



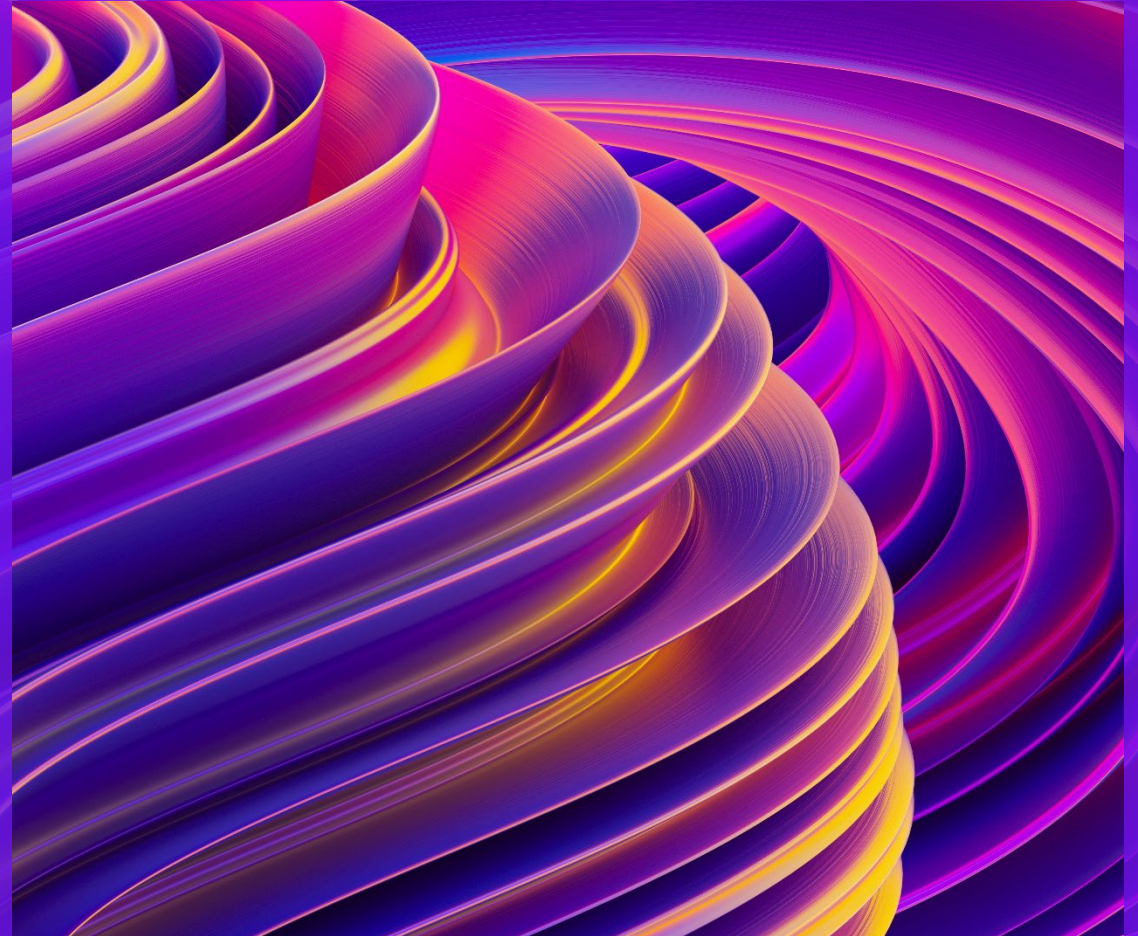
Corporation of the Town of Carleton Place

Audit Findings Report for the year ended
December 31, 2024

KPMG LLP

Prepared as of April 15, 2025 for the presentation to Council
on April 22, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



Lori Huber, CPA, CA, LPA

Lead Audit Engagement Partner

613-541-7320

lahuber@kpmg.ca



Jessica Rothwell, CPA

Audit Manager

613-267-9026

jrothwell@kpmg.ca



Kristine Ablao

Audit Senior Accountant

613-541-7315

kablao@kpmg.ca



Table of contents

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.

4	Highlights	5	Status	6	Financial Statement Highlights	13	Significant changes
16	Risks and results	18	Policies and practices	20	Specific topics	21	Misstatements
22	Control deficiencies	23	Independence	25	Appendices		

The purpose of this report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements. This report is intended solely for the information and use of Management and those charged with governance 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.

Audit highlights

Status

We have completed the audit of the consolidated financial statements (“financial statements”) of the Corporation of the Town of Carleton Place (the “Town”) for the year ended December 31, 2024, with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Significant changes

☐ Significant changes from the prior year

- No changes to risk assessment
- No changes to audit strategy assessment

Risks and results & Significant unusual transactions

☒ Significant risks

- We did not identify any significant financial reporting risks other than the **presumed** risk of management override of controls.

☒ Other risks of material misstatement

- Other financial reporting risks that required additional audit procedures

☐ Going concern matters

☐ Significant unusual transactions

Policies and practices & Specific topics

☒ Accounting policies and practices

☐ Critical accounting policies and practices

☐ Critical accounting estimates

☒ Other financial reporting matters

☒ Specific topics

Misstatements - Uncorrected

☐ Uncorrected misstatements

- No uncorrected misstatements to report

Misstatements - Corrected

☒ Corrected misstatements

- See management representation letter for details in Appendix 1 of this report

Control deficiencies

☒ Other observations

☐ Significant deficiencies

☐ No matters to report

☒ Matters to report – see link for details

Status

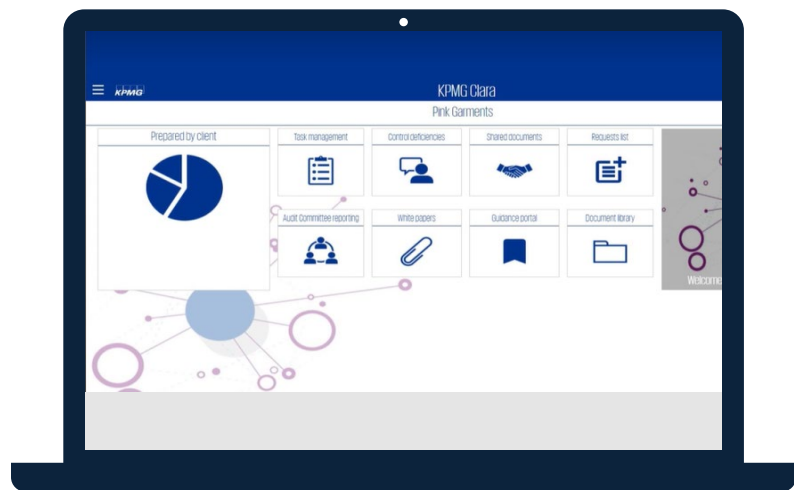
In preparation of our Audit Findings Report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Loan receivable confirmation;
- Completing our discussions with Council;
- Completion of our subsequent events review procedures up to the date of our auditor’s report;
- Obtaining evidence of Council’s approval of the financial statements; and
- Receipt of signed management representation letter.

