



METRIX GROUP LLP

CHARTERED PROFESSIONAL
ACCOUNTANTS

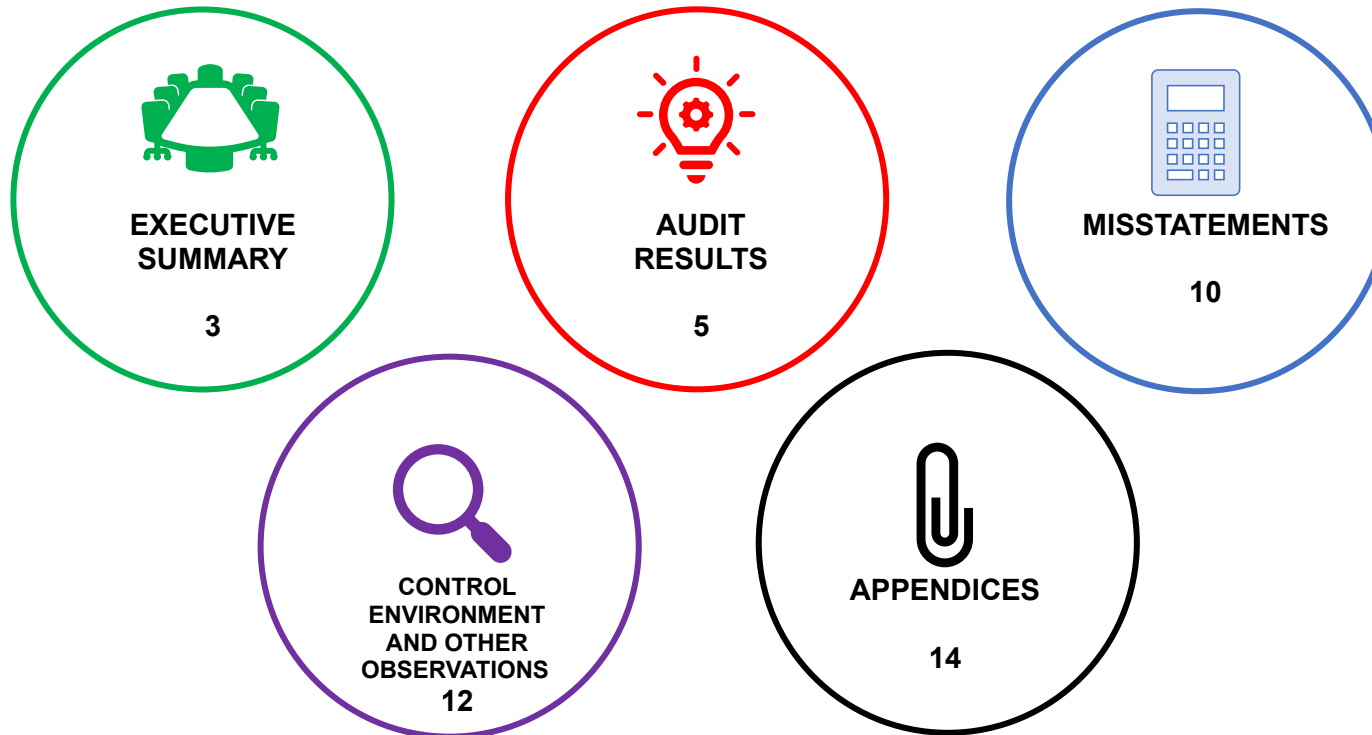
MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

Audit Findings Report

For the year ended December 31, 2024

April 8, 2025

REPORT CONTENTS





EXECUTIVE SUMMARY

Purpose of this report

The purpose of this report is to communicate clearly with you the findings of our audit of the Municipal District of Bonnyville No. 87 (the “Municipality”) for the year ended December 31, 2024. This communication is to summarize the result of our procedures and provide comments on any significant matters, including misstatements accounting policies, estimates, and other matters, that we have identified.

Finalizing the audit

As of April 8, 2025, we have substantially completed the audit of the Municipality's consolidated financial statement with the exception of:

- Completing our subsequent events procedures.
- Obtaining the signed management representation letter.
- Completing our required communication to Council.
- Obtaining evidence of Council's approval of the consolidated financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the procedures above.

Changes from the audit plan

There have been no other significant changes to our audit plan from what was communicated in our Audit Planning Report previously presented to you.

