

April 23, 2024

Members of Council
Municipality of Tweed
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Tweed, Ontario
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Re: Audit of the Consolidated Financial Statements of the Municipality of Tweed

Dear Members of Council:

We have been engaged to express an audit opinion on the consolidated financial statements of the Municipality of Tweed ("the Municipality") for the year ended December 31, 2023. We have substantially completed our audit and are pleased to report on the following items.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to Council. This report should be read in conjunction with the draft consolidated financial statements and our report thereon, as well as our Audit Planning letter previously forwarded to you.

Auditor Independence

Canadian Auditing Standards ("CAS") require that we communicate at least annually with Council regarding all relationships between us and the Municipality that, in our professional judgement, may reasonably be thought to bear on our independence.

As communicated previously in a separate letter to Council, we are not aware of any relationship between the Municipality and us that, in our professional judgement, may reasonably be thought to bear on our independence.

Accordingly, we hereby re-confirm that our engagement team, our Firm and the other Baker Tilly Canada offices are independent with respect to the Municipality within the meaning of the Code of Professional Conduct Rule 204 of the Chartered Professional Accountants of Ontario.

Independent Auditor's Report

We anticipate that our Independent Auditor's Report will be issued without modification.

Our Independent Auditor's Report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the consolidated financial statements, including evidence that all the statements and disclosures that comprise the consolidated financial statements have been prepared and Council has approved the consolidated financial statements.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

There are no internal control matters that we wish to bring to your attention.

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Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

Peterborough

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Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of your accounting records, were limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under CAS, we consider the Municipality's control environment, governance structure, circumstances encountered during the audit and the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor will they necessarily detect such acts or recognize them as such, even if the effect on the consolidated financial statements is material. However, should we become aware that an illegal or possibly illegal act or act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate directly to Council.

It is our responsibility to maintain professional skepticism throughout the audit. This recognizes the possibility that a material misstatement due to fraud could exist, notwithstanding our past experience of the honesty and integrity of the Municipality's management and the audit committee.

It is management's responsibility to detect and prevent illegal action. If such acts are discovered or Council members become aware of circumstances under which the Municipality may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of assets or misrepresentation of financial information.

Related Party Transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, members of Council and their immediate family members and companies with which these individual have an economic interest.

There were no related party transactions identified during the audit that required disclosure in the notes to the consolidated financial statements.

Significant Accounting Principles and Policies

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The significant accounting principles and policies are disclosed in the notes to the consolidated financial statements.

Council has a responsibility to review the accounting policies adopted by the Municipality, and where alternative policies are available, make determinations as to the most appropriate policies to be adopted in the circumstances. If members of Council believe that the adoption or change in accounting policy may produce an inappropriate or misleading result in financial reporting or disclosure, this concern must be discussed with management and us.

As described in the notes to the consolidated financial statements, the Municipality has adopted the following:

PSA sections which are now effective under the PSA Handbook: 1201 Financial Statement Presentation, 2601 Foreign Currency Translation, 3041 Portfolio Investments, 3450 Financial Instruments and 3280 Asset Retirement Obligations.

The impact of the adoption of these standards on the Municipality's consolidated financial statements is disclosed in notes to the financial statements.

Accounting Estimates

Management is responsible for the accounting estimates included in the consolidated financial statements. Estimates and the related judgements and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the consolidated financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Significant Matters Discussed With Management

There were no significant matters arising from the audit discussed with management.

Written Representations Requested From Management

As part of our audit, we request that management prepare a letter to us to re-affirm various representations that they have provided to us and we have relied upon. A copy of this letter is attached for your convenience.

Significant Misstatements

In the course of our audit, we have not found any material misstatements or unadjusted items that, in aggregate, exceed materiality thresholds established for the audit, nor have we found significant misstatements that would likely cause future financial statements to be materially misstated.

Uncorrected Misstatements

In the course of our audit, we have not identified any uncorrected financial statement misstatements.

Significant Unusual Transactions

We are not aware of any significant transactions entered into by the Municipality that you should be informed about.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Municipality's financial statements or auditor's report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgements for accounting estimates;
- Financial statement disclosures;
- Scope of the audit: or
- Wording of the auditor's report.

In the course of our audit, we did not have any significant disagreements with management, nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the financial statements.

Difficulties Encountered During the Audit

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

Management Letter

During our audit, we did not note any significant issues to report to management; accordingly, we have issued a "no issues" letter to management.

Conclusion

We wish to express our appreciation for the co-operation we received during the audit from the Municipality's management.

