



METRIX GROUP LLP

CHARTERED PROFESSIONAL
ACCOUNTANTS

CITY OF SPRUCE GROVE

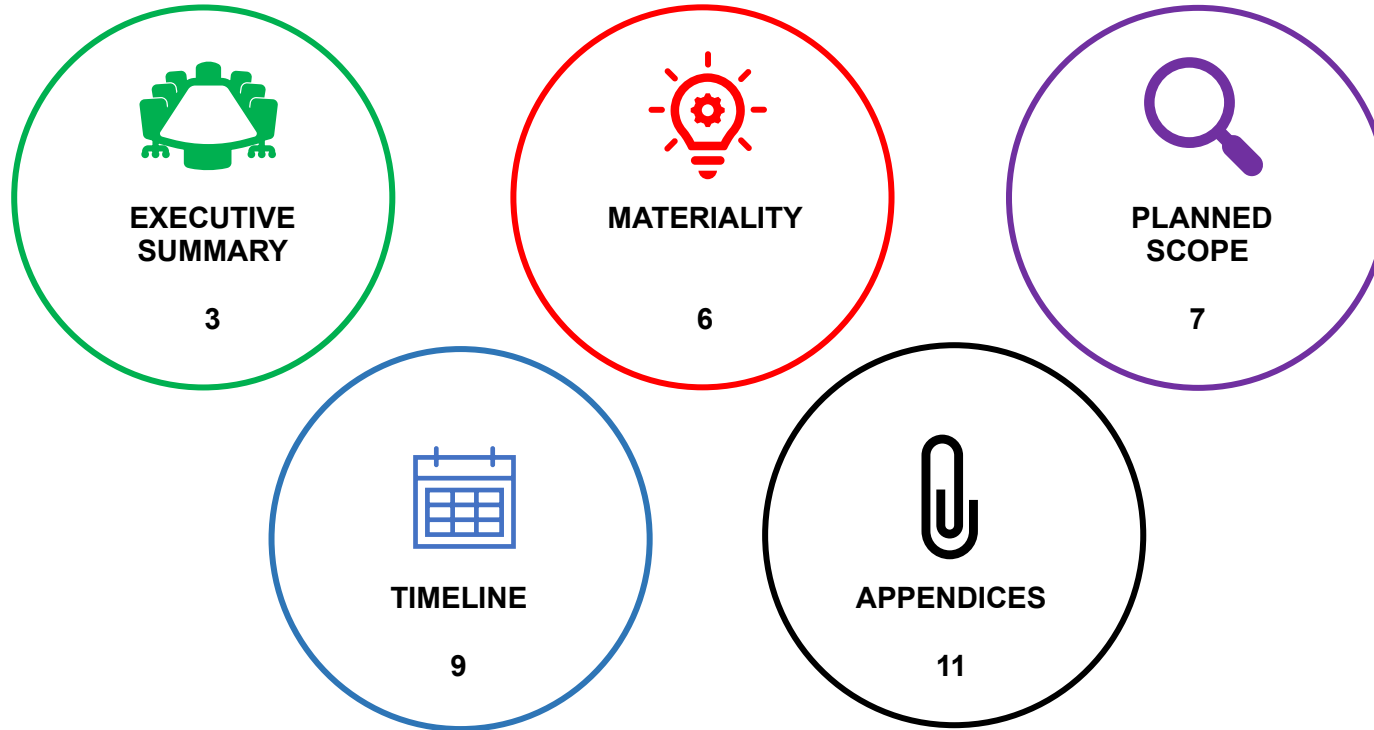
Audit Planning Report

For the year-ended December 31, 2024

February 3, 2025



REPORT CONTENTS





EXECUTIVE SUMMARY

Purpose of this report

We are pleased to provide you with our audit planning report for the City of Spruce Grove (the “City”) for the year-ended December 31, 2024. The purpose of this report is to:

1. Communicate clearly with Council members (“Council”) what our responsibilities are in relation to the consolidated financial statement audit.
2. Provide an overview of the planned scope and timing of the audit.
3. Obtain from Council information relevant to the audit.
4. Promote effective two-way communication between Council and the auditor.

Services to be provided

We have been engaged to perform the following services.