Materiality

The auditors' determination of materiality is a matter of professional judgement and is affected by the auditors' perception of the financial information needs of users of the consolidated financial statements.

Materiality for the 2024 audit was set at \$3,600,000 (4% of operating expenses) with a trivial threshold of \$180,000. We anticipate that management will record any adjustments that we propose that are of a non-trivial nature. Please refer to summary of adjusted and uncorrected misstatements for misstatements identified.

Significant difficulties encountered during the audit

We encountered no significant difficulties during our audit that should be brought to the attention of Council.

Engagement team

Team member	Role	Experience
Jeff Alliston, CPA, CA Engagement Partner	<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 consolidated 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>
Craig Poeter, CPA Senior Manager	<p>Craig joined the Municipality audit in 2015 and will lead the team as the engagement manager.</p> <p>Craig will be responsible for planning, executing, and reporting the audit.</p>	<p>Craig holds over eight years of providing assurance services to clients and will work closely with Jeff.</p> <p>Craig has in-depth knowledge of the Municipality's processes, transactions, and requirements.</p>



AUDIT RESULTS

The following is a summary of our audit focus including risks identified, our procedures performed in response, and our findings.

Management override of controls		
Risk	Our Response	Findings
Management is in a unique position to perpetrate financial statement fraud through the manipulation of accounting records. Under Canadian assurance standards, there is a presumed fraud risk related to management's ability to override internal controls. This risk is not rebuttable.	Using data analytics, we have identified journal entries that exhibit characteristics which may be indicative of possible control override. We have assessed the business rationale of the transactions taking into consideration estimates applied, application of accounting policies, evidence of potential management bias.	No significant findings have been identified.
Revenue recognition (including deferred revenue and government transfers)		
Risk	Our Response	Findings
Grant funding subject to external funder restrictions (e.g., Government of Alberta) has been prematurely recognized as revenue.	<ul style="list-style-type: none">- We have updated our understanding of the processes and controls in place regarding revenues received.- We inspected significant agreements and other source documentation for funding purpose and restrictions.- We have assessed significant revenue transactions for compliance with external restrictions.- We have performed a search for unrecorded revenue to assess completeness of government transfers recognized.- We will assess the completeness and existence of deferred revenue recorded.	No significant findings have been identified.

Net municipal taxes		
Risk	Our Response	Findings
<p>Net municipal taxes have been incorrectly levied, either due to incorrect assessment values or mill rates.</p> <p>Requisitions have been over or under levied.</p>	<ul style="list-style-type: none"> - We have re-calculated net municipal taxes using third-party assessment values and the mill rates in the approved bylaw. - We have assessed requisitions collected against requisitions invoiced for any municipal taxes over or under levied. 	<p>No significant findings have been identified.</p>
User fees and sale of goods		
Risk	Our Response	Findings
<p>User fees recorded are incomplete or have been recorded at an incorrect amount.</p>	<ul style="list-style-type: none"> - We have updated our understanding of the processes and controls in place regarding revenues received. - We inspected significant agreements and other source documentation for funding purpose and restrictions. - We have assessed significant revenue transactions for compliance with external restrictions. - We have performed a search for unrecorded revenue to assess completeness of government transfers recognized. - We will assess the completeness and existence of deferred revenue recorded. 	<p>No significant findings have been identified.</p>

Operating expenses (including accounts payable and accrued liabilities)		
Risk	Our Response	Findings
Expenses have not been recorded in the correct reporting period, either due to premature recognition or missing accruals, or do not exist.	<ul style="list-style-type: none"> - We have updated our understanding of the processes and controls in place over procurement and payment. - We have inquired with management and review subsequent Council minutes for significant transactions not recorded. - We have tested a sample of expenses recorded, including significant transactions. - We have performed a search for unrecorded liabilities. - We have examined accrued liabilities for accuracy and cut-off. 	No significant findings have been identified.
Salaries, wages and benefits (including employee benefit obligations)		
Risk	Our Response	Findings
Employees have been paid at a rate inconsistent with their employee contract.	<ul style="list-style-type: none"> - We have updated our understanding over the processes and controls in place over payroll. - We have performed tests of controls over significant payroll controls. - We have performed substantive analytical procedures over salaries, wages and benefits. - We have coordinate procedures performed with the LAPP agree-upon procedures engagement. 	No significant findings have been identified.

