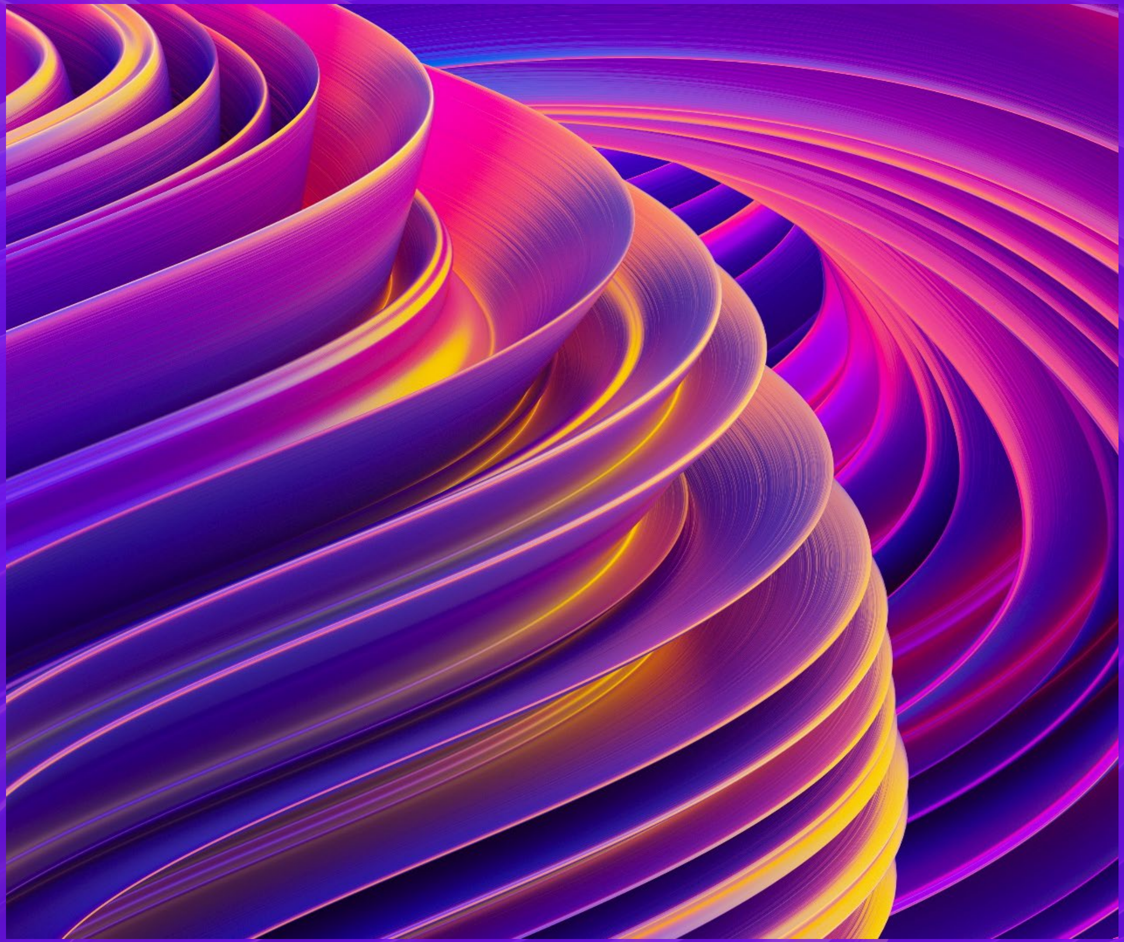
Attachment 1

City of Edmonton



Audit Findings Report for the year ended December 31, 2024

KPMG LLP

Prepared as of April 3, 2025 for presentation to the Audit Committee on April 11, 2025

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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Digital use information

This Audit Findings Report is also available as a "hyper-linked" PDF document.

If you are reading in electronic form (e.g. In "Adobe Reader" or "Board Books"), clicking on the home symbol on the top right corner will bring you back to this slide.

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

Attachment 1

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the consolidated financial statements ("financial statements"), with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.

We confirm that we are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

Policies and practices & Specific topics

- Accounting policies and practices
- Other financial reporting matters
- Significant unusual transactions

Significant changes

- Significant changes since our audit plan

Misstatements - uncorrected

- Uncorrected misstatements

Risks and results & Significant unusual transactions

- Significant risks
- Other risks of material misstatement
- Going concern matters

Misstatements - Corrected

- Corrected misstatements
- See management representation letter for details

Control deficiencies

- Significant deficiencies

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and City Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Status

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

- Completion of procedures over the final version of the Annual Report.
- Completion of internal review procedures, including quality control review procedures;
- Completion of our subsequent events procedures up to the date of our auditor’s report;
- Completing our discussions with the Audit Committee;
- Obtaining evidence of City Council’s approval of the financial statements;
- Receipt of the final financial statements, including procedures over any changes; and,
- Receipt of the signed management representation letter.