We will update Council, and not solely the Mayor, 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 1a: Draft Auditor’s Report](#).

KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency
We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests from management.

Financial Statement Highlights

	2024	2023
Financial assets:		
Cash	\$ 37,308,351	\$ 40,878,774
Taxes receivable	2,831,067	2,734,970
User charges receivable	364,544	352,776
Accounts receivable	2,844,858	2,686,357
Long-term mortgage receivables (note 4)	4,741,216	5,171,813
	48,090,036	51,824,690
Financial liabilities:		
Accounts payable and accrued liabilities	2,656,994	2,606,062
Prepaid property taxes	250,748	299,412
Security deposits	4,015,055	4,937,221
Employee future benefit obligations (note 5)	623,224	593,857
Deferred revenues (note 6)	15,488,166	14,766,048
Asset retirement obligations (note 7)	271,025	284,785
Long-term liabilities (note 8)	3,644,089	4,236,890
Obligations under capital lease (note 9)	575,258	516,172
	27,524,559	28,240,447
Net financial assets	20,565,477	23,584,243
Non-financial assets:		
Tangible capital assets (note 10)	150,167,721	136,079,666
Inventories	84,944	82,665
Prepaid expenses	48,014	106,370
	150,300,679	136,268,701
Commitments (note 14)		
Contingent liabilities (note 15)		
Municipal equity (note 11)	\$ 170,866,156	\$ 159,852,944

Financial Highlights:

Financial Assets:

- Strong cash position, slight decrease over last year
- Slight taxes receivable increase – taxes receivable as a % of levy has remainder consistent with the prior year

Financial Liabilities:

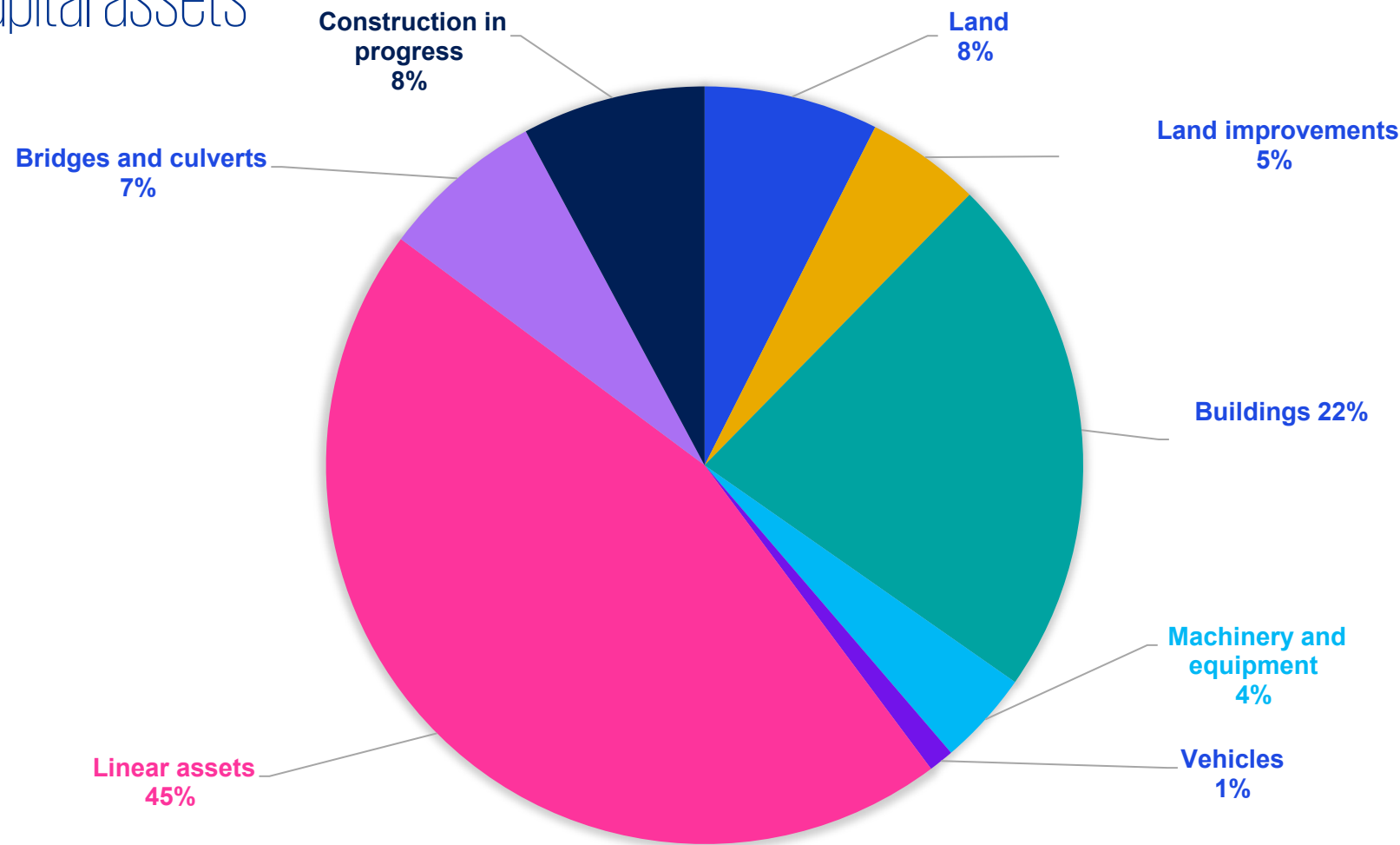
- Decrease in security deposits due to the release of the deposits/holdbacks for multiple subdivisions
- Increase in deferred revenue as a result of the deferral of the HAF grant for \$1.4M, less the use of development charges in excess of what was collected in the year