Cash and cash equivalents and Investments (including investment income)		
Risk	Our Response	Findings
There is an inherent risk related to cash and investments.	<ul style="list-style-type: none"> - We have updated our understanding of processes and controls surrounding cash and investment activities. - We have obtained third party evidence over the Municipality's bank and investment balances. - We have tested significant reconciling items in the bank reconciliation. - We have assessed the classification of financial instruments recorded as cash equivalent. 	No significant findings have been identified.
Receivable balances (including taxes, trade, other governments, and loans receivables)		
Risk	Our Response	Findings
Receivable balances are significantly aged or overstated and the amounts recorded will not be recorded.	<ul style="list-style-type: none"> - We have updated our understanding of the Municipality's policies regarding collections and provisions. - We have tested the subsequent receipt of receivable balances outstanding at year-end. - Where required, we have performed additional substantive procedures to obtain appropriate audit evidence. - Where possible, we have coordinated with our work performed over revenues and deferred revenue. 	No significant findings have been identified.

Tangible capital assets		
Risk	Our Response	Findings
<p>There exists the risk that TCA has been expensed rather than capitalized or has been recorded incorrectly. Conversely, there exists the risk that expenditures that are not capital in nature have been capitalized.</p> <p>The valuation of TCA is subject to management's estimate which may be complex and subject to change.</p>	<ul style="list-style-type: none"> - We have reviewed the amortization policy. - We have inquired with management regarding any indicators of impairment. - We have performed substantive tests of details over additions and disposals. - We have re-calculated amortization expense and gains / losses on the disposal of TCA. - We have coordinated with procedures performed over deferred revenue. 	<p>No significant findings have been identified.</p>
Inventory for consumption		
Risk	Our Response	Findings
<p>Inventory is misstated due to incorrect measurements or incorrect costing.</p>	<ul style="list-style-type: none"> - We have updated our understanding over accounting for inventory. - We will assess the reasonability of management's inputs used in the gravel inventory calculation. - We will re-calculate gravel inventory to assess the accuracy of inventory recorded. - We will perform unit cost testing over other inventory items. 	<p>No significant findings have been identified.</p>



MISSTATEMENTS

ADJUSTED MISSTATEMENTS

Audit adjustments have been recorded in order for the Municipality to comply with reporting requirements under Canadian public sector accounting standards.

Increase (decrease) from opening balances				
Differences noted	Assets	Liabilities	Accumulated Surplus	Annual Surplus
18 (9 management) audit adjustments (2022 – 14 adjustments).	\$ 4,186,206	\$ 2,045,914	\$ 5,140,073	\$ (2,999,781)
Total Adjusted Differences (Income Effect)				\$ (2,999,781)

UNCORRECTED MISSTATEMENTS

In accordance with Canadian auditing standards, we are required to request that all uncorrected misstatements be corrected. We have requested this of management.

Management has decided not to correct certain misstatements and has provided representation that the uncorrected misstatements, individually and in aggregate, are not material to the consolidated financial statements – please refer to **Appendix 2** for the management representation letter.

The total unrecorded misstatements noted during the audit amounted to a \$73,389 understatement of the Municipality's surplus for the year ended December 31, 2024.

Misstatements (continued)

Amount of over (under) misstatement				
Description	Assets	Liabilities	Surplus	Accumulated Surplus
To reallocate credit balances in accounts receivable	\$ (724,124)	\$ (724,124)	\$ -	\$ -
To adjust allowance for uncollectable taxes	527,812	-	138,459	527,812
To adjust gravel to actual	(658,537)	-	(658,537)	(658,537)
To remove 2023 grant revenue	-	-	756,457	-
To remove contributed assets that were not previously recorded assets	-	-	191,750	-
To record BRFA deferred revenue adjustment	-	-	(501,518)	-
Total unrecorded misstatements	\$ (854,849)	\$ (724,124)	\$ (73,389)	\$ (130,725)

After considering both quantitative and qualitative factors with respect to the uncorrected misstatements accumulated during the audit, we agree with management that the uncorrected misstatements are not material to the consolidated financial statements. Accordingly, our auditors' opinion has not been modified with respect to the uncorrected misstatements presented.