- Audit of the City’s consolidated financial statements
- Preparation of the consolidated financial statements
- Preparation and Certification of the Municipal Financial Information Return (“FIR”)
- Audit of the City’s Family and Community Support Services (“FCSS”) program

Audit fees

We estimated our audit fees to be consistent with those quoted in our most recent proposal to the City dated August 21, 2023. This amount does not include Goods and Services Tax. The fee estimate, which does not include out-of-pocket expenses, is based on the assumption the City will provide all necessary supporting working papers, and that minimal adjusting journal entries will be required.

Engagement team

Team member	Role	Experience
<p>Jeff Alliston, CPA, CA Engagement Partner</p>	<p>As the engagement partner, Jeff will have the responsibility of leading the audit and will be responsible for the quality and timeliness of the audit.</p> <p>Jeff will also be available throughout the audit process and will attend the Council meeting with management and present the financial statements.</p>	<p>Jeff holds over 15 years of public sector auditing experience working with municipalities of all types and sizes.</p> <p>He has also delivered many presentations on public sector topics and is also a member of the Emerging Issues Task Force as administered by the Government Finance Officers Association – Alberta Chapter.</p>
<p>Danny On, CPA Senior Manager</p>	<p>As the engagement senior manager, Danny will be responsible for reviewing and reporting the audit results.</p>	<p>Danny has over five years of providing assurance services to clients. Prior to joining Metrix in 2019, Danny completed his auditing experience with a national firm and has spent a year as an internal auditor with a federally regulated financial institution.</p>
<p>Clare McCourt, CPA Manager</p>	<p>As engagement manager, Clare will be the main contact on the file.</p> <p>Clare will assist Danny in the planning, executing, and reporting of the audit.</p>	<p>Clare joined Metrix in 2019 and has since developed a specialization in public sector entities and not-for-profit organizations. Clare obtained her Chartered Professional Accountant designation in 2022.</p>
<p>Melina Lefebvre, MPAcc Senior Accountant</p>	<p>Melina will be responsible for assisting Clare with the execution of the audit.</p>	<p>Melina successfully challenged the CFE in September 2024. During her time with Metrix, Melina has worked on numerous not-for-profit organization and public sector entity audits.</p> <p>Melina holds a Master of Professional Accounting degree.</p>

Responsibilities

It is important for Council to understand the responsibilities that rest with the City and its management and those that belong to the auditor in relation to the consolidated financial statement audit.

Our responsibilities

Our audit of the City's consolidated financial statements will be performed in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements present fairly in all material respects, the financial position, the results of operations and cash flows of the City in accordance with Canadian public sector accounting standards.

Accordingly, we will plan and perform our audit to provide reasonable, but not absolute, assurance of detecting fraud and errors that have a material effect on the consolidated financial statements.

The audit included consideration of internal control relevant to the preparation of the consolidated financial statements 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 internal control.

Canadian generally accepted auditing standards does not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate to Council.

Responsibilities of management and those charges with governance

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

Those charged with governance, Council, is responsible for overseeing the City's financial reporting process.

After reviewing this report, please advise us whether there are any additional areas of concerns to Council which we should consider.



MATERIALITY

Materiality in an audit is used as a guide for planning the nature and extend of audit procedures and for assessing the sufficiency of audit evidence gathered. It is also used in evaluating the misstatements found and determining the appropriate audit opinion to express.

Misstatements, individually or the aggregate, are considered to be material if, in the light of surrounding circumstances, it is probable that the decision of a person who is relying on the consolidated financial statements, and who has reasonable knowledge of business and economic activities, would be changed or influenced by such misstatements or the aggregate of all misstatements. The materiality decision is based on our professional judgement taking into consideration quantitative and qualitative factors.

Materiality	Comments	Preliminary balances ¹
Benchmark	We have concluded that the use of operating expenses is an appropriate benchmark for calculating materiality.	
Planning materiality	3% of the relevant benchmark has been determined to be appropriate.	\$3,220,000
Performance materiality	75% of planning materiality, used primarily to determine the nature, timing and extent of audit procedures.	\$2,415,000
Trivial threshold	We have set the trivial threshold at 5% of materiality used to accumulate misstatements identified during the audit.	\$161,000

¹Preliminary materiality balances are based on prior year results which are subject to change. In the event that the actual results vary significantly, we will communicate these changes to Council as part of our year-end communication.



PLANNED SCOPE

Audit approach

Based on our knowledge of the City, we are planning on utilizing a combined approach testing internal controls that are relevant to the audit in addition to planned substantive procedures. This approach is more appropriate when an entity processes a high volume of transactions and has strong internal controls. By obtaining assurance through tests of controls, we are able to place reliance on the control environment and reduce the number of substantive procedures required.