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

A draft of our auditor’s report is provided in Appendix 2: Draft Auditor’s Report.

Attachment 1

Significant changes

We have made the following significant changes since our communication in the Audit Planning Report:

Audit strategy

Significant change to involvement of others

Following our Audit Planning Report, we identified the involvement of management specialists in evaluating the assessed property value of contributed assets. Refer to slide 8 for further discussion.

Significant changes to our risk assessment and planned audit response

During the course of our audit, certain misstatements were noted. In response, KPMG has considered whether adjustments to our assessed level of risk due to error or adjustments to our planned response were required. Refer to slide 8 for further discussion of the matters considered and any adjustments made.

Attachment 1

Significant risks and results

We highlight our significant findings in respect of **significant risks.**

Management override of controls

RISK OF FRAUD

Significant risk

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

Our response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk. The following procedures were performed:

- Assessed the design and implementation of controls surrounding the journal entry process;
- Determined criteria to identify high-risk journal entries and other adjustments; and
- Tested high-risk journal entries and other adjustments.

We have no matters to report from the performance of the procedures described above.

Attachment 1

Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.

Area of focus	Finding
Tangible capital assets	• During the year, management identified an error within tangible capital assets, where an asset was recorded twice – once as a contributed asset and once as an asset under construction. The original recognition of the asset occurred in a prior year. On further analysis, management noted that the contributed asset was recognized in error. Management has corrected this within the current period financial statements through an out-of-period adjustment. • In response to the errors noted, we modified our original audit approach by increasing our inherent risk of error related to contributed asset additions from “Base” to “Elevated.” This resulted in us performing additional sampling over contributed asset additions in the current period. Additionally, we validated that management appropriately recorded the correcting entry in the current period. • Additionally, during the year management recognized certain contributed assets where the property value was determined by members of the Assessment and Taxation department. In response, we have adjusted our audit approach to rely on the work of these management experts. • We have no other findings to report.
Portfolio investments	• During the year, management identified an error with respect to portfolio investments where dividends received were erroneously accounted for as remeasurement gains in the prior year. Management has corrected this within the current period financial statements. • Based on procedures performed in the current period, which include confirming the City’s investment accounts with third-party custodians and performing testing over any reconciling items between management’s records and those of the custodian, no similar errors were noted in the current period. • We have no other findings to report.

Attachment 1

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content

No matters to report.

Concerns regarding application of new accounting pronouncements

- As outlined in note 1(s) of the consolidated financial statements, the City has adopted the following new accounting standards effective January 1, 2024:
  - PS 3400 *Revenue*
  - PS 3160 *Public private partnerships ("P3")*
  - PSG-8 *Purchased intangibles*
- As part of our audit, we obtained Management's analysis of the impact of each standard.
- Consistent with our planned response, we assessed whether conclusions drawn by management were consistent with the authoritative literature, and that all required disclosures have been made in the financial statements.
- We have no findings to report with respect to management's implementation of these standards.

Significant qualitative aspects of financial statement presentation and disclosure

No matters to report.

Attachment 1

Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions. As required by professional standards, we request these misstatements be corrected.

Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management’s representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Attachment 1

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

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

Conclusion

We have no matters to report to the Audit Committee.

Attachment 1

Appendices

A1 Other required communications

A2 Draft auditor's report

A3 Management representation letter

A4 Management letter

A5 Audit Quality

A6 Insights

Appendix 1: Other required communications

Engagement terms

This audit is governed under the Contract for External Audit Services between the City of Edmonton and KPMG. Management has access to a copy of the contract.

CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2023 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2024 Interim Inspections Results

Attachment 1

Appendix 2: Draft auditor's report

INDEPENDENT AUDITOR'S REPORT

To His Worship the Mayor and Members of Council of the City of Edmonton

Opinion

We have audited the consolidated financial statements of the City of Edmonton (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of remeasurement gains and losses for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024, and its consolidated results of operations, its consolidated remeasurement gains and losses, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Financial Statement Discussion and Analysis; and
- the information, other than the financial statements and the auditor's report thereon, included in the "2024 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Financial Statement Discussion and Analysis as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

[DRAFT]

Chartered Professional Accountants

Edmonton, Canada

April 22, 2025

Attachment 1

Appendix 3: Management representation letter

KPMG LLP
2200, 10175 – 101 Street
Edmonton AB, T5J 0H3
Canada
Telephone: 780-429-7300
Fax: 780-429-7379

April 22, 2025

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Edmonton ("the Entity") as at and for the period ended December 31, 2024.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of Contract D934585 dated October 28, 2020 and the subsequent Statement of Work 2024-01 dated November 20, 2024, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;
      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement whether from group or component management.

   f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

f) We have disclosed to you all information regarding investigations into possible fraud and/or non-compliance or suspected non-compliance with laws and regulations, including illegal acts, that we have undertaken at our discretion and completed, including the results of such investigations, and the resolution of the matters, if any, identified in such investigations.

Subsequent events:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment, or disclosure, in the financial statements have been adjusted or disclosed.

Related parties:

5) We have disclosed to you the identity of the Entity’s related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for, and disclosed, in accordance with the relevant financial reporting framework.

Estimates:

8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

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

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

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

Other information:

12) We confirm that the final version of the documents likely to be entitled "2024 Annual Report" and "2024 Financial Report to Residents" will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your required procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

13) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

14) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Other:

15) We confirm that we have provided you with a complete list of service organizations (SO) and sub-service organizations (SSO) and that the relevant complementary user entity controls (CUECs) related to each SO/SSO have been designed and implemented. For the purpose of this representation, a service organization is one as defined in CAS 402.

Accounting policies:

16) The accounting policies selected and applied are appropriate in the circumstances.

17) There have been no changes in, or newly adopted accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

Provisions:

18) Provisions, when material, have been made for losses to be sustained as a result of other-than-temporary declines in the fair market value of investments.

Commitments & contingencies:

19) There are no other liabilities that are required to be recognized or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework; including liabilities or contingent liabilities arising from illegal acts of possible illegal acts, or possible violations of human rights legislation.

Employee future benefits:

20) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

21) There are no arrangements (contractual or otherwise) by which programs have been established to provide employee future benefits other than disclosed in the financial statements.

22) For employee future benefit plans, each actuarial assumption used reflects management's best estimate solely with respect to that individual assumption, determined on a basis that the plan will continue to be in effect in the absence of evidence to the contrary.

23) The discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates t the measurement date based on management's best estimates of excepted long-term experience and short-term forecasts.

24) The assumptions included in the actuarial valuation are those that management instructed the actuary to use in computing amounts to be used by us in determining pension costs and obligations and in make required disclosures in the above-named financial statements, in accordance with the relevant financial reporting framework.

25) The source data and plan provisions provided to the actuary for the preparation of actuarial valuation are accurate and complete.

26) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and such have been communicated to you as well as to the actuary.

Segment disclosures:

27) The Entity's operating segments have been appropriately identified and the related segment and enterprise-wide disclosures have been made in the financial statements in accordance with the relevant financial reporting framework.

Yours very truly,

____

Eddie Robar, City Manager

____

Stacey Padbury, Deputy City Manager and Chief Financial Officer

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedules

Uncorrected misstatements schedule – December 31, 2024

For the year-ended December 31, 2024	Statement of Financial Position			Statement of Operations	Statement of Remeasurement Gains and Losses
Description	Assets	Liabilities	Accumulated Surplus	Excess of Revenues over Expenses	Remeasurement Gains/(Losses)
To record adjustments to the City's investment in EPCOR.					
Revenues - subsidiary operations - EPCOR	$ -	$ -	$ 911,856	$ 7,969,000	$ -
Other comprehensive gain - subsidiary operations - EPCOR	-	-	-	-	(294,000)
Investment in EPCOR	(911,856)	-	-	-	-
To record the rollforward impact of the understatement of investment income due to the erroneous recognition of the income as unrealized gains, as identified by Administration.					
Investment earnings	-	-	-	18,500,425	-
Unrealized gains attributable to portfolio investments	-	-	-	-	(18,500,425)
To record the rollforward impact of the overstatement of contributed assets, as identified by Administration.					
Contributed tangible capital assets - revenue	-	-	-	(17,909,712)	-
Amortization expense	-	-	-	3,379,102	-
To record the rollforward impact of the overstatement of long-term debt as a result of an unrecognized loan modification.					
Interest and bank charges	-	-	-	13,070,935	-
To correct for the overstatement of expropriation liabilities.					
Tangible capital assets	(545,000)	-	-	-	-
Accounts payable and accrued liabilities	-	545,000	-	-	-
TOTAL MISSTATEMENTS	**$ (1,456,856)**	**$ 545,000**	**$ 911,856**	**$ 25,009,750**	**$ (18,794,425)**

