



Finance & Audit Committee

Conservation Halton

Apr 7, 2022 9:00 AM - 10:00 AM EDT

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REPORT TO: Finance & Audit Committee

REPORT NO: # FA 01 22 01

FROM: Marnie Piggot, Director, Finance

DATE: April 7, 2022

SUBJECT: 2021 Audited Financial Statements

Recommendation

THAT the Finance & Audit Committee **recommends to the Conservation Halton Board of Directors the audited financial statements for the year ended December 31, 2021 as presented be approved.**

Executive Summary

The annual audit of Conservation Halton's financial transactions for the year ended December 31, 2021 has been completed by KPMG LLP. The financial statements were prepared by Conservation Halton staff and the draft audited statements are attached (Appendix A).

The KPMG Auditors' Report which is included in the financial statements is a standard audit report without qualifications and it is their opinion that the statements are presented fairly and in accordance with public sector accounting standards. KPMG has also provided the attached 2021 Audit Findings Report (Appendix B). KPMG staff will be available at the meeting to present their report.

Report

The Statement of Financial Position for Conservation Halton reports Accumulated Surplus at December 31, 2021 of \$78.2 million. This is an overall increase of 1.3% over the 2020 Accumulated Surplus of \$77.2 million.

Statement of Financial Position Summary	2021 Actual	2020 Actual
Financial assets	\$ 42,641,661	\$ 32,456,876
Non-financial assets	72,732,222	72,607,313
Total Assets	115,373,883	105,064,189
Less: Financial liabilities	(37,153,070)	(27,884,841)
Accumulated Surplus	\$ 78,220,813	\$ 77,179,348

The increase in the Accumulated Surplus is derived from the 2021 Annual Surplus of \$1,041,465 reported on the Statement of Operations. A summary of the Statement of Operations is as follows:

Statement of Operations Summary	2021 Budget	2021 Actual	2020 Actual
Total Revenues	\$ 31,820,205	\$ 31,234,065	\$ 29,322,376
Total Expenses	(31,806,394)	(30,192,600)	(27,164,639)
Annual Surplus	\$ 13,811	\$ 1,041,465	\$ 2,157,737

The audited financial statements were prepared using the amounts in the 2021 year-end Budget Variance Report financial appendix presented at the March 24, 2022 Board meeting with a reported operating surplus of \$591,026.

The Conservation Halton annual budget is prepared on a modified accrual basis to ensure there is adequate funding cash flow available for the planned outlay of expenditures. This budget preparation method is consistent with public sector budgeting practices.

Adjustments to the audited financial Statement of Operations amounts include the:

- Addition of amortization of tangible capital assets and
- Elimination of tangible capital asset acquisitions, Reserve transfers, municipal debt financing and the principal portion of debt financing charges.

These items are not considered revenue and expenses according to PSAB though they are reported as funding sources and expenditure items that Conservation Halton must budget for.

The PSAB adjustments to the Budget Variance Report financial amounts to arrive at the audited financial statement Annual Surplus are as follows:

	2021 Actual	2020 Actual
Total Operating Surplus - Budget Variance Report	\$ 591,026	\$ 2,203,035
Public Sector Accounting Board (PSAB) Adjustments:		
Addition of:		
Amortization of tangible capital assets expense	(2,010,853)	(1,946,029)
Elimination of:		
Acquisition of tangible capital assets	2,232,482	2,267,140
Proceeds on disposal of tangible capital assets	(84,011)	(95,618)
Gain (loss) on disposal of tangible capital assets	(74,527)	65,861
Transfers to and (from) reserves	184,369	(601,878)
Municipal Debt Financing	(203,437)	(314,532)
Debt financing charges - Principal portion	406,416	579,758
Total PSAB adjustments	450,439	(45,298)
Annual surplus per audited financial statements	\$ 1,041,465	\$ 2,157,737

The 2021 budget amounts shown on the Statement of Operations have also been modified to be consistent with PSAB standards. The adjustments to the 2021 budget are outlined in note 10 of the audited financial statements.

The Accumulated Surplus of \$78,220,813 is made up largely by Tangible Capital Assets and is detailed in note 9 of the audited financial statements as follows:

Surplus – Tangible Capital Assets	\$ 72,175,195
Deficit – Current Funds	(5,382,224)
Reserves	11,427,842
Total Accumulated Surplus at December 31, 2021	\$ 78,220,813

The reserve transfers approved in the 2021 year-end Budget Variance Report have been reflected in the audited financial statements.

The Deficit – Current Funds is attributed primarily to long-term debt financing of \$4,999,814 at December 31, 2021 and \$203,436 in Halton Region municipal debt financing invoiced in 2022 for debt financed capital project costs incurred in 2021.

Details of significant budget variances reported on the Statement of Operations were provided in the 2021 Budget Variance Report financial appendix included in the March 24, 2022 agenda.

Impact on Strategic Goals

This report supports the Momentum priority of Organizational Sustainability.

Financial Impact

The report provides details on the annual financial results for the year ended December 31, 2021 for Conservation Halton. The audited financial statements to be approved will be provided to various funding partners and stakeholders of Conservation Halton to meet funding agreements and are a source of information on the programs carried out by Conservation Halton.

Signed & respectfully submitted:



Marnie Piggot
Director, Finance

Approved for circulation:



Hassaan Basit
President CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT:

Marnie Piggot; Director Finance
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Appendix A

Financial Statements of

CONSERVATION HALTON

Year ended December 31, 2021

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CONSERVATION HALTON

Financial Statements

Year ended December 31, 2021

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Directors of Conservation Halton

Opinion

We have audited the financial statements of Conservation Halton (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and changes in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the 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, 2021, and its results of operations and its cash flows 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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.