Our response to significant risks

Our planned procedures have been designed in response to risks identified during our risk assessment. Based on our knowledge of the City and our understanding of current year developments, we have identified the following areas of focus for the audit.

Areas of Focus	Why it Matters	Our Response
Management override of controls	<ul style="list-style-type: none">- Under Canadian Auditing Standards (“CAS”), there is a presumed fraud risk due to the potential of management override of controls through manual journal entries. <p>We have not identified any indicators of additional risks with respect to management override of internal controls.</p>	<ul style="list-style-type: none">- Using data analytics, we will identify a sample of journal entries and other adjustments and assess the business rationale of the entries recorded.

Areas of Focus	Why it Matters	Our Response
Revenue recognition (including deferred revenue)	<ul style="list-style-type: none"> - There is risk of premature revenue recognition of funding amounts received with external restrictions attached to them (e.g., Government of Alberta, federal government, ...etc.). 	<ul style="list-style-type: none"> - We will update our understanding of the processes and controls in place regarding revenues received. - We will review the recognition of amounts subject to external restrictions to ensure they are correctly recognized. - We will examine related agreements and other source documentation containing guidance for the purpose and use of the restricted funds. - Where possible, we will coordinate with procedures, tangible capital assets and deferred revenue.
Tangible capital assets (“TCA”)	<ul style="list-style-type: none"> - There exists the risk that TCA has been expensed rather than capitalized or have been recorded incorrectly. - Conversely, there exists the risk that expenditures that are not capital in nature have been capitalized. - Moreover, there is the risk that contributed TCA have not been recorded. - The valuation of TCA is subject to management’s estimate which may be complex and subject to change. 	<ul style="list-style-type: none"> - We will review the amortization policy. - We will inquire with management regarding any indicators of impairment. Where required, we will perform an impairment assessment. - We will perform substantive tests of details over additions and disposals. - We will re-calculate amortization expense and any gains / losses on the disposal of TCA. - We will assess the completeness of contributed tangible capital assets. - Where possible, we will coordinate with procedures performed over deferred revenue.

Request of Council

Please advise us whether there are additional areas of concern to Council which we should consider. This includes any instances of actual, suspected, or alleged fraud affecting the City. We request that Council advise us whether there are any additional areas of concern which we should consider. We welcome discussion on any areas of audit concern that Council may have.

In performing your duties as Council, you may become aware of additional areas of concern that you would like us to address. We welcome discussion on any areas of audit concern that Council may have.



TIMELINE

Below is our planned timeline for the City's audit.

Planning (October 2024)	<ul style="list-style-type: none">- Completed initial risk assessment.- Send interim requests.
Interim Fieldwork (November 2024)	<ul style="list-style-type: none">- Update for changes to the control environment.- Begin tests of internal controls.- Begin substantive procedures (where possible).- Complete the risk assessment process.
Year-end Fieldwork (February - March 2025)	<ul style="list-style-type: none">- Completion of substantive procedures and tests of controls.
Reporting (April 2025)	<ul style="list-style-type: none">- Draft consolidated financial statements provided to management.- Presentation of consolidated financial statements to Council.- Council approval of consolidated financial statements.- Submission to municipal affairs.
Debrief (May 2025)	<ul style="list-style-type: none">- Discussion with management and Council regarding any matters impacting future audits, if any.

Client Preparedness and Engagement Commencement

The commencement of our engagement is contingent upon the accounting records being fully prepared and accessible as per the agreed-upon schedule. If the accounting records or required personnel are not available as planned, this may cause delays in deliverables, missed timelines, and potentially increased fees due to the additional time and resources required.

Significant delays resulting from the unavailability of records or personnel may necessitate modifications to the audit plan, including but not limited to, the overall project timeline (i.e., reporting after May 1). Management acknowledges that such adjustments may impact the scope, cost, and timing of the engagement.



APPENDICES

- **Appendix 1 – Required Communications**
- **Appendix 2 – Engagement Letter**
- **Appendix 3 – New and Revised Accounting Standards**

Appendix 1 – Required communications

Independence

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to Council, at least annually, all relationships between our Firm and the City that—in our professional judgement—may reasonably be thought to bear on our independence.

We will confirm our independence up to the date of our auditor report at the conclusion of the audit.