Should any member of Council wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Yours truly,



per: Richard Steinginga, CPA, CA
Partner

Municipality of Tweed
255 Metcalf St.
Postal Bag 729
Tweed, Ontario
K0K 3L0

May 9, 2024

Baker Tilly KDN LLP
272 Charlotte St.
Peterborough, Ontario
K9J 2V4
Canada

Attention: Richard Steiging, CPA, CA

Dear Sir:

This representation letter is provided in connection with your audit of the consolidated financial statements of the Municipality of Tweed (the "Municipality") for the year ended December 31, 2023 for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

We 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:

Financial statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 5, 2024 for the preparation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the consolidated financial statements are fairly presented in accordance therewith.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
3. We have assessed that the Municipality is able to continue as a going concern and the consolidated financial statements have been prepared on a going concern basis.
4. 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.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.
6. There have been no events subsequent to the date of the consolidated financial statements up to the date hereof that would require recognition or disclosure in the consolidated financial statements. Furthermore, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those consolidated financial statements and the related notes.
7. Unrecorded adjustments at year end are trivial in amount and nature, therefore the effects of unrecorded adjustments are, both individually and in the aggregate, immaterial to the consolidated financial statements.

8. The accounting policies selected and the application thereof is appropriate, including those for complex areas of accounting and areas involving management's judgement and estimates, for example, revenue recognition, fair value measurements, transfers of receivables, hedging relationships and consolidation of variable interest entities.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.
10. We are aware of the environmental laws and regulations that impact on our Municipality and we are in compliance. There are no known environmental liabilities, including liabilities under sections PS3260 - Liability for Contaminated Sites and PS3280 - Asset Retirement Obligations that have not been accrued for or disclosed in the consolidated financial statements.
11. We are aware of the environmental laws and regulations that impact on our Municipality and we are in compliance. There are no known environmental liabilities that have not been accrued for or disclosed in the consolidated financial statements.
12. The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.
13. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
14. There are no derivative or off-balance sheet financial instruments held at year end.
15. We have made the appropriate determination, accounting and disclosure in the consolidated financial statements of the costs, assets and obligations associated with employee future benefits.
16. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
17. The Municipality has satisfactory title to all assets, and there are no liens or encumbrances on the Municipality's assets.

Information provided

18. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the Municipality from whom you determined it necessary to obtain audit evidence.
19. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
20. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.
21. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Municipality and involves:
 - Management;

- Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
22. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Municipality's financial statements communicated by employees, former employees, analysts, regulators or others.
23. We have disclosed to you, and the Municipality has complied with, all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debts.
24. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
25. We have disclosed to you the identity of the Municipality's related parties and all the related-party relationships and transactions of which we are aware.
26. The minute books of the Municipality are a complete record of all meetings and resolutions of the Municipality throughout the year and to the present date.

Journal entry approval

27. We approve of and acknowledge responsibility for the journal entries summarized in the accompanying schedule.

Yours very truly,

Gloria Raybone
CAO/Treasurer

Municipality of Tweed
Year End: December 31, 2023
BT proposed Journal Entries
for Management approval
Date: 1/01/23 To 12/31/23

E45. 1

Number	Date	Type	Name	Account No	Debit	Credit
LIB01	12/31/23	N	Equipment	1705		
LIB01	12/31/23	N	Computers	1707		
LIB01	12/31/23	N	Books	1709		12,186.30
LIB01	12/31/23	N	Books	1709	14,252.27	
LIB01	12/31/23	N	Accum Amort - Books	1719	12,186.30	
LIB01	12/31/23	N	Equipment & Furnishings:6170.2 Equipment P	6170.2		
LIB01	12/31/23	N	Equipment & Furnishings:6170.2 Equipment P	6170.2		
LIB01	12/31/23	N	Supplies:6770.1 Books	6770.1		14,252.27
To record TCA Additions and disposals						
LIB02	12/31/23	N	Accum Amort - Building	1713		21,911.25
LIB02	12/31/23	N	Accum Amort - Equip	1715		7,286.72
LIB02	12/31/23	N	Accum Amort - Computers	1717		2,132.02
LIB02	12/31/23	N	Accum Amort - Books	1719		10,745.92
LIB02	12/31/23	N	Amortization	6850	42,075.91	
To record amortization expense						
LIB03	12/31/23	N	Equity in TCA	4500	27,816.30	
LIB03	12/31/23	N	Library - change in equity in TCA	7999		27,816.30
To record change in equity in TCA						
LIB04	12/31/23	N	Accounts receivable	1500	1,432.57	
LIB04	12/31/23	N	Utilities HST Rebates	6254		445.09
LIB04	12/31/23	N	Office and Administration HST Rebates	6170.3		326.45
LIB04	12/31/23	N	Supplies and Maintenance HST Rebates	6555.5		353.17
LIB04	12/31/23	N	Program Expense:6670.4 Children's Programr	6670.4		11.37
LIB04	12/31/23	N	Books, Tapes, Videos, Programs HST rebate	6770.5		170.80
LIB04	12/31/23	N	Professional Development HST Rebates	6790.1		125.69
To record HST rebates receivable throughout the year on expenses incurred.						
LIB05	12/31/23	N	Grants:4111 Grant - Tweed Municipality	4111		35,765.28
LIB05	12/31/23	N	Salaries	6335	35,765.28	
To clear prior year amount payable to municipality. Payroll accrual from prior year was paid and first payroll of current year as well.						
LIB06	12/31/23	N	Accounts receivable	1500		1,673.21
LIB06	12/31/23	N	HST Rebates	4180	1,673.21	