Non-Financial Assets:

- Capital asset additions of \$19.2M offset by \$4.6M in amortization
- Major capital asset additions include:
 - Land acquisition
 - Sewage Plant Expansion work in progress
 - Contributed assets from subdivision
 - Ongoing road projects

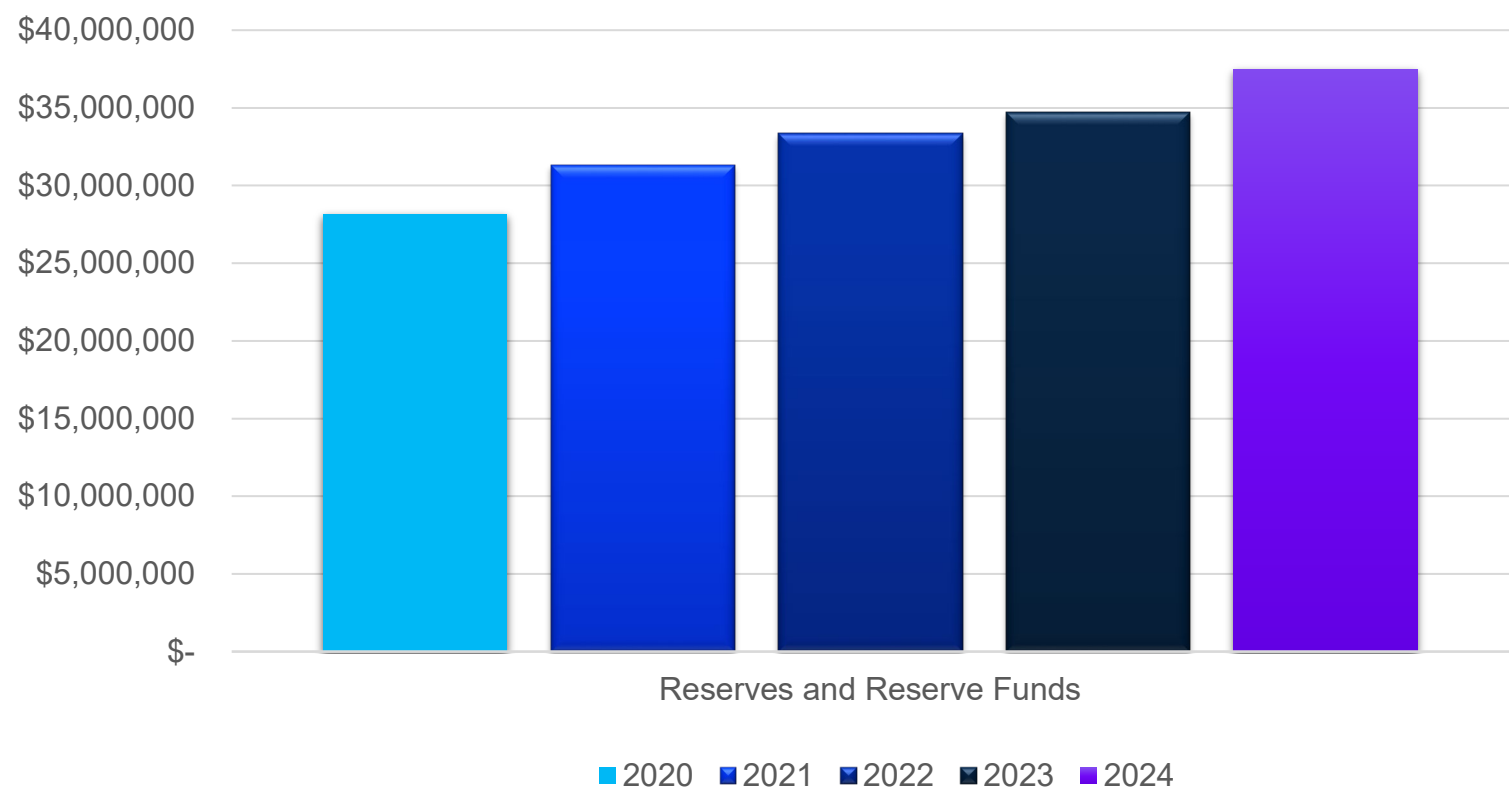
Financial Statement Highlights (continued)