Engagement letter

The Engagement Letter will document the objective and scope of the audit; define the responsibilities required of Metrix and management; and establish the terms and conditions of the engagement. Please refer to **Appendix 2**.

Management representation

Management's representations are integral to the audit evidence we will gather. Prior to the release of our independent auditors' report, we will require management's representations in writing to support the content of our report.

Communication of results

At the completion of our audit, we will communicate to Council matters arising from consolidated the financial statement audit. Our communication will include the following:

- Matters required to be communicated to Council under Canadian generally accepted auditing standards including possible fraudulent activities, possible illegal acts, significant weaknesses in internal control and certain related party transactions;
- Our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Other matter arising from the audit that, in our professional judgement are important and relevant to Council; and,
- Any other matters previously agreed with you to be communicated to Council.

Appendix 2 – Engagement letter

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February 3, 2025

DELIVERED VIA EMAIL

City of Spruce Grove
315 Jespersen Ave
Spruce Grove AB T7X3E8

Attention: Mayor Jeff Acker

Dear Mr. Acker:

Re: Engagement letter

The Objective and Scope of the Audit

You have requested that we audit the consolidated financial statements of City of Spruce Grove (the "City"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements (including a summary of significant accounting policies) .

We are pleased to confirm our acceptance and our understanding of the nature, scope and terms of this audit engagement, and all services related thereto, by means of this letter (the "Engagement").

The objectives of our audit are to obtain reasonable assurance about whether the consolidated 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 these consolidated financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements. 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:

- a. Identify and assess the risks of material misstatement of the consolidated 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.
- b. 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. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the consolidated financial statements that we have identified during the audit.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

Form and Content of Audit Opinion

Unless unanticipated difficulties are encountered, our report will be substantially in the following form contained in Appendix A to this letter.

The Responsibilities of Management

Our audit will be conducted on the basis that management and, where appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards.
- b. For the design and implementation of such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
- c. To provide us with timely:
 - i. Access to all information of which management is aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters;
 - ii. Information about all known or suspected fraud, any allegations of fraud or suspected fraud and any known or probable instances of non-compliance with legislative or regulatory requirements;
 - iii. Additional information that we may request from management for the purpose of the audit; and
 - iv. Unrestricted access to persons within the City of Spruce Grove from whom we determine it necessary to obtain audit evidence.

As part of our audit process:

- a. We will make inquiries of management about the representations contained in the consolidated financial statements. At the conclusion of the audit, we will request from management and, where appropriate, those charged with governance written confirmation concerning those representations. If such representations are not provided in writing, management acknowledges and understands that we would be required to disclaim an audit opinion.
- b. We will communicate any misstatements identified during the audit other than those that are clearly trivial. We request that management correct all the misstatements communicated.

Use of Information

It is acknowledged that we will have access to all information about identified individuals ("personal information") in your custody that we require to complete our Engagement. Our services are provided on the basis that:

- a. You represent to us that management has obtained any required consents for our collection, use, disclosure, storage, transfer and process of personal information required under applicable privacy legislation and professional regulation; and
- b. We will hold all personal information in compliance with our Privacy Statement.

File Inspections

In accordance with professional regulations (and by our Firm's policy), our client files may be periodically reviewed by practice inspectors and by other engagement file reviewers to ensure that we are adhering to our professional and Firm standards. File reviewers are required to maintain confidentiality of client information.

Confidentiality

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of the City of Spruce Grove unless:

- a. We have been specifically authorized with prior consent;
- b. We have been ordered or expressly required by law or by the Alberta *Code of Professional Conduct/Code of Ethics*; or
- c. The information requested is (or enters into) public domain.

Use and Distribution of Our Report

The examination of the consolidated financial statements and the issuance of our audit report are solely for the use of the City of Spruce Grove and those to whom our report is specifically addressed by us. We make no representations or warranties of any kind to any third party in respect of these consolidated financial statements or our audit report, and we accept no responsibility for their use by any third party or any liability to anyone other than the City of Spruce Grove.

For greater clarity, our audit will not be planned or conducted for any third party or for any specific transaction. Accordingly, items of possible interest to a third party may not be addressed and matters may exist that would be assessed differently by a third party, including, without limitation, in connection with a specific transaction. Our audit report should not be circulated (beyond the City of Spruce Grove) or relied upon by any third party for any purpose, without our prior written consent.

You agree that our name may be used only with our prior written consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us in writing.