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

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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 auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
(date)

CONSERVATION HALTON

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 203,167	\$ 633,504
Investments (note 2)	27,661,061	17,781,423
Investment - Water Management System (note 3)	12,351,617	11,961,907
Accounts receivable (note 4)	2,425,816	2,080,042
	<u>42,641,661</u>	<u>32,456,876</u>
Financial liabilities:		
Accounts payable and accrued charges	2,527,046	2,436,147
Deferred revenue (note 5)	16,462,058	7,458,676
Deferred revenue - capital and major projects (note 6)	812,536	936,414
Deferred revenue - Water Management System (note 3)	12,351,617	11,961,907
Long-term liabilities (note 7)	4,999,813	5,091,697
	<u>37,153,070</u>	<u>27,884,841</u>
Net financial assets	5,488,591	4,572,035
Non-financial assets:		
Tangible capital assets (note 8)	72,175,194	72,112,103
Prepaid expenses	440,606	369,033
Inventory	116,422	126,177
	<u>72,732,222</u>	<u>72,607,313</u>
Contingencies (note 11)		
Commitments (note 12)		
Implications due to COVID-19 (note 15)		
Accumulated surplus (note 9)	\$ 78,220,813	\$ 77,179,348

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair

_____ Vice-Chair

CONSERVATION HALTON

Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (Note 10)	2021 Actual	2020 Actual
Revenue (note 16):			
Municipal grants	\$ 10,173,879	\$ 10,173,881	\$ 9,660,318
Ministry of Natural Resources and Forestry	155,034	155,034	155,034
Corporate services	122,549	307,513	296,071
Corporate compliance	–	834,098	–
Flood forecasting and operations	–	16,444	1,831
Planning and watershed management	3,143,997	4,321,824	3,510,020
Science and partnerships	515,321	706,681	395,648
Project management office	338,443	332,428	171,677
Watershed management and support service operations	303,000	434,793	270,140
Conservation areas	13,531,609	10,001,894	11,396,100
Partnership projects	1,566,388	1,435,904	699,348
Major projects	1,969,985	2,513,571	2,766,189
Total revenue	31,820,205	31,234,065	29,322,376
Expenses (note 16):			
Corporate services	4,682,544	4,283,675	4,315,126
Corporate compliance	774,777	762,301	714,648
Flood forecasting and operations	1,050,284	1,068,049	986,802
Planning and watershed management	4,897,668	5,681,659	4,309,739
Science and partnerships	1,550,332	1,642,605	1,166,653
Project management office	1,278,996	1,294,903	1,041,886
Watershed management and support service operations	1,703,186	1,628,136	1,274,611
Conservation areas	13,251,030	10,642,224	10,672,019
Partnership projects	1,566,388	1,445,940	699,347
Major projects	820,000	1,576,310	1,819,556
Debt financing charges	231,189	166,798	164,252
Total expenses	31,806,394	30,192,600	27,164,639
Annual surplus (note 9)	13,811	1,041,465	2,157,737
Accumulated surplus, beginning of year		77,179,348	75,021,611
Accumulated surplus, end of year		\$ 78,220,813	\$ 77,179,348

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (Note 10)	2021 Actual	2020 Actual
Annual surplus	\$ 13,811	\$ 1,041,465	\$ 2,157,737
Acquisition of tangible capital assets	(2,510,180)	(2,232,482)	(2,267,140)
Amortization of tangible capital assets	2,010,000	2,010,853	1,946,029
Proceeds on disposal of tangible capital assets	—	84,011	95,618
Loss on disposal of tangible capital assets	—	74,527	(65,861)
	(486,369)	978,374	1,866,383
Change in prepaid expenses	—	(71,573)	223,565
Change in inventories	—	9,755	(22,301)
Net change in net financial assets	—	916,556	2,067,647
Net financial assets, beginning of year		4,572,035	2,504,388
Net financial assets, end of year		\$ 5,488,591	\$ 4,572,035

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,041,465	\$ 2,157,737
Items not involving cash:		
Amortization	2,010,853	1,946,029
Gain (loss) on disposal of tangible capital assets	74,527	(65,861)
	3,126,845	4,037,905
Change in non-cash working capital balances:		
Accounts receivable	(345,774)	2,295,403
Prepaid expenses	(71,573)	223,565
Inventory	9,755	(22,301)
Accounts payable and accrued charges	90,899	(1,105,184)
Deferred revenue	9,003,382	976,964
Deferred revenue - capital and major projects	(123,878)	(14,116)
	11,689,656	6,392,236
Capital transactions:		
Acquisition of tangible capital assets	(2,232,482)	(2,267,140)
Proceeds on disposal of tangible capital assets	84,011	95,618
	(2,148,471)	(2,171,522)
Investing activities:		
Net (purchase) sale of investments	(9,879,638)	(5,338,221)
Investment - Water Management System	(389,710)	(430,520)
	(10,269,348)	(5,768,741)
Financing transactions:		
Deferred revenue - Water Management System	389,710	430,520
Proceeds from long-term debt	314,532	1,257,506
Repayment of long-term debt	(406,416)	(579,757)
	297,826	1,108,269
Net change in cash	(430,337)	(439,758)
Cash, beginning of year	633,504	1,073,262
Cash, end of year	\$ 203,167	\$ 633,504

See accompanying notes to financial statements.

CONSERVATION HALTON

Notes to Financial Statements

Year ended December 31, 2021

Purpose of Organization:

Conservation Halton is established under the Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources, exclusive of gas, oil, coal and minerals for the watersheds within its area of jurisdiction. The watersheds include areas in the Regions of Halton and Peel, the Township of Puslinch and the City of Hamilton.

Conservation Halton's purpose is to protect people from natural hazards, conserve nature and provide opportunities for outdoor recreation and education across the watershed.

1. Significant accounting policies:

The financial statements of Conservation Halton are prepared by management in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook for local government. The significant accounting policies are as follows:

(a) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measureable; expenses are recognized as they are incurred and measureable as a result of receipt of goods or services and the creation of a legal obligation to pay.

These financial statements do not include the activities of the Conservation Halton Foundation, a related incorporated registered charity with a mission to raise funds and profile for Conservation Halton projects and programs.

(b) Investments:

Investments are recorded at the lower of cost and market value based on quoted market prices. Losses are recorded when the decline in market value is other than temporary.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined using specific identification of the cost of the individual items.

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue on the same basis as the amortization expense related to the acquired tangible capital asset. Assets under construction are not amortized and are transferred into their relative asset category when available for productive use. Amortization is recorded on either a straight-line basis over the estimated life of the assets or by using the declining balance method.

The following rates are used:

Asset	Basis	Useful Life - Years
Land improvements	Straight-line	30 to 50 years
Buildings and building improvements	Straight-line	25 to 50 years
Machinery and equipment	Straight-line	5 to 40 years
Furniture and fixtures	Straight-line	5 to 20 years
Infrastructure	Straight-line	20 to 75 years
Vehicles	Declining balance	30%
Computer hardware and software	Straight-line	5 to 10 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(d) Deferred revenue - Capital and Major Projects:

Conservation Halton received certain amounts for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. Funds received for the purchase of tangible capital assets are recognized when the related asset is purchased.