Tangible capital assets



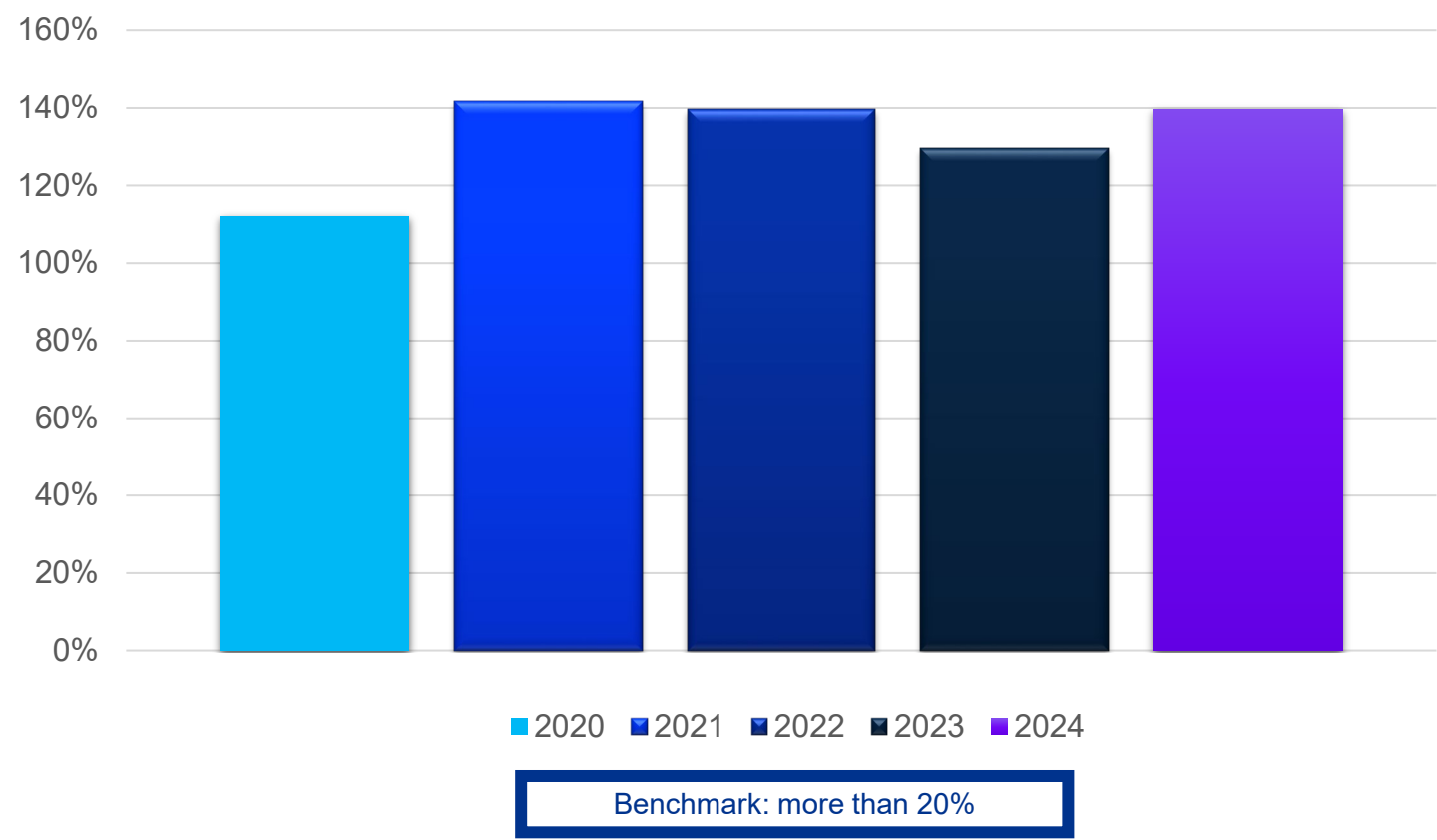
Financial Statement Highlights (continued)

Reserves and reserve funds



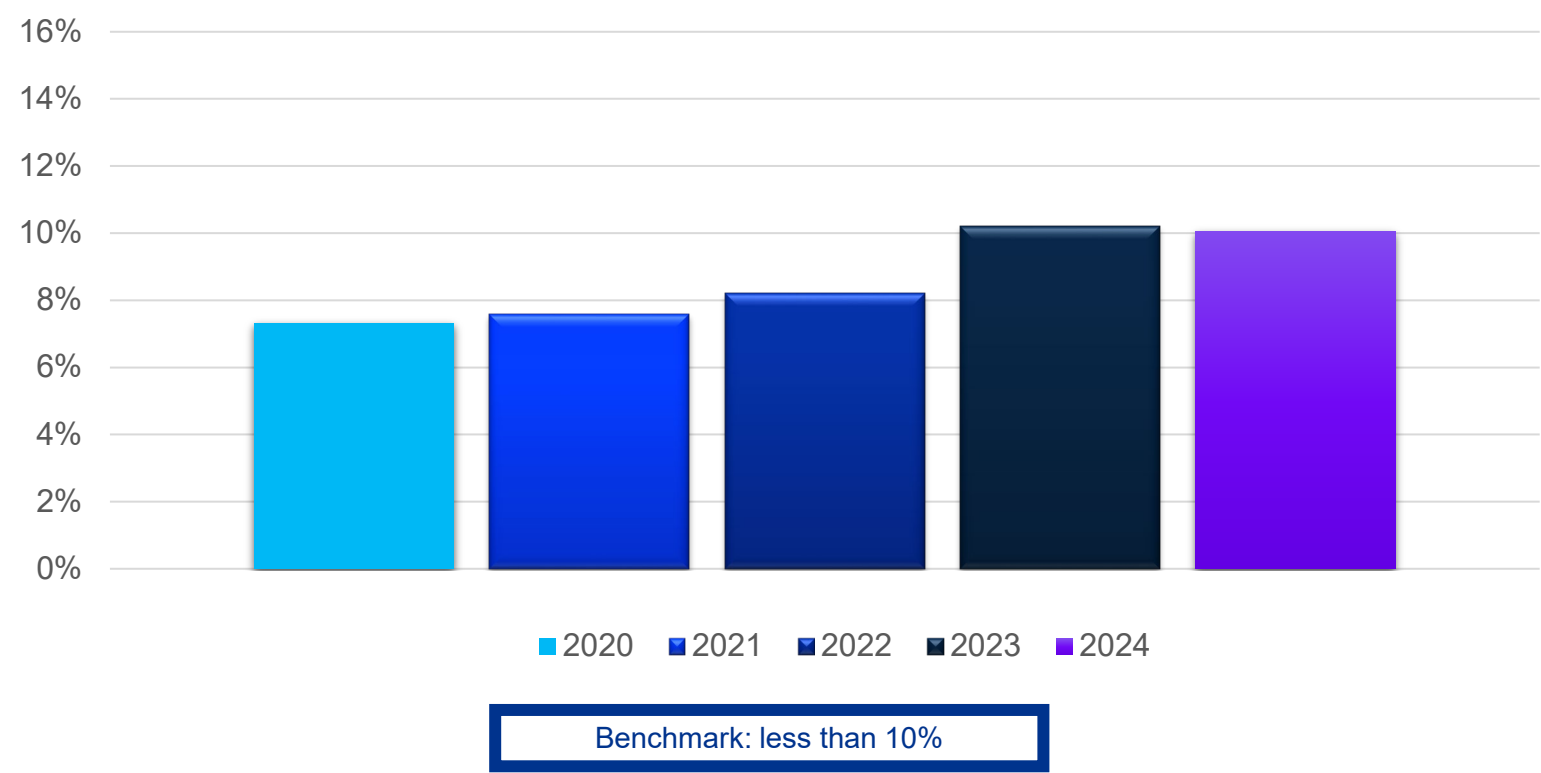
Financial Statement Highlights (continued)