Reproduction of Auditors' Report

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review and approval in writing before the publication or posting process begins.

Management is responsible for the accurate reproduction of the consolidated financial statements, the auditors' report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized consolidated financial statements that we have audited.

We are not required to read the information contained in your website or to consider the consistency of other information in the electronic site with the original document.

Preparation of Schedules

We understand that management will prepare certain schedules and locate specified documents for our use before our Engagement is planned to commence.

This assistance will facilitate our work and help to minimize our costs. Any failure to provide these working papers or documents on a timely basis may impede our services and require us to suspend our services or even withdraw from the Engagement.

Communications

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus or otherwise used or communicated by an unintended third party, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim, and you release us from, any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this Engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues, or anticipated profits).

If you do not consent to our use of electronic communications, please notify us in writing.

Ownership

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the Engagement are the property of our Firm, constitute our confidential information and will be retained by us in accordance with our Firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any lost or corrupted data or other damage or loss suffered or incurred by you in connection with your use of them.

We retain the copyright and all intellectual property rights in any original materials provided to you.

Accounting Advice

Except as outlined in this letter, this Engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement letter.

Indemnity

The City of Spruce Grove hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our Firm (and its partners, agents and employees) from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands and liabilities arising out of (or in consequence of):

- a. The breach by the City of Spruce Grove, or its directors, officers, agents or employees, of any of the covenants or obligations of the City of Spruce Grove herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the consolidated financial statements in reference to which the engagement report is issued, or any other work product made available to you by our Firm.
- b. A misrepresentation by a member of your management or those charged with governance.

Time Frames

We will use all reasonable efforts to complete the Engagement as described in this letter within the agreed upon time frames.

However, we shall not be liable for failures or delays in performance that arise from causes beyond our reasonable control, including any delays in the performance by the City of Spruce Grove of its obligations.

Estimated Fees

We estimate that our fees for these services will be \$51,500 (per our proposal dated in August 21, 2023) for the Engagement, plus direct out-of-pocket expenses and applicable GST. This fee estimate is based on:

1. The anticipated cooperation from all your personnel in preparing the requested information on a timely basis;
2. The ongoing assistance of personnel throughout the Engagement; and
3. The assumption that unexpected circumstances will not be encountered.

If significant additional time is likely to be incurred, we will discuss the reasons with you and agree on a revised fee. Fees will be rendered as work progresses and are payable on presentation.

Billing

Our fees and costs will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 1.00% per month or 12.00% (APR) per annum. We reserve the right to suspend our services or to withdraw from this Engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

Termination

Management acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in the termination of the Engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party *not less than 30 calendar days before the effective date of termination*. If early termination takes place, the City of Spruce Grove shall be responsible for all time and expenses incurred up to the termination date.

If we are unable to complete the audit or are unable to form, or have not formed, an opinion on the consolidated financial statements, we may withdraw from the audit before issuing an auditors' report, or we may disclaim an opinion on the consolidated financial statements. If this occurs, we will communicate the reasons and provide details.

Not Liable For Any Failures or Delays Beyond Our Control

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed-upon time frames. However, we shall not be liable for any failures or delays in performance that arise from causes beyond our control including the untimely performance by the City of Spruce Grove of its obligations.

Metrix Privacy

The privacy and security of the personal information you provide is important to us. We strive to ensure the strictest compliance with all applicable provincial and federal standards of protection and disclosure of personal information by any and all of our employees, agents, divisions and/or affiliates. You may review our privacy policy at www.metrixgroup.ca. We will not collect, use, or disclose any of your personal information without your knowledge and consent, or as may be required by law or our profession's Rules of Conduct.

Metrix Working Papers

Metrix Group LLP owns all working papers and files, other materials, reports and work created, developed or performed during the course of the engagement, including intellectual property used in the preparation thereof. We will provide management with a copy of all practitioner-prepared working papers necessary for the company's accounting records. Metrix Group LLP may develop software, including spreadsheets, documents, databases, and other electronic tools, to assist us with our assignment. As these tools were developed specifically for our purposes and without consideration of any purpose for which the company might use them, any such tools provided to the company, are made available on an "as is" basis only and should not be distributed to or shared with any third party.

Conclusion

This engagement letter includes the relevant terms that will govern the Engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

The arrangements outlined in this letter will continue in effect from year to year unless changed by either party.

If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the attached copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to your City.

