3Y7
Canada

May 8, 2024

We are writing at your request to confirm our understanding that your audits were for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Cowichan Valley Regional District (“the Entity”) as at and for the periods ended December 31, 2023.

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 contract for services dated September 29, 2022, 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, short sellers, or others.

   d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, 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) 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:

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

10) 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:

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.

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

Non-SEC registrants or non-reporting issuers:

13) 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).

14) 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.

Yours very truly,

____
Danielle Myles Wilson, Chief Administration Officer

____
Tracy Bowen, Chief Financial Officer

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)

Uncorrected

	Statement of operations	Statement of financial position		
	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
To recognize debt reserve fund cash on the statement of financial position	(33,202)	290,573		323,775
To recognize accrued actuarial earnings related to MFA debt	239,564		(465,006)	225,442
Estimated understatement of asset retirement obligations	-	595,000	595,000	-
To recognize land donation revenue in the correct period	(746,770)			746,770
Total uncorrected misstatements	**(540,408)**	**885,573**	**129,006**	**1,295,987**
Uncorrected disclosure misstatement - the tangible capital asset continuity schedule have presented work in progress additions and transfers at a gross amount instead of net due to CaseWare limitations in presentation.				

Corrected

	Statement of operations	Statement of financial position		
	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
To recognize the Growing Community Fund Grant as revenue	5,659,000	-	5,659,000	-
Reclassification of GICs from cash equivalents to investments and accounts receivable (accrued interest)	-	(10,371,896) 10,000,000 371,896	-	-
Total corrected misstatements	**5,659,000**	**-**	**5,659,000**	**-**

Appendix 3: Audit quality - How do we deliver audit quality?

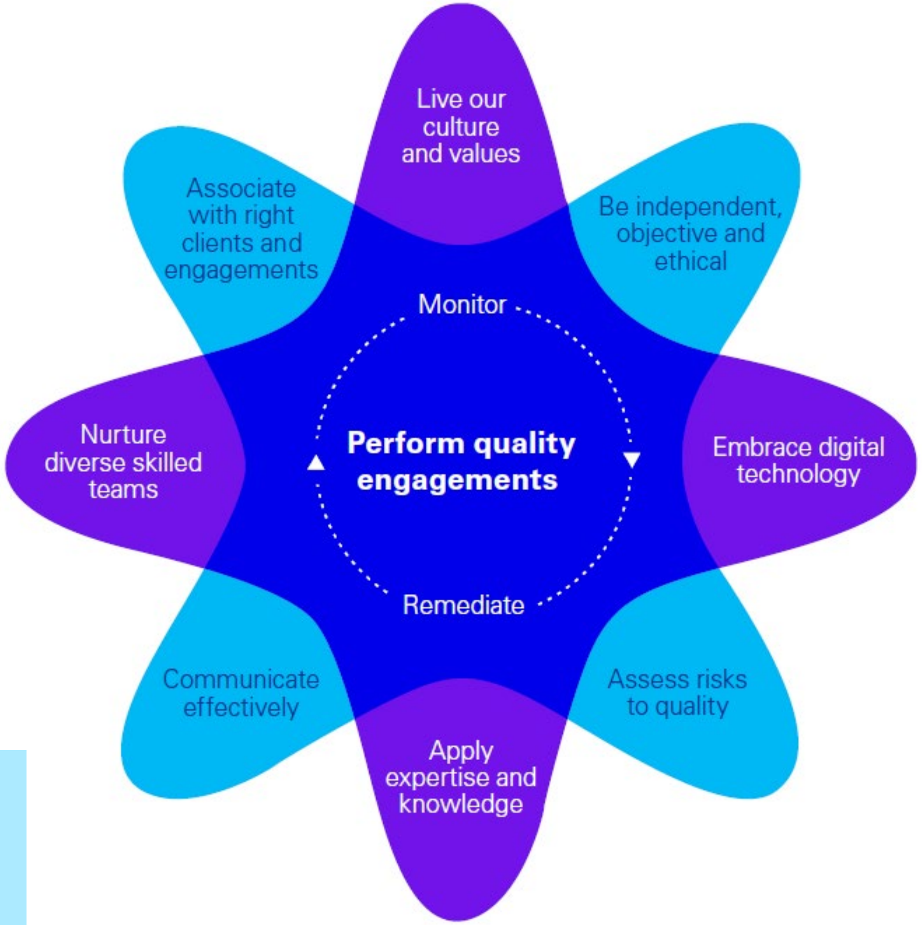
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

KPMG 2023 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 management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Doing the right thing. Always.

