



City of Owen Sound

2024 | Audit Findings

Report to the Corporate Services Committee

December 31, 2024

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Overview

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the consolidated financial statements of City of Owen Sound (the "City") as at December 31, 2024, and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Corporate Services Committee.

As auditors, we report to the members on the results of our examination of the consolidated financial statements of the City as at and for the year ended December 31, 2024. The purpose of this Report is to assist you, as Members of the Committee, in your review of the results of our audit.

This Report is intended solely for the information and use of City of Owen Sound and management and should not be distributed to or used by any other parties than these specified parties.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Engagement Status

We have substantially completed our audit of the consolidated financial statements of the City which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Approval of the financial statements by the Committee
- Receipt of the signed management representation letter dated as of the final report date
- Receipt of an outstanding legal confirmation
- Subsequent events review through to financial statement approval date

No significant limitations were placed on the scope or timing of our audit.

Independent Auditor's Report

Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion. A draft copy of our proposed Independent Auditor's Report has been included with this report.

Audit Reporting Matters

Our audit was carried out in accordance with Canadian generally accepted auditing standards and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

Significant Audit, Accounting and Reporting Matters

Area	Comments
Final Materiality	Final materiality used for our audit was \$2,000,000 for December 31, 2024.
Identified or Suspected Fraud	While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.
Identified or Suspected Non-Compliance with Laws and Regulations	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.
Financial Statement Disclosures	The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.
Significant Deficiencies in Internal Control	While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.
Matters Arising from Discussions with Management	There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.
Contingencies/Litigation Proceedings	We have discussed with management and they have indicated there are outstanding claims against the City of Owen Sound. We will also be communicating with the City of Owen Sound's legal counsel. These claims are disclosed in Note 20.

Commitments	There are ongoing significant capital commitments as at December 31, 2024 and are disclosed in Note 19.
Accumulated Surplus	A breakdown of the City's accumulated surplus is included in Note 8. This includes the amount invested in capital assets, unfunded liabilities, reserves and reserve funds.
Financial Instruments	We have discussed with management to ensure all financial instruments were identified and reviewed management's accounting policy to ensure they are appropriately recorded at amortized cost or fair market value, where applicable. See the Significant Accounting Policy for Financial Instruments and further disclosures in Note 21.
Post-Employment Benefits	The City of Owen Sound provides post-employment health and life insurance benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered. In order to help estimate the liability for post-employment benefits, City of Owen Sound engaged the services of an actuary.
Asset Retirement Obligations	<p>Management reviewed all capital assets owned by City of Owen Sound or where the City of Owen Sound has a responsibility for an asset to determine if there is a legal obligation associated with the retirement of any of the capital assets.</p> <p>Management identified an asset retirement obligation. In order to help identify and estimate the liability, the City engaged the services of consultants to perform an assessment of designated substances, review of applicable legislation and the services of engineers and other professionals to estimate the abatement, removal and remediation costs.</p>
Unfinanced Capital	The City has \$11,399,751 in unfinanced capital projects as of December 31, 2024. We recommend that the plan to finance these assets be reviewed on a regular basis to determine if any adjustments are appropriate.
Taxation Revenue Estimate	In accordance with PS 3510, amounts have been estimated for taxable events that have occurred but have not yet been assessed. The estimate was based on trend analysis by year for supplemental taxation billings and write-offs for the last 3 years; examination of building permits issued in the last two years; and knowledge of potential reassessments.
Police Services Revenue and User Fee Estimate	At yearend, there is a material amount of deferred revenue related to Next Generation 911 (NG911) dispatch revenue. In accordance with Public Sector Accounting Standard 3400 Revenue, for 2024, the estimated NG911 revenue was recognized based on information

	<p>provided by the Police Services Department for implementation costs incurred during the year. Up to December 31, 2024, the total revenue recognized from the deferred balance is not material; however, the revenue to be recognized is expected to increase and become material in the future. To ensure the revenue recognition is accurate, recommend there be a formal process to increase the supporting documentation provided to City finance staff and a recognition policy in regards to both the implementation costs and user fees for NG911 services.</p>
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Significant Risk Areas and Responses

Significant Risk Area	Response and Conclusion
Revenue Recognition	To address this risk, we reconciled significant government transfers to their various government funding agreements and letters, reviewed funding agreements for deferred grants and reviewed minutes to ensure grant revenue listed was complete. No issues were noted in regard to grant revenue during our testing.
Control Environment	To address this risk, we developed criteria for unusual journal entries, determined the population of unusual journal entries and obtained corroborating evidence of these journal entries from management as to why the journal entries were made. No inappropriate journal entries were noted. No management override of controls noted in the current period.
Payroll	To address this risk, we reviewed the salaries of those employees who are authorized to change pay rates. No issues were noted in regards to payroll during our testing.