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

1. Significant accounting policies (continued):

(e) Deferred revenue - Water Management System:

Conservation Halton has received funds for expenses to be incurred for the future operation of a water management system and management of certain lands. These funds are externally restricted and cannot be drawn until Conservation Halton commences management of the lands. These amounts will be recognized as revenues when the relating expenses are incurred or management services performed.

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(g) Revenue recognition:

Municipal levies, government transfers and funding for projects are recognized as revenue when the transfer is authorized, any eligible criteria has been met and the amount can be reasonably estimated.

User charges and fees are recognized as revenue in the period in which the related services are performed.

(h) Employee future benefits:

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(i) Use of estimates:

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include accrued liabilities, contaminated site liability, contingencies and tangible capital assets. Actual results could differ from estimates.

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

2. Short-term investments:

	2021	2020
Business investment	\$ 5,203,184	\$ 1,555,710
Notice plan investment	10,085,806	2,038,278
High interest savings	2,314,090	5,300,053
Guaranteed investment certificates	5,000,000	4,000,000
Pooled fund - Provincial and Corporate bonds	4,443,377	4,357,101
Pooled fund - Equity	614,604	530,281
Total	\$ 27,661,061	\$ 17,781,423

The guaranteed investment certificates have effective rates that range between 0.64% and 1.20% (2020 – 0.85% to 2.85%). Interest is receivable on the date of maturity. Maturity dates range from June 24, 2022 to December 20, 2023. The business investment and pooled funds (which include money market, bond and equity funds) earn interest at variable rates which is paid monthly.

The notice plan investment has accrued interest rate of 0.9% that is tied to bank reference rates that are subject to change and withdrawals require 31 days' notice.

Market value of investments are \$28,523,879 (2020 - \$18,710,874).

3. Investment/Deferred revenue - Water Management System:

Conservation Halton entered into an agreement for the transfer of a Water Management System and its long-term operation with an estimated timeline of 2063. The agreement is based on the principle that the net costs associated with ongoing operation, maintenance and performance of the Water Management System will not be a financial liability to Conservation Halton.

To ensure that Conservation Halton should not have a net financial liability for the management of the water system, Conservation Halton has received amounts from 2008 to 2017, as part of the agreement. The amounts received are to be invested in accordance with Municipal Act Regulations and will be managed by an Investment Committee as required by the agreement. At the time of transfer, Conservation Halton will be able to draw on the funds, only to facilitate the management of the water system.

The funds are invested as follows:

	2021	2020
Cash	\$ 203	\$ 96
Provincial and provincially regulated agency bonds	7,952,991	8,511,511
Guaranteed investment certificates	4,398,423	3,450,300
Total	\$ 12,351,617	\$ 11,961,907

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

3. Investment/Deferred revenue - Water Management System (continued):

The Provincial and provincially regulated agency bonds have effective yields of 3.11% to 4.15% (2020 – 3.62% to 4.95%). Interest is receivable on the date of maturity. Maturity dates range from July 16, 2027 to October 17, 2050.

The guaranteed investment certificates have been an effective interest rate of 0.64% and 2.33% (2020 – 2.33% and 2.85%). Interest is receivable on the date of maturity. Maturity dates range from January 13, 2022 and June 24, 2022.

Market value of investments are \$13,495,435 (2020 - \$13,542,502).

4. Accounts receivable:

Included in accounts receivable is \$375,708 (2020 - \$206,634) due from Conservation Halton Foundation.

During 2021, the Foundation contributed \$938,950 (2020 - \$518,094) to fund projects carried out by the Conservation Halton.

5. Deferred revenue:

	Balance at December 31, 2021	Additions	Revenue recognized	Balance at December 31, 2020
Watershed Management	\$ 2,990,188	\$ 10,941,541	\$ 10,886,627	\$ 2,935,274
Partnership Projects	987,837	303,601	473,165	1,157,401
Source Water Protection	70,830	301,653	245,886	15,063
Conservation Areas	4,975,392	6,890,795	5,266,341	3,350,938
Canada Emergency Wage Subsidy (note 15)	7,437,811	7,437,811	–	–
	\$ 16,462,058	\$ 25,875,401	\$ 16,872,019	\$ 7,458,676

Additions to deferred revenue includes contributions from external parties and payments for annual passes and lesson programs received during the year pertaining to the following year.

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

6. Deferred revenue - capital and major projects:

	Balance at December 31, 2021	Contributions received	Revenue recognized	Balance at December 31, 2020
Capital - Ministry of Natural Resources	\$ 84,549	\$ 493,650	\$ 650,437	\$ 241,336
Capital - Municipal	727,987	256,999	224,090	695,078
	\$ 812,536	\$ 750,649	\$ 874,527	\$ 936,414

7. Long-term liabilities:

	2021	2020
5 year term loan at 2.95% interest compounded annually, with a registered collateral mortgage covering 54.36 acres of land, due November 2025	\$ 168,588	\$ 212,369
Municipal debt financing and interest payments due annually at variable current interest rates of 3.0% to 3.2% (2020 - 3.0% to 3.2%), annual principal repayments, due December 2022 to December 2051	4,831,225	4,879,328
	\$ 4,999,813	\$ 5,091,697

Principal repayments over the next five fiscal years and thereafter are as follows:

2022	\$ 402,606
2023	372,656
2024	355,977
2025	279,398
2026	182,097
Thereafter	3,407,079
	\$ 4,999,813

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

8. Tangible capital assets:

Cost	Balance at December 2020	Additions	Disposals	Transfers	Balance at December 31, 2021
Land	\$ 36,247,952	\$ 218,000	\$ (274)	–	\$ 36,465,678
Land Improvements	564,806	–	–	–	564,806
Buildings and building improvements	16,040,218	61,004	(29,659)	–	16,071,563
Machinery and equipment	8,559,407	444,607	(105,614)	–	8,898,400
Furniture and fixtures	492,197	–	(11,576)	–	480,621
Infrastructure	34,649,268	1,108,790	(124,776)	236,784	35,870,066
Vehicles	2,774,222	182,758	(343,550)	–	2,613,430
Computer hardware and software	1,441,830	128,341	(31,677)	–	1,538,494
Assets under construction	296,471	88,982	–	(236,784)	148,669
	\$101,066,371	\$ 2,232,482	\$ (647,126)	–	\$102,651,727