[1] Debit (Credit)

Corrected misstatement schedule – December 31, 2024

For the year-ended December 31, 2024	Statement of Financial Position			Statement of Operations	Statement of Remeasurement Gains and Losses
Description	Assets	Liabilities	Accumulated Surplus	Excess of Revenues over Expenses	Remeasurement Gains/(Losses)
To correct for the overstatement of expropriation liabilities.					
Tangible capital assets	$(10,200,000)	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	-	10,200,000	-	-	-
TOTAL MISSTATEMENTS	**$(10,200,000)**	**$ 10,200,000**	**$ -**	**$ -**	**$ -**

[1] Debit (Credit)

Uncorrected misstatements schedule – December 31, 2023

For the year-ended December 31, 2023	Statement of Financial Position			Statement of Operations	Statement of Remeasurement Gains and Losses
Description	Assets	Liabilities	Accumulated Surplus	Excess of Revenues over Expenses	Remeasurement Gains/(Losses)
Previously communicated					
To record the roll forward impact of prior period errors in revenue recognition from grants with deferred payment terms, as identified by Administration.					
Government transfers - capital	$ -	$ -	$ -	$ 60,292,193	$ -
Identified in the current period audit					
To correct for the overstatement of expropriation liabilities.					
Tangible capital assets	(11,415,000)	-	-	-	-
Accounts payable and accrued liabilities	-	11,415,000	-	-	-
To correct for the understatement of investment income due to the erroneous recognition of the income as unrealized gains, as identified by Administration.					
Investment earnings	-	-	(18,500,425)	(18,500,425)	-
Unrealized gains attributable to portfolio investments	-	-	18,500,425	-	18,500,425
To correct for the overstatement of contributed assets, as identified by Administration.					
Contributed tangible capital assets - revenue	-	-	17,909,712	-	-
Tangible capital assets	(14,530,610)	-	-	-	-
Amortization expense	-	-	(3,379,102)	(818,472)	-
To correct for the overstatement of long-term debt as a results of an unrecognized loan modification.					
Long-term debt	-	13,070,935		-	-
Interest and bank charges	-	-	(13,070,935)	(13,070,935)	-
TOTAL MISSTATEMENTS	**$ (25,945,610)**	**$ 24,485,935**	**$ 1,459,675**	**$ 27,902,361**	**$ 18,500,425**

[1] Debit (Credit)

Principal and interest repayments as disclosed in Note 14(E) are overstated by $13,071,000 and $31,986,000 respectively.

Appendix 4: Management letter

Eddie Robar, City Manager
Stacey Padbury, Deputy City Manager and Chief Financial Officer

City of Edmonton
#3 400, Chancery Hall
3 Sir Winston Churchill Square NW

April 22, 2025

In planning and performing our audit of the consolidated financial statements of The City of Edmonton ("the Entity") as of December 31, 2024, and for the period then ended, we considered internal control over financial reporting (ICFR) relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR. Accordingly, we do not express an opinion on the effectiveness of the Entity's ICFR.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies. The matters being reported are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to management.

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

Refer to the Appendices for the definitions of various control deficiencies.

Significant Deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Control deficiencies

We identified the following control deficiencies during the audit that we determined to be other control deficiencies in ICFR that have **not** been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention:

Description of other control deficiency	Potential effect
During the audit, we noted instances where management's review and analysis of non-recurring transactions or transactions with an elevated level of complexity was insufficient, resulting in incorrect accounting conclusions. Additionally, in certain instances review and approval of transactions was not performed in a timely manner.	To support the City's growth objectives and financial decision making, there has been an increase in the reporting requirements managed by the Financial and Corporate Services Department. These factors heighten the necessity for thorough, detailed, and timely review in the City's financial reporting process. Insufficient review and analysis over non-recurring transactions or transactions with an elevated level of complexity could result in incorrect accounting treatment of transactions, or inaccurate measurement of transactions and balances.

Management's responses

Management's responses have not been subjected to the audit procedures applied in the audit, and accordingly, we express no opinion on them.

Use of letter

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose or by anyone other than management and those charged with governance.