Other Areas

Area	Comments
Auditor Independence	We confirm to the Committee that we are independent of the City of Owen Sound. Our letter to the Committee discussing our independence is included as part of the additional materials attached to this report.
Management Representations	We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.
Summary of Significant Differences	We identified unadjusted differences in relation to the December 31, 2024 year end that was not material. The unadjusted difference is attached to the representation letter.

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,



Chartered Professional Accountants
Licensed Public Accountants

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Appendix A – Independence Letter

November 6, 2025

Corporate Services Committee
City of Owen Sound
808 - 2nd Avenue East
Owen Sound, ON N4K 2H4

Dear Sirs/Mesdames:

We have been engaged to audit the consolidated financial statements of City of Owen Sound (the "City") as at December 31, 2024 and for the year then ended.

The purpose of this letter is to communicate with you regarding all relationships between the City and MNP LLP and/or its affiliates (collectively, "MNP") that, in our professional judgement, may reasonably be thought to bear on our independence. In determining which relationships to report, we consider the relevant rules and related interpretations prescribed by the appropriate professional accounting body 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 or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are aware of the following relationships between the City and MNP that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from January 1, 2024 to November 6, 2025.

- We have provided advice and comments to management regarding financial statement measurement, presentation and disclosure matters.
- We have provided assistance in the preparation of the consolidated financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the consolidated financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian Public Sector Accounting Standards.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management provided us with a trial balance and draft consolidated financial statements, including notes, prior to completion of our audit.
 - Management created the source data for all the accounting entries.
 - Management developed any underlying assumptions required with respect to the accounting treatment and measurement of the entries.
 - Management reviewed advice and comments provided and undertook their own analysis considering the City's circumstances and generally accepted accounting principles.

MNP LLP

1717 2nd Avenue East P.O. Box 397, Owen Sound ON, N4K 5P7

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- Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
- Members of our Firm providing bookkeeping services did not participate on the audit engagement team.
- Someone other than the preparer reviewed the proposed journal entries and consolidated financial statements

We hereby confirm that MNP is independent with respect to the City within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario as of November 6, 2025.

This report is intended solely for the use of the Corporate Services Committee, management and others within the City and should not be used for any other purposes.

Sincerely,

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Appendix B – Management Representation Letter

Corporation of the City of Owen Sound
808 - 2nd Avenue East
Owen Sound, ON N4K 2H4

November 6, 2025

MNP LLP
1717 2nd Avenue East P.O. Box 397
Owen Sound, Ontario N4K 5P7

To Whom It May Concern:

In connection with your audit of the consolidated financial statements of Corporation of the City of Owen Sound as at December 31, 2024 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the consolidated financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 3, 2025, for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards.

We believe these consolidated financial statements are complete and present fairly, in all material respects, the financial position as at December 31, 2024, and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards.

2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the consolidated financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the consolidated financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the consolidated financial statements.

4. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Public Sector Accounting Standards.
5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.
6. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.
7. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
9. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the consolidated financial statements.
10. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the consolidated financial statements in accordance with Canadian public sector accounting standards.
11. All liabilities, both known and contingent, requiring recognition or disclosure in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.
12. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
13. All assets, wherever located, to which satisfactory title was had at the year-end, have been fairly stated and recorded in the consolidated financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the consolidated financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the consolidated financial statements.
14. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.
15. All charges to tangible capital assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the City. Depreciation of tangible capital assets has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the consolidated financial statements.
16. All intangible assets have been appropriately recorded in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards. All events or circumstances giving rise

to impairments are appropriately reflected in the consolidated financial statements. Where intangible assets are subject to amortization, they are amortized at appropriate rates based on our best estimates of their useful lives.

17. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.
18. All long-term debt has been appropriately recorded in the consolidated financial statements. All payments and accrued interest have been accounted for. The current portion of long-term debt has been appropriately classified. All terms and conditions have been fully disclosed in the consolidated financial statements. We have provided you with the most current debt and financing agreements.
19. Employee future benefits have been appropriately recorded in the consolidated financial statements according to the requirements of Canadian public sector accounting standards. All actuarial assumptions and valuations have been disclosed to you in full and are appropriate.
20. Revenue from exchange transactions has been recognized when, or as, the City satisfies a performance obligation by providing the promised goods or services to a payor in accordance with the requirements of Public Sector Accounting Standards.
21. Revenue from non-exchange transactions has been recognized, at its net realizable value, when the City has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset in accordance with the requirements of Public Sector Accounting Standards.
22. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards.
23. We have identified all known or potential contaminated sites and the costs associated with the remediation of these sites have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards. There are no contaminated sites within the Scope of PS 3260.
24. We conducted an annual review of the public works and waterworks inventory recorded in General Ledger accounts 11-2421-0000-15120 and 11-0000-0000-15110 and have concluded that for December 31, 2024 the ending balances have decreased an estimated combined total of \$105,000.

Information Provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the consolidated financial statements;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.

3. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the consolidated financial statements.
4. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
5. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the consolidated financial statements, including non-compliance.
6. We have disclosed to you the identities of all related parties and all related party relationships and transactions of which we are aware.
7. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

Professional Services

1. We acknowledge the engagement letter dated March 3, 2025, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent of the City of Owen Sound for purposes of the audit.

Sincerely,

City of Owen Sound

Signature

Title

City of Owen Sound
Summary of Unadjusted Misstatements
12/31/2024

Description of Misstatement	Identified Misstatements	Projections of Identified Misstatements	Estimates	Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening R/E Dr(Cr)	Income Dr(Cr)
Waterworks Inventory understated			100,652	100,652			(100,652)
Prior period error carried fwd: Amortization			450,000	(450,000)		450,000	
Interest accrual for LTD remains over trivial at 12/31/2024.	227,574				(227,574)		227,574
Estimated revenue understated per PS 3400			148,000		(148,000)		148,000
Investments understated			100,447	100,447			(100,447)
Interest on investments not accrued			98,264	98,264			(98,264)
Estimated future taxes payable overstated in CY			155,000		155,000		(155,000)
Deferred Revenue overstated	528,053			(528,053)	528,053		
3 days of 27th PP payroll accrual overstated -	293,653				293,653	(225,323)	(68,330)
Current year payroll accrual understated			220,000		(220,000)		220,200
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	1,049,280	-	1,272,363	(678,690)	381,132	224,677	73,081
Effect of Previous Year's Errors				-	-	-	-
Likely Aggregate Misstatements				(678,690)	381,132	224,677	73,081

Details of why no adjustment has been made to the financial statements for the above items:

City of Owen Sound

Year End: December 31, 2024

Journal Entries

Date: 12/01/1999 To 31/12/2024

Number	Date	Name	Account No	Reference	Amount	Recurrence
1	31/12/2024	TAX STABILIZATION	11-0000-0000-33102	SS, REC	-82,217.27	
1	31/12/2024	TO RESERVES	11-0104-0150-65610	SS, REC	82,217.27	
<p>To transfer the general surplus to Tax Stabalization reserve.</p>						
2	31/12/2024	MISC ACCOUNTS RECEIVABLE	11-0000-0000-12602	SS.36	2,200,000.00	
2	31/12/2024	WTP - TREAT-UNFINANCED	12-2422-8522-19010	SS.36	-2,200,000.00	
2	31/12/2024	PROVINCIAL GRANT	12-2422-8522-73110	SS.36	-1,000,000.00	
2	31/12/2024	FOR FUTURE FINANCING	12-2422-8522-81200	SS.36	2,200,000.00	
2	31/12/2024	CANADA GRANT	12-2426-8868-74110	SS.36	-1,200,000.00	
<p>To record the ICIP grant receivable related to the water treatment plant capital project and reduce unfinanced capital. Used old Federal Grant Environmental account for FS mapping purposes.</p>						
					0.00	

Net Income (Loss) 0.00

MADE ^{IN} CANADA

And proud of it!

At MNP we're proud to be the national accounting, consulting and tax firm that is 100% Made in Canada.

Our history defines who we are and our approach to business. Being a Canadian firm has helped shape our values, our collaborative approach, and the way we work with our clients, engaging them every step of the way.

We have a unique perspective. Our decisions are made here – decisions that drive Canadian business and help us all achieve success — and we know the impact that our choices have on the cities and towns we call home.

Throughout our six decades of work, we've seen our communities are more than just a place we do business in. They're a place where our families live, play, and thrive, and we work to make them the best places they can be.

Being 100% Canadian is something we wear proudly. This country provides us with great opportunities, and we're here to help our clients seize the opportunities so we can create a brighter future for the generations to come.



Wherever business takes you

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