CONTROL ENVIRONMENT AND OTHER OBSERVATIONS

Our objective is to communicate appropriately to Council any significant deficiencies in internal control that we have identified during the audit and that, in our professional judgement, are of sufficient importance to merit being reported to those charged with governance.

The audit findings contained in this report did not have a material effect on the Municipality's consolidated financial statements, and as such, our audit report is without reservation with respect to these matters.

Significant Deficiencies of Internal Controls

We have not identified any control deficiencies that we have determined to be significant to internal controls over financial reporting.

Significant Qualitative Aspects of Accounting Policies

Management is required to disclose the assumptions it makes about the future, and other major sources of measurement uncertainty, that have a significant risk of resulting in a material misstatement to the consolidated financial statements.

Significant estimates relate to the allowance for doubtful accounts, valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, asset retirement obligations, and contingent liabilities.

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

Significant Qualitative Aspects of Accounting Estimates

Management is required to disclose the assumptions it makes about the future, and other major sources of measurement uncertainty, that have a significant risk of resulting in a material misstatement to the consolidated financial statements.

Significant estimates relate to the allowance for doubtful accounts, valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, asset retirement obligations, and contingent liabilities.

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

Management Letter

We will be submitting a letter to the Municipality's management on other matters that we feel should be brought to their attention.



APPENDICES

- **Appendix 1 – Required communications**
- **Appendix 2 – Management representation letter**
- **Appendix 3 – New and revised accounting standards**

Appendix 1 – Required communications

Independence

We have been engaged to audit the consolidated financial statement of the Municipality for the year ending December 31, 2024.

We believe that it is important that we communicate at least annually with you regarding all relationships between the Municipality and our firm that, in our professional judgement, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants of Alberta and applicable legislation, covering such matters as:

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

We are not aware of any relationships between the Municipality and ourselves that, in our professional judgement, may reasonably be thought to bear on our independence that have occurred from January 1, 2024 to April 8, 2025.

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. Please refer to **Appendix 2**.

Appendix 2 – Management representation letter

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April 8, 2025

Metrix Group LLP
12840 St. Albert Trail
Edmonton Alberta T5L 4H6

Attention: Jeff Alliston, CPA, CA

Dear Sir:

Re: Management representations letter

This representation letter is provided in connection with your audit of the consolidated financial statements of Municipal District of Bonnyville No. 87 for the year ended December 31, 2024, for the purpose of you expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

1. Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 14, 2025 for:

- Preparing and fairly presenting the consolidated financial statements in accordance with Canadian public sector accounting standards;
- Providing you with:
 - Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as:
 - A. Accounting records, supporting data and other relevant documentation,
 - B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
 - C. Information on any other matters, of which we are aware, that is relevant to the preparation of the consolidated financial statements;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- Ensuring that all transactions have been recorded in the accounting records and are reflected in the consolidated financial statements; and
- Designing and implementing 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 have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

2. Fraud and Non Compliance

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's consolidated financial statements involving:
 - i. Management;
 - ii. Employees who have significant roles in internal control; or
 - iii. Others where the fraud could have a material effect on the consolidated financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the consolidated financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the consolidated financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the consolidated financial statements.

3. Related Parties

We have disclosed to you the identity of all of the Municipality's related-party relationships and transactions of which we are aware. This includes sales, purchases, loans, transfers of assets, liabilities and services, leasing agreements, guarantees, non-monetary transactions, and transactions for no consideration for the period ended as well as related balances due to or from such parties at the period end.

All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

4. Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm the methods, the data, and the significant assumptions used in making accounting estimates (including the useful lives of tangible capital assets and the corresponding rates of amortization, inventory valuation, the costs required to retire tangible capital assets, recoverability of accounts receivable, and the amount of accrued liabilities) and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of Canadian public sector accounting standards.

5. Subsequent Events

All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards requires adjustment or disclosure have been adjusted or disclosed

6. Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the consolidated financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the consolidated financial statements.

7. Adjustments

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

8. Misstatements

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the consolidated financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.

9. Accounting policies

All significant accounting policies are disclosed in the consolidated financial statements and are consistent with those used in the previous period.

10. Contractual compliance

We have complied with the terms and conditions of all contractual agreements that could have a material effect, in the event of non-compliance, on the consolidated financial statements.

11. Direct liabilities

We have recorded in the accounts all known liabilities of our Municipality as at December 31, 2024 except for trivial amounts.