Yours very truly,

[signature to be provided at a later date]

Appendices

Terminology	Definition
Deficiency in Internal Control **("control deficiency")**	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to prevent, or detect and correct, misstatements in the financial statements is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control is unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
Significant Deficiency in Internal Control **("significant deficiency")**	A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Appendix 5: Audit quality - How do we deliver audit quality?

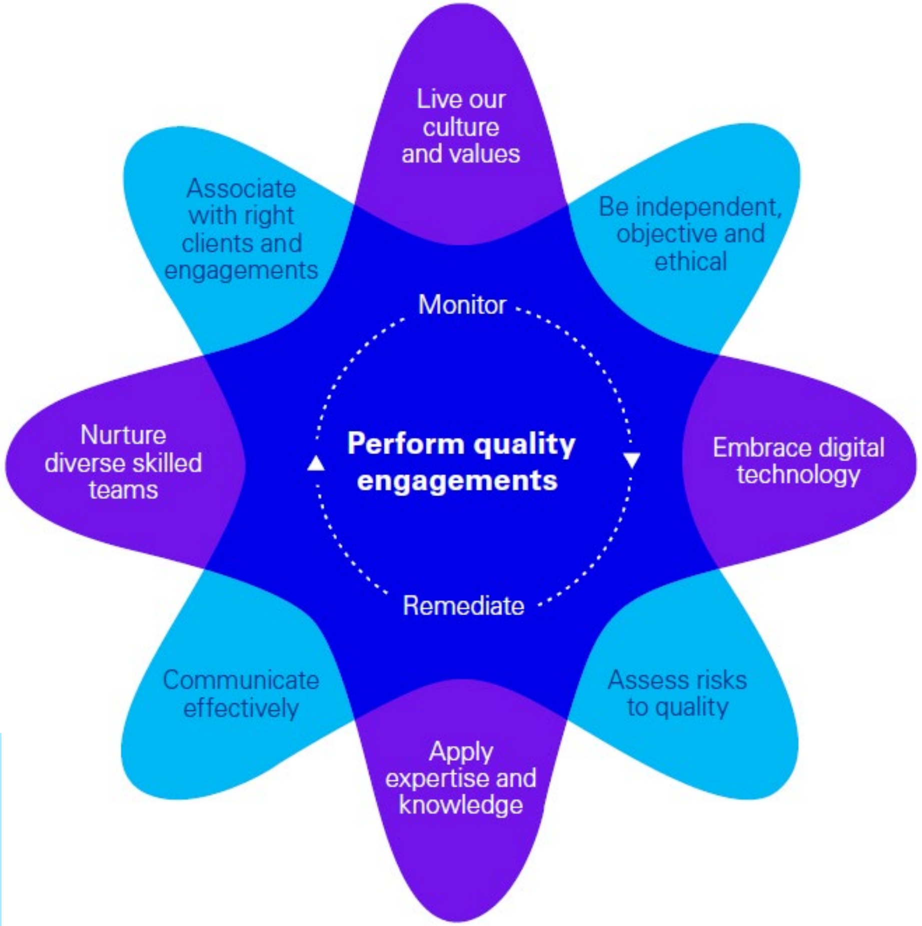
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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

KPMG Canada Transparency Report

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Doing the right thing. Always.

Attachment 1

Appendix 6: Insights

Topic	Relevance
Navigating Tariffs	The recent trade landscape has been significantly impacted by tariffs between the U.S. and Canada, impacting over 80% of businesses. KPMG is committed to supporting the Canadian business community during this period of uncertainty. By proactively strengthening resilience and adapting to the changing environment, Canadian businesses can foster growth and stability in the face of disruption.
How audit committees can help drive successful AI deployment	The audit committee's role in successful AI deployment encompasses risk management, compliance, financial reporting, ethical considerations, governance, monitoring, and stakeholder communication. Their oversight ensures that AI technologies are implemented responsibly and effectively within the organization.
Audit committees and cyber security: New threats, new tools and the fundamentals	Each year organizations become more digitally interconnected and each year, cyber risk evolves. Increasingly, audit committees are being tasked with oversight of cyber risk management and, as a result, they need to keep abreast of new developments.
KPMG First Impressions: Sustainability reporting	As part of its drive towards globally consistent, comparable and reliable sustainability reporting, the International Sustainability Standards Board (ISSB) has issued the first two IFRS® Sustainability Disclosure Standards – the general standard and the climate standard. It is expected that similar standards for the public sector will be released shortly. Our First Impressions publication provides detailed insight on the key impacts of the standards, using illustrative examples, and includes how entities might apply them.

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