Municipality of Tweed
Year End: December 31, 2023
BT proposed Journal Entries
for Management approval
Date: 1/01/23 To 12/31/23

E45. 1-1

Number	Date	Type	Name	Account No	Debit	Credit
To clear prior years HST rebate for amounts received.						
LIB07	12/31/23	N	Retained Earnings	3001	13,191.63	
LIB07	12/31/23	N	Retained Earnings	3001	847.50	
LIB07	12/31/23	N	Library reserve funds transfer	6999		13,191.63
LIB07	12/31/23	N	Library reserve funds transfer	6999		847.50
To record transfer of surplus/(deficit) for the year (includes prepaid reversal)						
LIB08	12/31/23	N	Prepaid Expenses	1600	1,686.54	
LIB08	12/31/23	N	JASI	6230		379.67
LIB08	12/31/23	N	Repairs:6330 Equipment Repairs	6330		899.12
LIB08	12/31/23	N	Supplies:6770.4 Periodicals	6770.4		407.75
To adjust expense amounts into prepaid						
LIB09	12/31/23	N	Prepaid Expenses	1600		847.50
LIB09	12/31/23	N	Repairs:6330 Equipment Repairs	6330	847.50	
To reverse out opening prepaid expense balance from 2022						
REC01	12/31/23	R	Transfer to Reserves	01-510-53350	25,000.00	
REC01	12/31/23	R	PARKS Land Improvements	01-510-58050		25,000.00
To reclass reserve transfer from expense acct.						
REC02	12/31/23	R	ADMIN Miscellaneous Receipts	01-110-40222	15,000.00	
REC02	12/31/23	R	Other municipal grants	BT-01-555-40129		15,000.00
To reclass other municipal grants for f/s purposes (PY was 90k, back to 15k for CY)						
REC03	12/31/23	R	WATER ICIP Funding	01-420-40128	336,519.61	
REC03	12/31/23	R	Water ICIP funding Fed	BT-420-40128		336,519.61
To reclass federal portion of ICIP green stream fundng for water crossing.						
REC04	12/31/23	R	Oil Kings - Ticket sales	01-521-40607	7,773.51	
REC04	12/31/23	R	Oil Kings - Advertising	01-521-40614	6,372.72	
REC04	12/31/23	R	Oil Kings - Fundraising	01-521-40616	2,275.01	

Municipality of Tweed
Year End: December 31, 2023
BT proposed Journal Entries
for Management approval
Date: 1/01/23 To 12/31/23

E45. 1-2

Number	Date	Type	Name	Account No	Debit	Credit
REC04	12/31/23	R	Oil Kings - Miscellaneous	01-521-52202		16,421.24
			To reclass Oil King sale based on Schedule G by-law 2023-85			
REC05	12/31/23	R	Repymt of Long-Term Debt	01-410-55000		93,955.97
REC05	12/31/23	R	Loan interest lagoon	01-410-55000BT	93,955.97	
			To reclass interest paid on loan to seperate account for F/s purposes			
REC06	12/31/23	R	Parks and Rec ARO Accretion	BT673.60	40,309.40	
REC06	12/31/23	R	Roads paved ARO Accretion	BT711.60	100,918.99	
REC06	12/31/23	R	Wastewater ARO Accretion	BT752.60	12,065.56	
REC06	12/31/23	R	Solid waste ARO Accretion	BT758.60	144,950.24	
REC06	12/31/23	R	Solid waste ARO Accretion	BT758.60		3,350.61
REC06	12/31/23	R	TCA - ARO Impact	01-100-17032		2,119,479.38
REC06	12/31/23	R	Accum Amort - ARO Impact	01-100-17132	173,188.29	
REC06	12/31/23	R	Accretion	01-105-60050		298,244.19
REC06	12/31/23	R	Accretion	01-105-60050	3,350.61	
REC06	12/31/23	R	Building ARO	ARO-01-100-17003	1,835,855.94	
REC06	12/31/23	R	Machinery and Equipment ARO	ARO-01-100-17007	3,679.97	
REC06	12/31/23	R	Infrastructure Buildings ARO	ARO-01-100-17013	123,434.23	
REC06	12/31/23	R	Underground Networks ARO	ARO-01-100-17019	156,509.24	
REC06	12/31/23	R	Building Accum ARO	ARO-01-100-17103		141,521.15
REC06	12/31/23	R	Machinery and Equipment Accum ARO	ARO-01-100-17107		245.33
REC06	12/31/23	R	Infrastructure Buildings Accum ARO	ARO-01-100-17113		2,200.91
REC06	12/31/23	R	Underground Networks Accum ARO	ARO-01-100-17119		29,220.90
			To reclass ARO related accounts to proper asset type and expense departments.			
REC07	12/31/23	R	GARBAGE DISPOSAL Blu Metric Capital	01-440-58000		1,540,566.53
REC07	12/31/23	R	Change in Landfill Equity	01-440-60400	1,540,566.53	
			To setup change in landfill liability for prior year reduction of liability.			
REC08	12/31/23	R	Discount Long Term Receivable	01-110-40001	10,064.20	
REC08	12/31/23	R	Investment Fair Value Gains/Losses	01-110-40219	30,109.90	
REC08	12/31/23	R	Discount on Long Term Receivable	01-110-50001		10,064.20
REC08	12/31/23	R	Change in Surplus/Deficit	01-110-70000		30,109.90
			To reclassify financial instruments items to be shown on reasmsurement gains and losses schedule			
REC10	12/31/23	R	Solid waste ARO Accretion	BT758.60		908.58