Appendix 4: Changes in accounting standards

Standard	Summary and implications
Revenue Effective FY2024	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • 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.
Purchased Intangibles Effective FY2024	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 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 Effective FY2024	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023. • 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 4: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits Proposed FY2027	• 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 4: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance Proposed FY2027	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 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
Proposed FY2027
	• 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 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 5: Audit and assurance insights

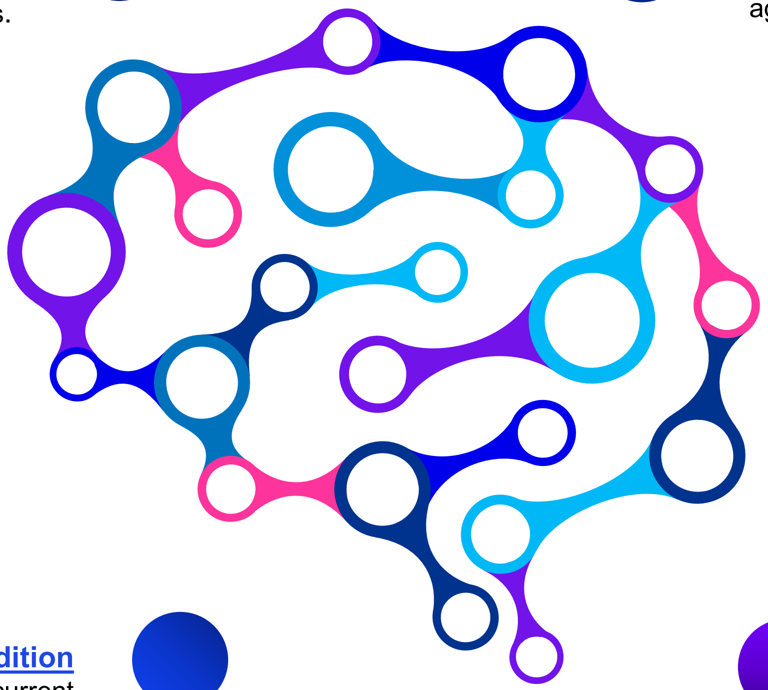
Our latest thinking on the issues that matter most to the Finance and Audit Committee, board of directors and management.

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 center 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.

Appendix 6: Thought leadership and insights

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

Intentional adoption of smart, digital, experience-centric solutions have become indispensable in overcoming today’s challenges and aligning city services to the future needs and well-being of the public. We invite you to explore this report on KPMG’s global research and insights on The future of local government.

The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.

KPMG’s Climate Change Financial Reporting Resource Centre

KPMG’s climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

Click here to access KPMG’s portal.

A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report (click here) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.

Appendix 6: ESG Thought leadership and insights (continued)

Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.

This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

Market statistics highlight the issues surrounding responsible investment.

Appendix 6: ESG Thought leadership and insights (continued)

Environmental, social and governance ("ESG")

First IFRS Sustainability Disclosure Standards

The arrival of the first two IFRS Sustainability Disclosure Standards marks a key milestone in sustainability reporting and is a significant step towards creation of a global baseline for stakeholder-focused sustainability reporting that local jurisdictions can build on. **Although the standards are not required to be adopted by the District, the new IFRS sustainability standards provide key insights into what the future of sustainability reporting may look like for the District. The Canadian Sustainability Standards Board released the first proposed Canadian standards for public comments due by June 10, 2024.**

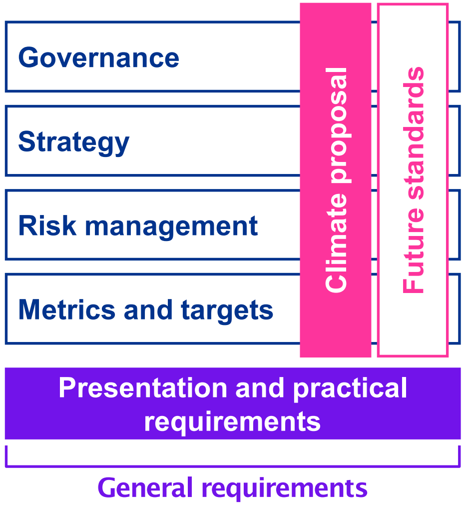
Summary of the recently released standards

The standards build on the four-pillar structure of the **Task Force on Climate-related Financial Disclosures**.

The **general requirements standard** **(IFRS S1)** defines the scope and objectives of reporting and provides core content, presentation and practical requirements.

It requires disclosure of material information on all sustainability-related risks and opportunities – not just on climate.

The **climate standard** **(IFRS S2)** replicates the core content requirements and supplements them with climate-specific reporting requirements.



Visit KPMG's Sustainability Reporting website for more information, including a comprehensive summary of the new requirements and KPMG's insights and illustrative examples for the new standards.

Click here to access KPMG's portal

https://kpmg.com/ca/en/home.html