Reserves and reserve fund as a percentage of operating expenses



Financial Statement Highlights (continued)

Tax arrears as a percentage of current levy



Financial Statement Highlights (continued)

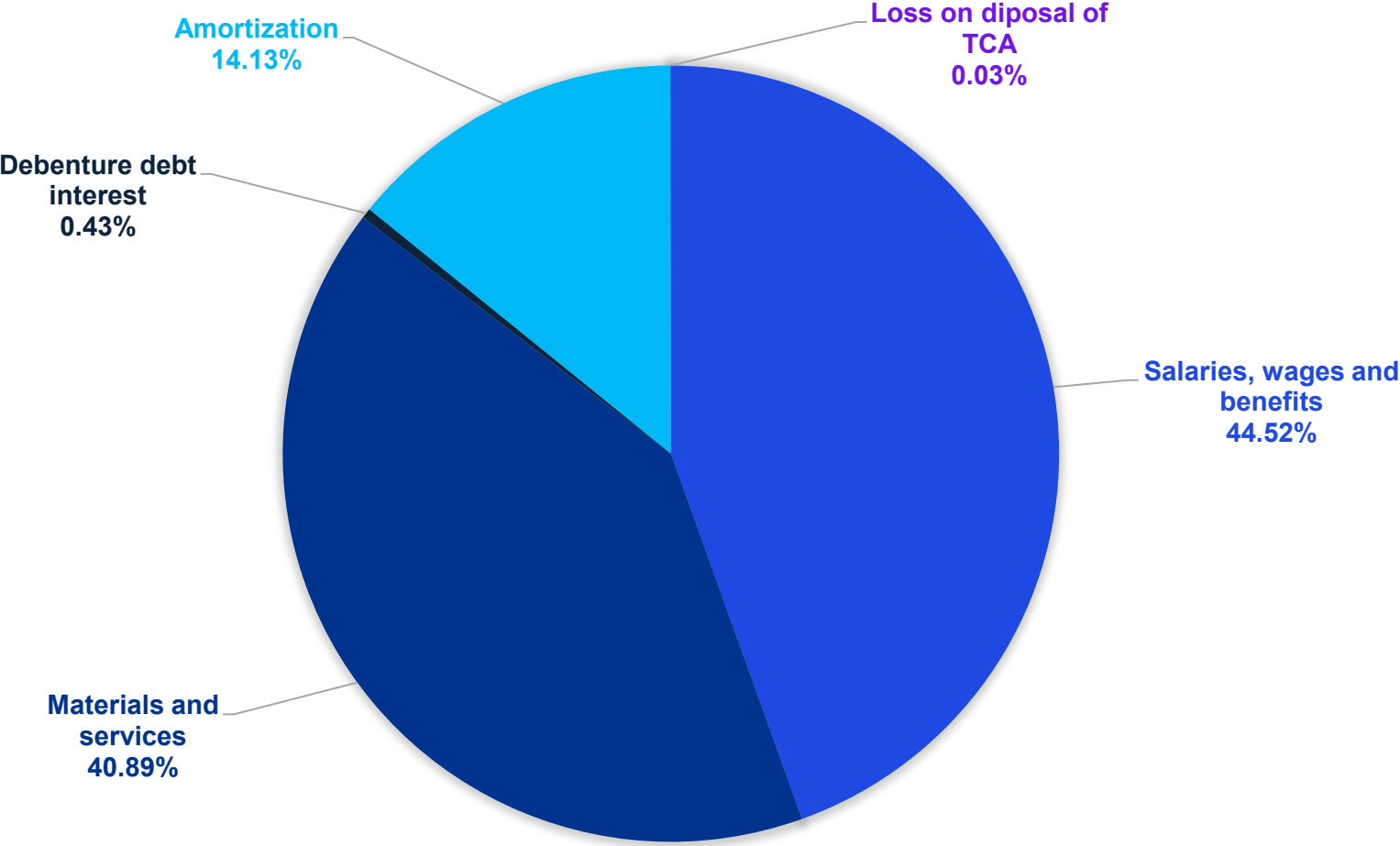
	2024 Budget (note 17)	2024 Actual	2023 Actual
Revenue:			
Taxation	\$ 15,701,940	\$ 15,816,320	\$ 15,393,974
User charges	14,312,382	11,265,222	10,317,658
Government transfers	11,937,718	6,736,572	7,374,297
Transfers from deferred revenue - obligatory reserve funds:			
Development charges	67,512,027	3,706,082	807,489
Parkland	210,000	182,731	158,092
Licenses and permits	970,060	974,855	996,961
Investment income	803,800	1,506,516	1,637,974
Penalties and interest on taxes	217,500	390,984	284,790
Contributed tangible capital assets	–	2,083,933	253,932
Other	570,756	834,430	808,925
	112,236,183	43,497,645	38,034,092
Expenses (note 16):			
General government	3,913,836	2,666,822	4,093,638
Protection to persons and property	5,657,522	5,864,611	5,384,499
Transportation services	5,292,168	4,639,673	6,530,826
Environmental services	5,199,298	6,931,108	5,553,939
Social and family services	5,089,939	5,580,262	4,716,116
Recreation and cultural services	4,925,888	5,868,129	4,096,159
Planning and development	4,152,203	933,828	929,914
	34,230,854	32,484,433	31,305,091
Annual surplus	78,005,329	11,013,212	6,729,001
Municipal equity, beginning of year	159,852,944	159,852,944	153,123,943
Municipal equity, end of year (note 11)	\$ 237,858,273	\$ 170,866,156	\$ 159,852,944

Financial Highlights:

- Revenue:
 - Minor decrease in government transfers due to fluctuations in capital activity and related funding
 - Increase in recognition of development charges due to additional eligible projects: \$1.6M waste water plant expansion, \$865k park at Cardel Subdivision, \$435k water plant expansion
 - Contributed capital assets: water and waste water infrastructure: \$1.47M and road infrastructure: \$614k
- Expenses:
 - Key driver of increase is related to increased salaries and benefit costs during the year due to an increase in staff headcount and cost of living adjustments
 - See note 16 for a detailed breakdown of expenses by segment.