12. Future plans

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.

13. Liabilities and contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

14. None of the Councillors were in debt to the Municipality

None of the Councillors were in debt to the Municipality, other than in the ordinary course of business at the period-end or at any time during the period.

15. Carrying value

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

16. Litigation

We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.

17. Contractual agreements

We have disclosed to you, and the Municipality has complied with, all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

18. Unrecorded assets

There are no material unrecorded assets or contingent assets (such as claims relating to patent infringements or unfulfilled contracts whose value depends on satisfying conditions regarded as uncertain), that have not been disclosed to you.

Acknowledged and agreed on behalf of Municipal District of Bonnyville No. 87 by:

Ben Berlinguette,
Chief Administrative Officer

April 8, 2025

Date signed

Susan Walker, General Manager of
Corporate Services

April 8, 2025

Date signed

Municipal District of Bonnyville No. 87
Year End: December 31, 2024
Schedule of unadjusted errors

Refno	Description	Assets	Liabilities	Equity	Income	Expenses
Unrecorded - factual						
SUD1	To reallocate credit balances in	0.00	0.00	0.00	0.00	0.00
SUD2	To adjust gravel to actual	658,536.79	0.00	0.00	(658,536.79)	0.00
SUD3	To increase AFDA related to taxes	(138,458.82)	0.00	0.00	138,458.82	0.00
SUD4	To remove 2023 grant revenue from	(756,456.80)	0.00	0.00	756,456.80	0.00
SUD5	To remove contributed asset	(191,750.00)	0.00	0.00	191,750.00	0.00
SUD6	To remove BRFA deferred revenue	501,518.00	0.00	0.00	(501,518.00)	0.00
		<u>73,389.17</u>	<u>0.00</u>	<u>0.00</u>	<u>(73,389.17)</u>	<u>0.00</u>
	Understated/(Overstated)	<u><u>73,389.17</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>(73,389.17)</u></u>	<u><u>0.00</u></u>

Prepared by	Reviewed by	Reviewed by
CRP 3/17/2025		

Municipal District of Bonnyville No. 87

Year End: December 31, 2024

Unrecorded journal entries

Date: 1/1/2024 To 12/31/2024

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
SUD1	12/31/2024	Property Tax Receivable	5210-00-01-00	C10	724,123.74			
SUD1	12/31/2024	Trade Accounts- Stale Dated Cheques	6270-00-01-00	C10		724,123.74		
To reallocate credit balances in accounts receivable								
SUD2	12/31/2024	Road Material Costs	2533-32-30-03	D100		658,536.79		
SUD2	12/31/2024	Gravel	5530-32-02-00	D100	658,536.79			
To adjust gravel to actual								
SUD3	12/31/2024	Cancellation of Uncollectable	2920-10-00-00	C50	138,458.82			
SUD3	12/31/2024	Allowance- Uncollected Municipal Tax	6610-00-00-00	C50		527,812.38		
SUD3	12/31/2024	Accumulated Surplus	6910-00-00-00	C50	389,353.56			
To increase AFDA related to taxes								
SUD4	12/31/2024	Provincial Conditional Grant - Infra	3840-32-02-00	GG10 / 30C-1	445,287.80			
SUD4	12/31/2024	Provincial Conditional Grant - Infra	3840-32-02-00	GG10 / 30C-1	311,169.00			
SUD4	12/31/2024	Accumulated Surplus	6910-00-00-00	GG10 / 30C-1		756,456.80		
To remove 2023 grant revenue from the 2024 fiscal year								
SUD5	12/31/2024	Contributed Assets- Roads/Land/Bridges	1591-32-32-00	31C-4	191,750.00			
SUD5	12/31/2024	Accumulated Surplus	6910-00-00-00	31C-4		191,750.00		
To remove contributed asset revenue related to old asset								
SUD6	12/31/2024	Accumulated surplus BRFA	3050	666-2	501,518.00			
SUD6	12/31/2024	BRFA - EMS - Sales/user charges	4011	666-2		501,518.00		
To remove BRFA deferred revenue adjustment								
					3,360,197.71	3,360,197.71		

Net Income (Loss) 6,970,155.38

Prepared by	Reviewed by	Reviewed by
CRP 3/17/2025		

Appendix 3 – New and revised accounting standards

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.