Accumulated Amortization	Balance at December 2020	Additions	Disposals	Transfers	Balance at December 31, 2021
Land	\$ –	\$ –	\$ –	–	\$ –
Land Improvements	342,462	10,449	–	–	352,911
Buildings and building improvements	6,205,189	437,335	(21,750)	–	6,620,774
Machinery and equipment	4,735,986	365,900	(87,816)	–	5,014,070
Furniture and fixtures	228,933	22,400	(10,947)	–	240,386
Infrastructure	14,458,810	733,612	(54,160)	–	15,138,262
Vehicles	1,947,447	284,829	(283,181)	–	1,949,095
Computer hardware and software	1,035,441	156,328	(30,734)	–	1,161,035
Assets under construction	–	–	–	–	–
	\$ 28,954,268	\$ 2,010,853	\$ (488,588)	–	\$30,476,533

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

8. Tangible capital assets (continued):

	Net book value, Balance at December 31, 2020	Net book value Balance at December 31, 2021
Land	\$ 36,247,952	\$ 36,465,678
Land Improvements	222,344	211,895
Buildings and building improvements	9,835,029	9,450,789
Machinery and equipment	3,823,421	3,884,330
Furniture and fixtures	263,264	240,235
Infrastructure	20,190,458	20,731,804
Vehicles	826,775	664,335
Computer hardware and software	406,389	377,459
Assets under construction	296,471	148,669
	\$ 72,112,103	\$ 72,175,194

Cost	Balance at December 2019	Additions	Disposals	Transfers	Balance at December 31, 2020
Land	\$ 35,759,541	\$ 488,411	\$ –	–	\$ 36,247,952
Land Improvements	564,806	–	–	–	564,806
Buildings and building improvements	15,916,896	134,458	(11,136)	–	16,040,218
Machinery and equipment	8,280,655	457,892	(179,140)	–	8,559,407
Furniture and fixtures	504,214	21,213	(33,230)	–	492,197
Infrastructure	34,167,096	482,172	–	–	34,649,268
Vehicles	2,592,526	370,226	(188,530)	–	2,774,222
Computer hardware and software	1,435,294	115,566	(109,030)	–	1,441,830
Assets under construction	99,269	197,202	–	–	296,471
	\$ 99,320,297	\$ 2,267,140	\$ (521,066)	–	\$ 101,066,371

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

8. Tangible capital assets (continued):

Accumulated Amortization	Balance at December 2019	Additions	Disposals	Transfers	Balance at December 31, 2020
Land	\$ —	\$ —	\$ —	\$ —	\$ —
Land Improvements	330,995	11,467	—	—	342,462
Buildings and building improvements	5,778,502	433,644	(6,957)	—	6,205,189
Machinery and equipment	4,543,045	369,141	(176,200)	—	4,735,986
Furniture and fixtures	240,188	21,975	(33,230)	—	228,933
Infrastructure	13,736,823	721,987	—	—	14,458,810
Vehicles	1,891,589	224,107	(168,249)	—	1,947,447
Computer hardware and software	978,406	163,708	(106,673)	—	1,035,441
Assets under construction	—	—	—	—	—
	\$ 27,499,548	\$ 1,946,029	\$ (491,309)	\$ —	\$ 28,954,268
	Net book value, Balance at December 31, 2019				Net book value Balance at December 31, 2020
Land	\$ 35,759,541				\$ 36,247,952
Land Improvements	233,811				222,344
Buildings and building improvements	10,138,394				9,835,029
Machinery and equipment	3,737,610				3,823,421
Furniture and fixtures	264,026				263,264
Infrastructure	20,430,273				20,190,458
Vehicles	700,937				826,775
Computer hardware and software	456,888				406,389
Assets under construction	99,269				296,471
	\$ 71,820,749				\$ 72,112,103

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

9. Accumulated surplus:

Accumulated surplus consists of operating surplus and reserves as follows:

	Balance at December 31, 2021	Excess of Revenue over expenses	Transfers (to) from reserves	Balance at December 31, 2020
Surplus - investment in tangible capital assets	\$ 72,175,194	\$ (2,169,391)	\$ 2,232,482	\$ 72,112,103
Surplus (deficit) - current funds	(5,382,223)	3,210,856	(3,007,878)	(5,585,201)
Total surplus	66,792,971	1,041,465	(775,396)	66,526,902
Reserves:				
Conservation areas capital	2,629,690	—	(664,528)	3,294,218
Conservation areas stabilization	730,490	—	(270,078)	1,000,568
Vehicle and equipment	704,901	—	(19,066)	723,967
Building	316,872	—	(56,265)	373,137
Building - state of good repair	418,674	—	103,063	315,611
Watershed management capital - municipal funds	740,360	—	(43,621)	783,981
Watershed management capital - self generated funds	434,909	—	18,000	416,909
Watershed management and support services stabilization	1,789,212	—	—	1,789,212
Digital transformation	278,400	—	23,500	254,900
Debt financing charges capital	471,596	—	46,032	425,564
Legal - planning and watershed management	941,995	—	683,103	258,891
Legal - corporate	200,000	—	—	200,000
Water festival	188,911	—	—	188,911
Property management	1,084,042	—	938,414	145,629
Land securement	88,739	—	28,302	60,437
Stewardship and restoration	409,051	—	(11,460)	420,511
Total reserves	11,427,842	—	775,396	10,652,446
Accumulated surplus	\$ 78,220,813	\$ 1,041,465	\$ —	\$ 77,179,348

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

10. Budget amounts:

The 2021 budget amounts approved by Conservation Halton on October 22, 2020 were not prepared on a basis consistent with that used to report actual results under the Public Sector Accounting Standards. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenses rather than including amortization expenses. As a result, the budget figure presented in the statements of operations and changes in net financial assets represent the budget adopted by Conservation Halton on October 22, 2020, with adjustments as follows:

	2021	2020
Budget deficit for the year	\$ (347,926)	\$ (259,938)
Less: Amortization of tangible capital assets	(2,010,000)	(1,946,000)
Less: Municipal debt financing	2,510,180	(176,430)
Add: Acquisition of tangible capital assets	388,057	2,962,138
Add: Debt financing charges - principal portion	(526,500)	411,388
Budget surplus per Statement of Operations	\$ 13,811	\$ 991,158

11. Contingencies:

Conservation Halton has been named as defendant or co-defendant in several lawsuits that have claims outstanding. Conservation Halton anticipates any individual settlement amount will not exceed the limits of insurance coverage provided to Conservation Halton on the majority of the claims. For claims in which the claim amount exceeds the limit of insurance coverage provided to Conservation Halton the outcome is not determinable.