Yours truly,

METRIX GROUP LLP

Chartered Professional Accountants

Acknowledged and agreed to on behalf of City of Spruce Grove by:

Mr. Jeff Acker
Mayor

February 3, 2025
Date signed

Appendix A - Expected Form of Report

To the Councillors of City of Spruce Grove

Opinion

We have audited the consolidated financial statements of City of Spruce Grove (the "City"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2024, and the results of its operations and consolidated cash flow for the period 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 Consolidated Financial Statements* section of our report. We are independent of the City in accordance with ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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.

Appendix A *(continued)*

- 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 auditors' report to the related disclosures in the consolidated 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 City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Appendix 3 – New and revised accounting standards

Accounting standards coming into effect

PS 3400 – Revenue	
What's changed?	<p>Effective April 1, 2023, PS 3400 establishes standards on how to account for and report on revenues. Specifically, it differentiates between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.</p> <p>Prior to PS 3400, PSAS only provided guidance on revenue recognition for a limited number of revenue transactions (e.g., government transfers (PS 3410), tax revenues (PS 3510), restructuring (PS 3430), ...etc.). No standard was provided for general revenue. Rather, guidance was established as a part of financial statement concepts (PS 1000) and presentation (PS 1201). The ambiguity of the standard along with growing complexity in revenue streams resulted in public sector entities and practitioners seeking guidance in other existing accounting frameworks. This resulted in inconsistent accounting treatment across entities.</p>
How will it impact the audit?	<p>As noted in our planned scope, revenue recognition and measurement will be a significant area of focus. We will be reviewing revenue transactions for potential streams of revenue that are within the scope of PS 3400. Significant revenue transactions will be reviewed for performance obligations to address the risk of pre-mature revenue recognition. We will also be reviewing policies over revenue recognition and financial statement disclosures for compliance with the changes to the standard.</p>

PS 3400 – Revenue	
What’s required of management?	<p>In preparation for the standard, it is important that the City take their time to complete proper analysis of significant revenue streams. Management will need to identify potential revenue streams that are within the scope of PS 3400.</p> <p>For each stream of revenue within the scope, management will need to complete the following:</p> <ul style="list-style-type: none"> - Determine whether the transaction is an exchange or non-exchange transaction; - Identify any performance obligations; - Determine the transaction price; - Allocate transaction prices to each performance obligation; - Recognize revenue when recognition conditions are satisfied. <p>Management will need to update their accounting policies to include a clear and concise description of typical performance obligations and methods that apply when recognizing revenue.</p> <p>Separate disclosure of revenues that are not related to recurring activities should be included in the financial statements.</p>

PSG-8 – Purchased Intangibles	
What’s changed?	<p>Effective April 1, 2023, PSG-8 establishes guidelines for the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in PS 1000.</p> <p>Purchased intangibles are identifiable non-monetary economic resources without physical substance acquired through an arm’s length exchange transaction between knowledgeable, willing parties who are under no compulsion to act.</p> <p>Purchased intangibles do not include:</p> <ul style="list-style-type: none"> • Software – accounted for under PS 3150 Tangible Capital Assets. • Intangibles acquired through transfer – accounted for under PS 3410 Government Transfers • Intangibles acquired through contribution or inter-entity transaction – accounted for under PS 3420 Inter-entity Transactions.

PSG-8 – Purchased Intangibles	
	<ul style="list-style-type: none"> • Intangibles acquired as part of a public private partnership arrangement – accounted for under PS 3160 Public Private Partnerships. • Purchase premiums arising on acquisition of a government organization are accounted for under: <ul style="list-style-type: none"> ○ PS 2510 Additional Areas of Consolidation – when acquiring a governmental unit ○ PS 3070 Investments in Government Business Enterprises – when acquiring a government business enterprise. • Intangibles purchased by organizations using PS 4200 – accounted for under PS 4230 Capital Assets Held by Not-for-Profit Organizations. <p>Purchased intangibles should be recognized when they meet the assets definition and recognition criteria in Chapters 8 and 9 of the Conceptual Framework.</p> <p>As PSG-8 does not provide detailed guidance for purchased intangibles, additional guidance can be found in the following areas:</p> <ul style="list-style-type: none"> • Conceptual Framework Chapter 8, 9, and 10 – definition of an asset, recognition, measurement, and disclosure concepts. • PS 3210 Inter-entity Transactions – elaboration on asset definition. • PS 1150 Generally Accepted Accounting Principles – GAAP hierarchy. <p>Purchased intangibles are normally recognized as non-financial assets.</p> <p>Application can be retroactive or prospective in accordance with PS 2120.13 Accounting Changes.</p>
How will it impact the audit?	<p>We are expecting minimal impact to the audit process as many of our municipal clients do not have unrecognized intangible assets.</p> <p>If any purchased intangibles are recognized by management in the year, Metrix will assess the significant items against the recognition criteria to determine if the requirements have been met and measurement is appropriate.</p> <p>We will also inspect significant assets and computer software and license expenses to determine if any meet the criteria for purchased intangibles.</p>