Financial Statement Highlights (continued)

Operating expenses



Updates to our prior year audit plan

Other significant changes

Newly effective accounting standards



PS 3400, *Revenue*, became effective for this year end.

The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.

The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. It notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

PS 3160, *Public private partnership*, became effective for this year end (fiscal years beginning on or after April 1, 2023).

The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.

PSG 8, *Purchased intangibles*, became effective for this year end (fiscal years beginning on or after April 1, 2023).

The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.

Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized.

Newly effective accounting standards

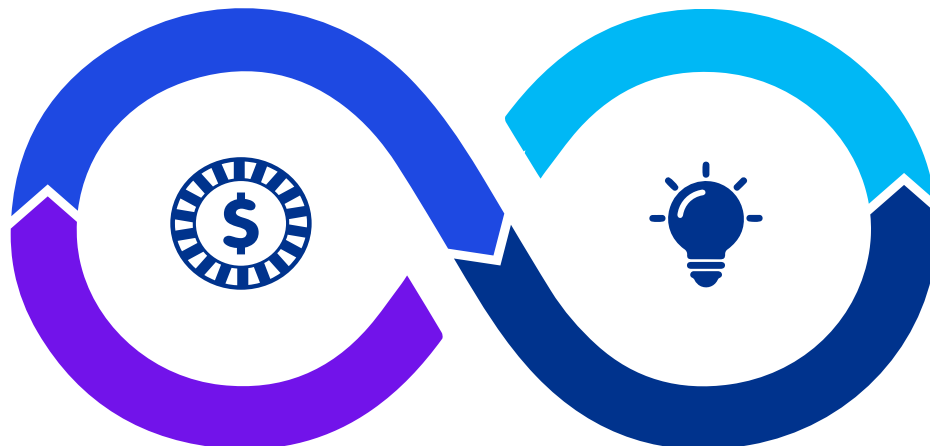
Newly effective auditing standards



There are no new auditing standards impacting the current year audit.

Future changes to auditing standards

Group Materiality



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

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

Plan and perform the audit

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

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

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

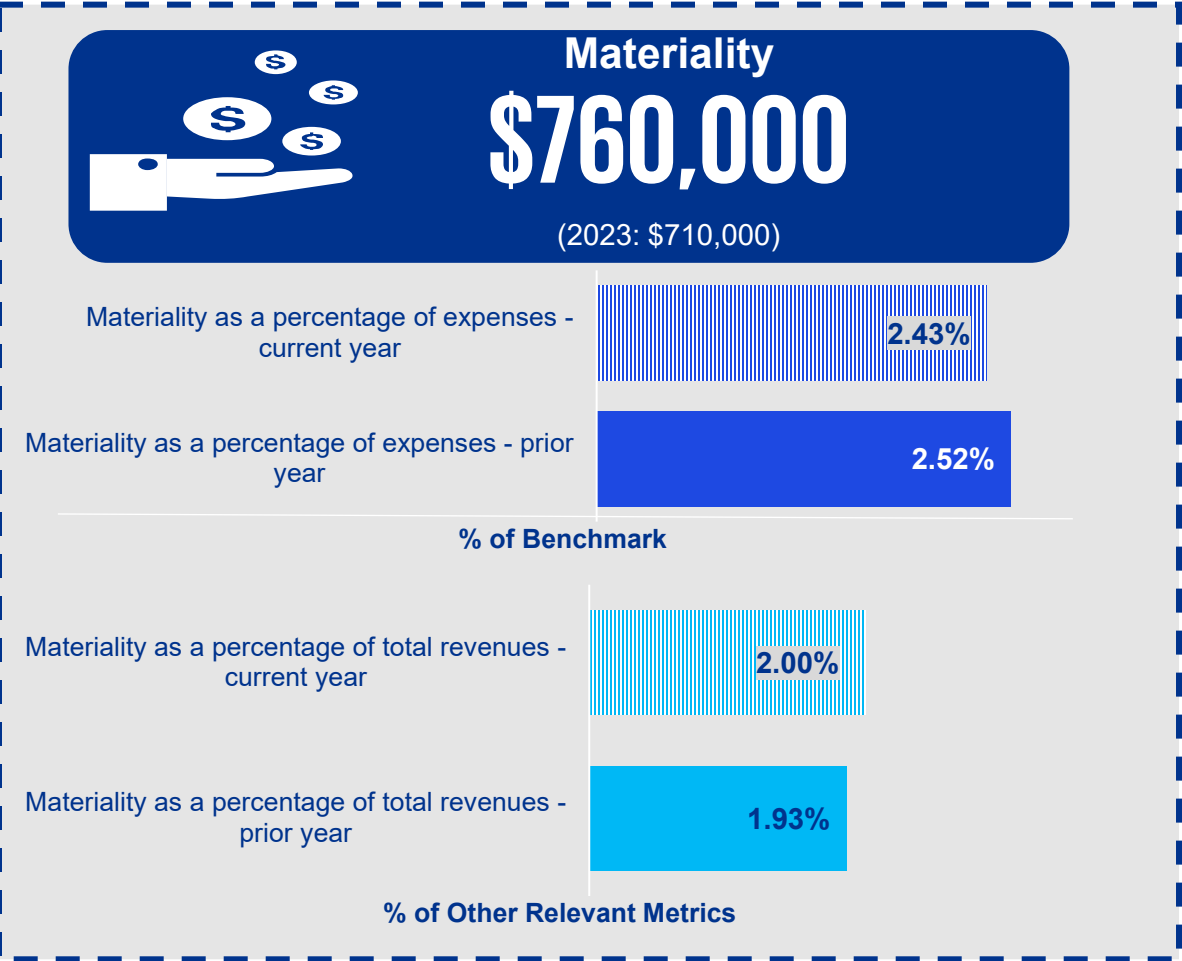
Evaluate the effect of misstatements

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

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

Group Materiality (continued)

Materiality has been set using the prior year audited financial statements. Performance materiality has been set at 75% of group materiality or \$570,000. Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate. Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both qualitative and quantitative factors.



We will report:



Corrected audit misstatements



Uncorrected audit misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)



Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Town and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Town’s components of its system of internal control, including our business process understanding.