Conservation Halton has entered into an agreement to ensure implementation of a monitoring and mitigation plan for the future rehabilitation of lands adjacent to a provincially significant wetland. The agreement requires a Trust account to be established by the funder to ensure there are funds available for the rehabilitation plan implementation. Conservation Halton is a member of the Investment Committee that will oversee management of the Trust account with a balance of \$2,323,319 (2020 - \$1,960,480) as at December 31, 2021. A deposit to the Trust account by the funder is required to be made by March 31, 2022 for \$542,511 (2020 - \$351,997). Conservation Halton will release their interest in the Trust account when the implementation plan is completed.

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

12. Commitments:

Conservation Halton has entered into contracts related to projects at Glen Eden, various dam studies and repairs, and leases for office equipment and vehicles. Commitments outstanding on these contracts to be paid beyond December 31, 2021 are as follows:

2022	\$	815,678
2023		44,611
2024		6,914
	\$	867,203

13. Pension agreements:

Conservation Halton belongs to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of the members of its staff. This plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are the joint responsibility of Ontario municipal organizations and their employees. As a result, Conservation Halton does not recognize any share of the OMERS pension surplus or deficit.

The latest available report for the OMERS plan was December 31, 2021. At that time the plan reported a \$3.1 billion actuarial deficit (2020 \$3.2 billion actuarial deficit), based on actuarial liabilities of \$119.3 billion (2020 - \$111.8 billion) and actuarial assets of \$116.2 billion (2020 - \$108.6 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2021 employer portion of OMERS pension contributions was \$1,284,600 (2020 - \$1,137,090).

14. Comparative information:

Certain comparative information on the statement of operations under revenue and expenses have been reclassified to conform to the financial statement presentation adopted in the current year.

CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2021

15. Implications due to COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. The pandemic has resulted in significant financial, market and societal impacts in Canada and around the world.

The Conservation Halton applied for funding through the Canada Emergency Wage Subsidy (CEWS) program. In 2021, the Conservation Halton received CEWS of \$7,437,811 related to 2020 and 2021. The Conservation Halton continues to determine if it meets all of the eligibility requirements under the CEWS program, therefore the financial statements have not recognized the funding source as revenue and has been classified as deferred revenue on the statement of financial position.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Conservation Halton's operations and financial position is not known at this time. There remains uncertainty for the upcoming year regarding the aforementioned items. These impacts could include a decline in future cash flows, changes to the value of financial assets and liabilities, and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on Conservation Halton is not practicable at this time.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2021

16. Revenue and expenses by program:

2021	Corporate Services	Corporate Compliance	Engineering, Flood Forecasting & Operations	Planning & Watershed Management	Science & Partnerships	Project Management Office	Watershed Management & Support Service Operations	Conservation Areas	Partnership Projects	Major Projects	Debt Financing Charges	Reserve Funding	Total
Revenue:													
Municipal funding	\$ 3,391,395	\$ 587,077	\$ 322,300	\$ 1,692,231	\$ 902,232	\$ 776,843	\$1,023,776	\$ 355,282	\$ –	\$ –	\$ 619,245	\$ 503,500	\$10,173,881
Provincial transfer payments	–	–	155,034	–	–	–	–	–	–	–	–	–	155,034
Program fees and other	307,513	834,098	16,444	4,321,824	706,681	332,428	434,793	10,001,894	1,435,904	2,513,571	–	–	20,905,150
	3,698,908	1,421,175	493,778	6,014,055	1,608,913	1,109,271	1,458,569	10,357,176	1,435,904	2,513,571	619,245	503,500	31,234,065
Expenses:													
Salaries, wages and benefits	3,027,583	549,533	412,475	4,680,113	1,517,632	1,136,403	1,207,196	6,262,910	562,547	111,850	–	–	19,468,242
Members per diems and expenses	21,850	–	–	–	–	–	–	–	–	–	–	–	21,850
Materials and supplies	112,492	64,552	24,486	8,941	57,407	36,619	143,032	934,786	266,428	1,112,408	–	–	2,761,151
Property taxes	–	59,421	–	–	–	–	–	5,031	–	–	–	–	64,452
Purchased services	786,727	80,965	89,259	10,307	67,566	102,509	112,651	1,856,751	616,965	352,052	–	–	4,075,752
Legal	11,650	7,830	–	977,098	–	–	–	122,199	–	–	–	–	1,118,777
Finance and rent	26,810	–	–	1,028	–	–	15,312	387,048	–	–	–	–	430,198
Debt financing charges	–	–	–	–	–	–	–	–	–	–	166,798	–	166,798
Amortization of tangible–capital assets	251,534	–	541,829	4,172	–	19,372	143,147	1,050,799	–	–	–	–	2,010,853
Loss on disposal of tangible capital assets	45,029	–	–	–	–	–	6,798	22,700	–	–	–	–	74,527
	4,283,675	762,301	1,068,049	5,681,659	1,642,605	1,294,903	1,628,136	10,642,224	1,445,940	1,576,310	166,798	–	30,192,600
Excess (deficiency) of revenues over expenses, for the year	\$ (584,767)	\$ 658,874	\$ (574,271)	\$ 332,396	\$ (33,692)	\$ (185,632)	\$ (169,567)	\$ (285,048)	\$ (10,036)	\$ 937,261	\$ 452,447	\$ 503,500	\$ 1,041,465