PSG-8 – Purchased Intangibles	
What’s required of management?	<p>To prepare for the guidance, management should review current expenditures that may qualify as purchased intangibles, such as computer software or licenses. Any identified items should then be evaluated against the recognition criteria to determine if they qualify as purchased intangibles.</p> <p>Additionally, management will have to review the consistency of accounting treatments related to purchased intangibles. Management will need to update their accounting policies to outline what constitutes a purchased intangible and how it will be reflected in the financial statements.</p>

PS 3160 – Public Private Partnerships	
What’s changed?	<p>Effective April 1, 2023, PS 3160 establishes standards on accounting for public private partnerships (“P3”) between public and private sector entities where the public sector entity (“PSE”) procures infrastructure using a private sector partner (“PSP”).</p> <p>P3s are an alternative finance and procurement model available to PSE to design, build, acquire, or better infrastructure, which may include tangible capital assets or intangible assets.</p> <p>A P3 exists when the PSP obligations include requirements to:</p> <ol style="list-style-type: none"> 1) Design, build, acquire or better new or existing infrastructure; 2) Finance the transaction past the point where the infrastructure is ready for use; and 3) Operate and/or maintain the infrastructure. <p>Under PS 3160, a PSE will have to:</p> <ul style="list-style-type: none"> • Recognize infrastructure assets arising from the P3 agreement; and • Recognize a corresponding infrastructure liability when it recognizes an infrastructure asset and has an obligation to compensate the PSP.
How will it impact the audit?	<p>Recognition and measurement will be a significant area of focus. Where a risk of a P3 arrangement exists, we will be reviewing private sector agreements to assess if the agreement is within the scope of PS 3160.</p> <p>For agreements determined to be a P3, we will assess management’s recognition and measurement of the infrastructure assets and liabilities as well as any underlying assumptions and estimates used.</p>

	<p>Depending on the effective dates of the P3 agreements identified, management will have to determine the appropriate transitional provision (i.e., determine whether to apply PS 3160 prospectively versus retroactively).</p> <p>We will also review policies over P3s and financial statement disclosures for compliance with the changes to the standard.</p>
<p>What's required of management?</p>	<p>In preparation for the standard, it is important that the City take their time to complete a proper analysis of current or planned agreements with private sector entities. Management will need to identify potential private sector agreements that are within the scope of PS 3160.</p> <p>For each agreement within the scope, management will need to complete the following:</p> <ul style="list-style-type: none"> • Determine capital costs based on direct construction costs and construction risk considerations assumed by the PSP; • Recognize infrastructure assets in accordance with PS 3150 and PS 1000; • Determine the classification of liability based on the nature of consideration provided to the PSP; • If consideration falls under both the financial liability model and user-pay model, allocate the total liability between financial liability model and user-pay model; • Recognize amortization for the infrastructure assets; and • Recognize revenue for liabilities under the user-pay model. <p>For P3s requiring retroactive application, management will need to determine the impact on tangible capital assets, liability, revenue (if under the user-pay model), and expenses.</p> <p>Management will need to update their accounting policies to outline what constitutes a P3 agreement and how it is to be reflected on the financial statements.</p> <p>Separate disclosures related to the P3 should be included in the financial statements.</p>

Future accounting standard pronouncements

Standard	Summary	Effective Date
PS 1202 Financial Statement Presentation	This standard sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement principles are based on the concepts in the Conceptual Framework for Financial Reporting in the Public Sector.	Fiscal years beginning on or after April 1, 2026. Early adoption is permitted.
The Conceptual Framework for Financial Reporting in the Public Sector	The PSAB's framework replaces the conceptual aspects of PS 1000 – Financial Statement Concepts, and PS 1100 – Financial Statement Objectives.	Fiscal years beginning on or after April 1, 2026. Early adoption is permitted.