		Risk of fraud	Risk of error	Risk Rating
●	Management override of controls	✓		Significant
●	Cash		✓	Base
●	Operating and payroll expenses (including related accruals)		✓	Base
●	Tangible capital assets		✓	Base
●	Asset retirement obligations		✓	Base
●	Government grants		✓	Base
●	Obligatory reserves		✓	Elevated
●	Financial instruments		✓	Base
●	Financial reporting		✓	Base

- PRESUMED RISK OF MATERIAL MISSTATEMENT
- OTHER AREA OF FOCUS



Current year findings

We did not uncover any significant findings as a result of the procedures performed over the areas highlighted above.

Significant risks and results

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

<div></div> <div>Fraud risk from management override of controls</div> <div><div>RISK OF</div><div></div><div>FRAUD</div></div>		
Significant risk	Estimate?	Critical audit matter?
Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.	No	No
<div>Our response</div> <p>As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:</p> <ul style="list-style-type: none">• We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.• Using our KPMG software tools, we analyzed the journal entries posted during the year for completeness.• In responding to risks of fraud and management override of controls, we set specific criteria to isolate high risk journal entries and adjustments in order to analyze for further insights into our audit procedures and findings.		
<div>Significant qualitative aspects of the Company’s accounting practices</div> <p>We did not uncover any issues during the performance of the procedures described above.</p>		

Accounting policies and practices

Initial selection

The following new significant accounting policies and practices were selected and applied during the period.

- PS 3400 *Revenue*
- PSG-8 *Purchased Intangibles*
- PS 3160 *Public Private Partnerships* (P3s)

Revised

No matters to report.

Significant qualitative aspects

Significant accounting policies or practices are disclosed in note 1 to the financial statements.

No matters to report.

Other financial reporting matters

We also highlight the following:



Financial statement presentation - form, arrangement, and content



Through the course of the audit, KPMG provided guidance and support to management on required disclosures in accordance with the financial reporting framework along with the adoption of the new accounting standards in 2024.



Concerns regarding application of new accounting pronouncements



No matters to report



Significant qualitative aspects of financial statement presentation and disclosure



No matters to report

Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud	No matters to report
Other information in documents containing the audited financial statements	Not applicable
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Management’s consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Other matters that are relevant matters of governance interest	No matters to report

Audit misstatements

As noted previously in our report, materiality for fiscal 2024 was set at \$760,000 which translated into an audit misstatement posting threshold of \$38,000. As such, all misstatements identified during the audit greater than \$38,000 have been recorded on our summary of adjustments and differences.

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and Council that all identified adjustments or differences be corrected, if any.



Impact of uncorrected misstatements

We did not identify any differences that remain uncorrected



Impact of corrected misstatements

We did identify misstatements that were corrected by management. Please see the management representation letter in [Appendix 1](#) of this report for more detail.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)



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

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

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

A deficiency in internal control over financial reporting



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

Significant deficiencies in internal control over financial reporting



A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance. **We have not identified a significant deficiency in internal control over financial reporting. We identified certain other observations.**

Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code¹ and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:

- 

Dedicated ethics & independence partners
- 

Process for reporting breaches of professional standards and policy, and documented disciplinary policy
- 

Ethics, independence and integrity training for all staff
- 

International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest
- 

Operating policies, procedures and guidance contained in our quality & risk management manual
- 

Mandated procedures for evaluating independence of prospective audit clients
- 

Restricted investments and relationships
- 

Annual ethics and independence confirmation for staff

Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.



¹ International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

Appendices

1

Required
communications

2

Audit quality

3

Audit and assurance
insights



Appendix 1: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to management.



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](#)

Appendix 1a: Draft auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Town of Carleton Place

Opinion

We have audited the financial statements of the Corporation of the Town of Carleton Place (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of operations and accumulated municipal equity 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 to the 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 financial position of the Entity as at December 31, 2024, and its results of operations and its 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.

Appendix 1a: Draft auditor's report (continued)

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.

Appendix 1a: Draft auditor's report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

(Date)

Appendix 1b: Management representation letter

(Letterhead of Client)

KPMG LLP
22 Wilson Street West
Perth, ON K7H 2M9
Canada

May 6, 2025

We are writing at your request to confirm our understanding that your audit were for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of the Corporation of the Town of Carleton Place (“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 the engagement letter dated January 17, 2025 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 Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.

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

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

e) providing you with additional information that you may request from us for the purpose of the engagement

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

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

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

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

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

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

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

- management;
- employees who have significant roles in internal control over financial reporting; or
- others

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

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

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

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

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.



Appendix 1b: Management representation letter (continued)

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) We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

Non-SEC registrants or non-reporting issuers:

- 12) 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).
- 13) 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:

- 14) 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.

Yours very truly,

CORPORATION OF THE TOWN OF CARLETON PLACE

Diane Smithson, Chief Administrative Officer

Trisa McConkey, Treasurer

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.

Appendix 1b: Management representation letter (continued)

Attachment II – Summary of Audit Misstatements Schedule(s)

For the year ended December 31, 2024 – Summary of corrected audit misstatements:

Description	Statement of Financial Position effect ¹			Statement of Operations effect ¹
	Assets \$	Liabilities \$	Municipal Equity \$	\$
Audit misstatements greater than \$38,000 individually				
Dr. Leased Vehicle Liability	–	260,509	–	–
Cr. Materials and services To adjust lease liability.	–	–	(260,509)	(260,509)
Dr. Cash	204,297	–	–	–
Cr. Accounts payable and accrued liabilities To reclassify the payroll accrual.	–	(204,297)	–	–
TOTAL CORRECTED AUDIT MISSTATEMENTS	204,297	56,212	(260,509)	(260,509)

¹ Debit (Credit)

Appendix 2: Audit quality - How do we deliver audit quality?