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2021

16. Revenue and expenses by program (continued):

2020	Corporate Services	Corporate Compliance	Engineering, Flood Forecasting & Operations	Planning & Watershed Management	Science & Partnerships	Project Management Office	Watershed Management & Support Service Operations	Conservation Areas	Partnership Projects	Major Projects	Debt Financing Charges	Reserve Funding	Total
Revenue:													
Municipal funding	\$ 3,431,838	\$ 531,715	\$ 408,063	\$ 1,416,291	\$ 886,228	\$ 664,667	\$ 853,396	\$ 354,909	\$ —	\$ —	\$ 649,011	\$ 464,200	\$ 9,660,318
Provincial transfer payments	—	—	155,034	—	—	—	—	—	—	—	—	—	155,034
Program fees and other	296,071	—	1,831	3,510,020	395,648	171,677	270,140	11,396,101	699,347	2,766,189	—	—	19,507,024
	3,727,909	531,715	564,928	4,926,311	1,281,876	836,344	1,123,536	11,751,010	699,347	2,766,189	649,011	464,200	29,322,376
Expenses:													
Salaries, wages and benefits	3,175,987	528,530	381,466	3,950,504	1,122,178	863,308	986,395	6,400,812	245,172	—	—	—	17,654,352
Members per diems and expenses	23,133	—	—	—	—	—	—	—	—	—	—	—	23,133
Materials and supplies	144,206	6,129	10,214	9,449	9,386	54,260	71,572	985,845	90,557	1,473,804	—	—	2,855,422
Property taxes	—	56,672	—	—	—	—	—	4,961	—	—	—	—	61,633
Purchased services	686,192	87,639	67,870	114,068	35,089	103,134	119,365	1,950,249	363,618	345,752	—	—	3,872,976
Legal	4,807	35,678	—	229,317	—	—	—	16,579	—	—	—	—	286,381
Finance and rent	25,430	—	—	1,751	—	—	16,195	322,946	—	—	—	—	366,322
Debt financing charges	—	—	—	—	—	—	—	—	—	—	164,252	—	164,252
Amortization of tangible capital assets	253,325	—	527,252	4,650	—	20,371	110,265	1,030,167	—	—	—	—	1,946,030
Loss on disposal of tangible capital assets	2,046	—	—	—	—	813	(29,181)	(39,540)	—	—	—	—	(65,862)
	4,315,126	714,648	986,802	4,309,739	1,166,653	1,041,886	1,274,611	10,672,019	699,347	1,819,556	164,252	—	27,164,639
Excess (deficiency) of revenues over expenses, for the year	\$ (587,217)	\$ (182,933)	\$ (421,874)	\$ 616,572	\$ 115,223	\$ (205,542)	\$ (151,075)	\$ 1,078,991	\$ —	\$ 946,633	\$ 484,759	\$ 464,200	\$ 2,157,737

Conservation Halton

Audit Findings Report
for the year ended December 31, 2021



Licensed Public Accountants

Prepared March 24, 2022 for upcoming Finance
and Audit Committee meeting on April 7, 2022

kpmg.ca/audit



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KPMG contacts

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Our refreshed Values

What we believe



Integrity

We do what is right.



Excellence

We never stop learning
and improving.



Courage

We think and act boldly.



Together

We respect each other
and draw strength from
our differences.



For Better

We do what matters.

Audit Quality: How do we deliver audit quality?

Transparency report



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.

‘Perform quality engagements’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

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 controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.



Visit our [Audit Quality Resources](#) page for more information.

Doing the right thing. Always.

Audit Quality: Indicators (AQIs)

The objective of these measures is to provide the audit committee 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 we have agreed with management are relevant for the audit.

AQI	Measurement criteria	Milestone measurement and status	G Y R
Team Composition	Experience of the team	<p>Engagement Partner – 10+ years experience in the industry, 10+ years on this engagement as Engagement Senior Manager.</p> <p>Manager – 4 years experience in the industry, first year on this engagement.</p> <p>Other team members have relevant industry experience to carry out the audit.</p>	●
Technology in the Audit	Implementation of Technology in the Audit	KPMG has utilized IDEA Smart Analyzer for journal entry testing.	●
Timing of Prepared by Client (PBC) items	Timeliness of PBC items	No concerns regarding to the timeliness of PBC items.	●

Legend: ● Nothing to report ● Some matters to report ● Specific matters to report

Audit highlights

Purpose of this report¹

The purpose of this report is to assist you, as a member of the Finance and Audit Committee, in your review of the results of the audit of Conservation Halton's (Organization) financial statements as at and for the year ended December 31, 2021.

Status of the audit

As of March 24, 2022, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of legal responses as at April 21, 2022;
- Completing our discussions with the Finance and Audit Committee;
- Obtaining evidence of the Board of Director's approval of the financial statements; and
- Receipt of management representation letter

We will update the Finance and 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.

Our auditors' report, a draft of which is provided in draft financial statements, will be dated upon the completion of any remaining procedures.

Materiality

Materiality has been determined based on total revenue. We have determined materiality to be \$860,000.

See page 8.

Going concern

No matters to report.

Significant risks and other significant matters

Refer to pages 9 to 12 for our response and significant findings for the following significant risks and other significant matters:

- Presumption of the risk of fraud involving improper revenue recognition (rebutted);
- Presumption of the risk of fraud resulting from management override of controls;
- Grant revenue and deferred contributions; and
- Canada Emergency Wage Subsidy grants (CEWS)

Uncorrected audit misstatements

One misstatement was identified during the course of the audit and was corrected by Management.

¹ This report to the Finance & Audit committee is intended solely for the information and use of Management, the Finance and Audit Committee, and the Board of Directors 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.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

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.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Independence

We are independent and have extensive quality control and conflict checking processes in place.

KPMG has provided assistance with the calculation of the eligible wages for the Canada Emergency Wage Subsidy ("CEWS") in 2020/2021 and continues to discuss the status of the denial of other conservation authorities by CRA.

Materiality

Materiality is established to identify risks of material misstatements, to develop an appropriate audit response to such risks, and to evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

Materiality determination	Comments	Amount
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was \$860,000.	\$860,000
Benchmark	Based on total revenues for the year. This benchmark is consistent with the prior year.	\$31.23 million
% of Benchmark	The corresponding percentage for the prior year's audit was 2.93%.	2.75%
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$43,000.	\$43,000

We will report to the Finance and Audit Committee:



Corrected audit misstatements



Uncorrected audit misstatements

Audit risks and results

We highlight our significant findings in respect to the professional requirements of presumed fraud risk identified.