Municipality of Tweed
Year End: December 31, 2023
BT proposed Journal Entries
for Management approval
Date: 1/01/23 To 12/31/23

E45. 1-3

Number	Date	Type	Name	Account No	Debit	Credit
REC10	12/31/23	R	AMORTIZATION Administration	01-110-60000		21,080.77
REC10	12/31/23	R	SANITARY SEWER Capital Development	01-410-58000	21,989.35	
To reclass disposed ARO income statement impacts for f/s purposes						
REC11	12/31/23	R	Landfill ARO amortization	BT09	1,587,057.50	
REC11	12/31/23	R	AMORTIZATION Administration	01-110-60000		3,419,702.59
REC11	12/31/23	R	AMORTIZATION Public Works	01-310-60000	1,718,324.05	
REC11	12/31/23	R	AMORTIZATION Environmental	01-410-60000	30,644.41	
REC11	12/31/23	R	AMORTIZATION Recreation & Culture	01-510-60000	83,676.63	
To reclass ARO amortization for f/s purposes of segmented schedule.						
LIB.REC01	12/31/23	R	HST Rebates	4180	1,687.18	
LIB.REC01	12/31/23	R	Utilities HST Rebates	6254		524.19
LIB.REC01	12/31/23	R	Professional Development	6790		148.03
LIB.REC01	12/31/23	R	Office and Administration HST Rebates	6170.3		384.48
LIB.REC01	12/31/23	R	Supplies and Maintenance HST Rebates	6555.5		415.94
LIB.REC01	12/31/23	R	Program Expense:6670.4 Children's Program	6670.4		13.39
LIB.REC01	12/31/23	R	Books, Tapes, Videos, Programs HST rebate	6770.5		201.15
To reclass January - June HST rebate to proper account.						
LIB.REC02	12/31/23	R	Deferred revenue	2500		500.00
LIB.REC02	12/31/23	R	Deferred revenue	2500		500.00
LIB.REC02	12/31/23	R	Donation Income	4030	500.00	
LIB.REC02	12/31/23	R	Donation Income	4030	20.00	
LIB.REC02	12/31/23	R	Donation Income	4030	16.89	
LIB.REC02	12/31/23	R	Donation Income	4030	260.32	
LIB.REC02	12/31/23	R	Donation Income	4030	67.00	
LIB.REC02	12/31/23	R	Donation Income	4030	1,200.00	
LIB.REC02	12/31/23	R	Donation Income	4030	500.00	
LIB.REC02	12/31/23	R	Donation Income	4030	500.00	
LIB.REC02	12/31/23	R	Donation Income:4050 Specified donation	4050		500.00
LIB.REC02	12/31/23	R	Donation Income:4050 Specified donation	4050		20.00
LIB.REC02	12/31/23	R	Donation Income:4050 Specified donation	4050		16.89
LIB.REC02	12/31/23	R	Donation Income:4050 Specified donation	4050		260.32
LIB.REC02	12/31/23	R	Donation Income:4050 Specified donation	4050		67.00
LIB.REC02	12/31/23	R	Donation Income:4050 Specified donation	4050		1,200.00
To reclass specified donations to other account per GL.						
LIB.REC03	12/31/23	R	Library reserve funds transfer	6999		45.01

Number	Date	Type	Name	Account No	Debit	Credit
LIB.REC03	12/31/23	R	Supplies:6770.4 Periodicals	6770.4	45.01	
			To reclass invoice posted to reserve transfer			
					8,260,163.27	8,260,163.27

Net Income (Loss) 0.00