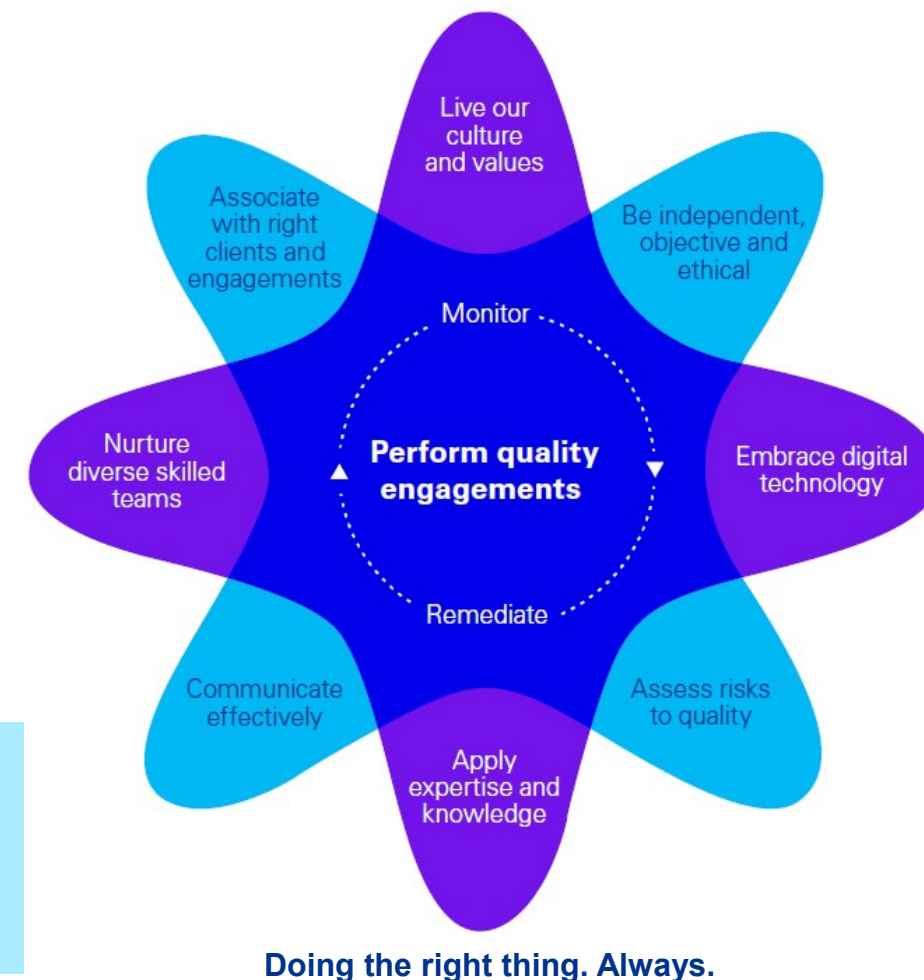
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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**.



Appendix 2: Audit quality - Indicators (AQIs)

The objective of these measures is to provide Council and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that are relevant for the audit.

Audit team composition

- Experience, commitment and knowledge of municipal governments
- A combination of continuity and fresh perspectives
- Access to specialist resources with public sector experience

Technology in the audit

- Increase in use of technology in the audit year over year
- Use of secure KPMG portal for transfer of electronic documents

Independence

- We will not put ourselves in a situation where we would audit our own work.
- We apply the most rigorous standards to our professional services in order to ensure our continued independence in our role.

Client preparedness

- Key financial records and working papers were made available to the audit team on the first day of audit
- KPMG completed the preparation of the financial statements, ensuring the appropriate safeguards were in place to mitigate any independence conflict

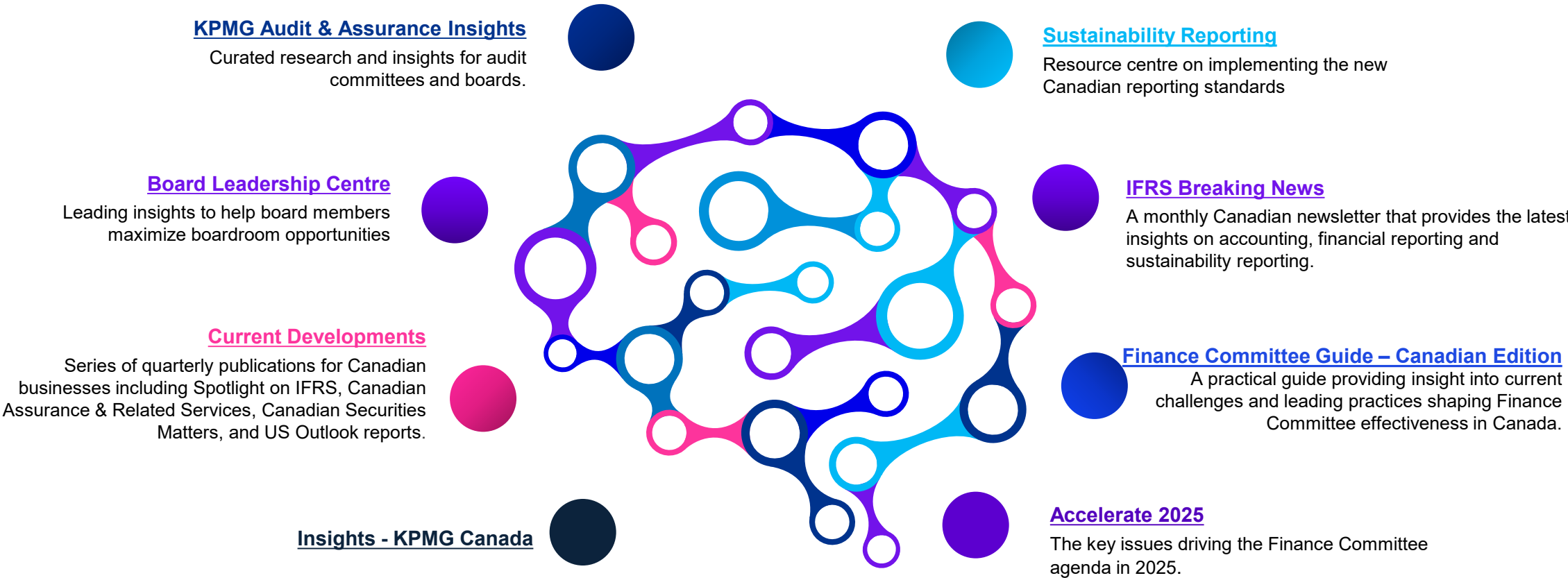
Council

- Council participate fully in the discussion with auditors
- KPMG provides current industry trends and updates to accounting and audit standards

- Nothing to report
- Some matters to report
- Specific matters to report

Appendix 3: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, Councils and management.





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

© 2025 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