Professional requirements	Why is it significant?
Presumption of the risk of fraud involving improper revenue recognition	<p>This is a presumed fraud risk of material misstatement under Canadian auditing standards.</p> <p>Audit standards require us to assume there are generally pressures and incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. This can be perpetrated through revenue cut-off or manual journal entries and other adjustments related to revenue recognition.</p> <p>We exercise professional judgement to rebut the presumed risk of fraud in revenue recognition after we consider and evaluate the facts and circumstances of the audit. We have rebutted the fraud risk over revenue recognition.</p> <p>There are limited perceived opportunities to commit fraud and Conservation Halton's revenue sources require very minimal judgement. The Organization is not a high public profile entity and there are no significant third-party expectations in relation to revenue.</p>

Our response and findings
No impact as risk has been rebutted.

Audit risks and results (cont'd)

Professional requirements	Why is it significant?
Risk of material misstatement due to fraud resulting from management override of controls.	<p>This is a presumed risk of material misstatement due to fraud.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>

Our response and findings
<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.</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 Data & Analytics tool, IDEA Smart Analyzer, we analyzed 100% of the journal entries posted during the year.– 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. We focused on journal entries recorded and posted as part of the year-end closing process. <p>No issues were noted in the performance of the above procedures.</p>

Audit risks and results

We highlight our significant findings in respect of **other areas of focus**:

Other area of focus	Why is it significant?
Grant revenue and deferred contributions	Significant financial statement captions. Risk of error over completeness, existence and accuracy of grant revenue including related deferrals.

Our response and findings

- We have agreed cash receipts received by the Conservation Halton from the Ministry, local Municipalities and other relevant Government entities and reconcile to revenue reported for the fiscal year.
- We have reviewed correspondence for a selection of funding received and perform substantive procedures to ensure appropriate revenue recognition criteria are applied.

No issues were noted in the performance of the above procedures.

Audit risks and results (cont'd)

Other area of focus	Why is it significant?
---------------------	------------------------

Canada Emergency Wage Subsidy grants (CEWS) -
Management applied for CEWS funding in FY 2020 and 2021.

Risk of error over completeness, existence and accuracy of revenue and related deferrals.

Our response and findings

Management applied for CEWS funding amounting to \$7.4M, for the period from March 15, 2020 to May 8, 2021.

Audit approach:

We obtained a copy of management's subsidy calculations and performed the following:

- Select a sample of employees, inspect their employment status to assess their eligibility to be included in the subsidy amount and agree their remuneration back to supporting documentation.
- Verify mathematical accuracy of management's revenue decline calculations, including assessing the eligibility of revenues included/excluded, use revenue decline figures to recalculate CEWS percentages by period applied to remuneration.
- For each claim period, obtain a copy of management's application form on the CRA site, and a copy of any elections, if applicable.

Evaluate whether the presentation of the CEWS amounts are in accordance with Conservation Halton's accounting policies and the applicable financial reporting framework.

Findings:

- The revenue has not been recorded in FY 2020 and FY2021 as the Organization continues to determine if it meets all of the eligibility requirements under the CEWS program. There is concern regarding the eligibility as some conservation authorities CEWS claims were denied and/or asked to repay funds by CRA. The Organization has not received a denial confirmation from CRA for the CEWS funding.
- A court case has been filed by those conservation authorities that were denied its CEWS claim, but no progress has yet been made in the Courts at this time. Therefore, the Organization has conservatively accounted for this amount as deferred revenue. KPMG believes this classification is appropriate based on the information currently available.
- The procedures performed are not intended to confirm that management's CEWS application is complete or accurate but rather to provide an opinion the financial statements taken as a whole. Given these procedures have been designed to address this continued risk of error related to the existence, accuracy and presentation of the CEWS amount, an incremental fee of \$3,000 for these additional procedures.

Uncorrected and corrected audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Other observations



In our view, a key area for management's attention is asset management.

Year	TCA Additions (millions \$)	TCA Amortization (millions \$)	Summary observation
2015	3.3	1.6	— In aggregate, over the past seven years, tangible capital assets have been acquired at a multiple of 177% of amortization, or 1.77 to 1.
2016	1.0	1.6	
2017	3.1	1.7	— To ensure that tangible capital assets are being renewed at a sustainable rate, a multiple of 1.5 – 2.0 should be maintained over the long term.
2018	2.4	1.8	
2019	8.1	2.0	— Note that large infrastructure projects can skew this analysis and need to be considered qualitatively.
2020	2.3	1.9	
2021	2.2	2.0	— Excluding land, the ratio of net book value to cost of tangible capital assets is 0.54.
Average	3.2	1.8	
			— This means that your assets, on average, are less than 1/2 of the way through their useful lives. The Infrastructure category of assets is the biggest driver, at a ratio of 0.58.

Financial statement presentation and disclosure

Misstatements, including omissions, if any, related to presentation and disclosure items are in the management representation letter.

We also highlight the following:

Financial statement presentation - form, arrangement, and content	The form, arrangement and content of the financial statements are appropriate for the size, scope and industry segment of the Organization. It is consistent with its peer group in Ontario and in accordance with PSAB standards.
Concerns regarding application of new accounting pronouncements	Nothing to report.
Significant qualitative aspects of financial statement presentation and disclosure	<p>Discussion about other significant qualitative aspects of financial statement presentation and disclosures</p> <ul style="list-style-type: none">Within note 15 of the financial statements, Conservation Halton discloses the uncertainty surrounding the eligibility for the funding received relating to the Canada Emergency Wage Subsidy (CEWS) program. Based on the information available at this time, KPMG believes this disclosure is sufficient as eligibility requirements have not been confirmed nor denied by the CRA.

Appendices

Content

Appendix: Required communications

Appendix: Management representation letter

Appendix: Engagement letters

Appendix: Audit and assurance insights

Appendix: Current development

Appendix: KPMG's Commitment to Climate Change



Appendix : Other required communications

Audit Findings Report	Representations of management
This Report.	The draft management representation letter is included in the Appendix Management representation letter.
Matters pertaining to independence	Internal control deficiencies
There have been no events or conditions that would cause any concerns over our independence.	Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency will be, communicated to management.
Required inquiries	Engagement letters
Professional standards require that during the planning of our audit we obtain your views on the identification and assessment of risks of material misstatement, whether due to fraud or error, your oversight over such risk assessment, identification of suspected, alleged or actual fraudulent behaviour, and any significant unusual transactions during the period.	Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter and any subsequent amendments as included in Appendix Engagement Letters.

Appendix: Management representation letter

KPMG LLP
115 King Street South
2nd floor
Waterloo, ON N2J 5A3
Canada

April 21, 2022

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Conservation Halton (“the Entity”) as at and for the period ended the year ended December 31, 2021.

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 November 30, 2018, amended November 13, 2020 and amended January 25, 2022 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:
 - (i) the names of all related parties and information regarding all relationships and transactions with related parties;
 - (ii) 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.
- 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, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, 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.

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) 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.

Approval of financial statements:

- 14) The individuals listed below has the recognized authority to take, and has taken, responsibility for the financial statements.

Yours very truly,

By: Marnie Piggot, Director, Finance

By: Hassaan Basit, President and CEO

cc: Finance & Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, 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 the size or nature of a misstatement, or a combination of both.

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 Schedule

Company Conservation Halton - [Dec 2021]

Summary of Corrected Audit Misstatements

For Year Ended 12/31/2021

Amounts in Currency unit
Method Used to Quantity Audit Mi Income Statement Method (Roll Over)

Detailed instructions on automatically populating the audit misstatements from the Tracker are provided in the "Instructions" tab.

ID	Description of misstatement	Type of misstatement	Identified During	Accounts	Debit	(Credit)	Income Statement Effect - Debit (Credit)	Balance Sheet Effect - Debit (Credit)					Cash Flow Effect - Increase (Decrease)		
							Income Effect Debit (Credit)	Equity	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Operating Activities	Investing Activities	Financing Activities
ID	Inappropriate deferral of interest revenue	Factual	Final	Deferred revenue	78,000	0	0	0	0	0	78,000	0	(78,000)	0	0
				Conservation Areas	0	(31,200)	(31,200)	31,200	0	0	0	0	31,200	0	0
				Corporate services	0	(46,800)	(46,800)	46,800	0	0	0	0	46,800	0	0
				Total income effect of corrected audit misstatements – Final			(78,000)	78,000	0	0	78,000	0	0	0	0

Appendix: Engagement letters



KPMG LLP
115 King Street South, 2nd floor
Waterloo Ontario N2J 5A3
Canada
Tel (519) 747-8800
Fax (519) 747-8830

PRIVATE & CONFIDENTIAL

Ms. Marnie Piggot
Director, Finance
Conservation Halton
2596 Britannia Road West
Burlington, Ontario L7P 0G3

November 30, 2018

Dear Ms. Piggot:

The purpose of this letter is to outline the terms of our engagement to audit the annual financial statements ("financial statements" or "annual financial statements") of Conservation Halton (the "Entity"), commencing for the period ending December 31, 2018.

This letter supersedes our previous letter to the Entity dated January 8, 2014.

The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS

The annual financial statements will be prepared and presented in accordance with Canadian public sector accounting standards (hereinafter referred to as the "financial reporting framework").

The annual financial statements will include an adequate description of the financial reporting framework.

MANAGEMENT'S RESPONSIBILITIES

Management responsibilities are described in Appendix – Management's Responsibilities.

An audit does not relieve management or those charged with governance of their responsibilities.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



AUDITORS' RESPONSIBILITIES

Our responsibilities are described in Appendix – Auditors' Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.

AUDITORS' DELIVERABLES

The expected form and content of our report(s) is provided in Appendix – Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the financial statements after we have issued our audit report, but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG and appropriate steps will also be taken by the Entity to prevent further reliance on our audit report.

Such steps include, but may not be limited to, appropriate disclosures by the Entity to the users of the financial statements and audit report thereon of the newly discovered facts and the impact to the financial statements.

ADDITIONAL RESPONSIBILITIES REGARDING "OTHER INFORMATION"

"Other information" is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditors' report thereon) included in the "annual report". An "annual report" is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditors' report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on the Entity's:
 - o operations; and/or
 - o financial results and financial position as set out in the financial statements.



Conservation Halton
November 30, 2018

Based on discussions with management, the following are expected to meet the definition of an "annual report" under professional standards:

- The document likely to be entitled "Glossy Annual Report"

Management agrees, when possible, to provide us with the final versions of the document(s) comprising the "annual report" prior to the date of our auditors' report on the financial statements. If that timing is not possible, management agrees to provide us with the final versions of the document(s) comprising the "annual report" prior to the entity's issuance so that we can complete our responsibilities required under professional standards.

Management is responsible for the "other information". Our responsibility is to read the "other information" and, in doing so, consider whether such information is materially inconsistent with:

- the financial statements; or
- our knowledge obtained in the audit.

Our responsibility is also to remain alert for indications that the "other information" appears to be materially misstated.

Our auditors' report on the financial statements, when applicable under professional standards, will contain a separate section where we will report on this "other information".

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

FEES

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The estimated fee for the services described in this letter is \$26,000.

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm's HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG within 30 days of receipt.

* * * * *

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable to the Entity, please sign the duplicate of this letter in the space provided and return it to us.



Conservation Halton
November 30, 2018

Yours very truly,

KPMG LLP

Matthew Betik, CPA, CA
Partner, responsible for the engagement and its performance, and for the report that is
issued on behalf of KPMG LLP, and who, where required, has the appropriate authority
from a professional, legal or regulatory body
519-747-8245

/ga

Enclosure

The terms of the engagement for Conservation Halton set out are as agreed:

Marnie Piggot

Marnie Piggot, Director, Finance

30/Nov./2018

Date (DD/MM/YY)



Appendix - Management's Responsibilities

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above.
- (b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements 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
 - 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 to be included in such summaries.
- (c) providing us with unrestricted access to such relevant information.
- (d) providing us with complete responses to all enquiries made by us during our engagement.
- (e) providing us with additional information that we may request from management for the purpose of the engagement.
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence.
- (g) 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (h) ensuring that all transactions have been recorded and are reflected in the financial statements.
- (i) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.
- (j) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.



Appendix - Auditors' Responsibilities

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the annual financial statements 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
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards



Appendix - Expected Form of Report

INDEPENDENT AUDITORS' REPORT

To the Directors

Opinion

We have audited the financial statements of Conservation Halton (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and change in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the 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, 2018, and its results of operations and its cash flows 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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 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.

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

Management is responsible for the preparation and fair presentation of these 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.



Appendix - Expected Form of Report (continued)

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.

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.



Conservation Halton
November 30, 2018

Appendix - Expected Form of Report (continued)

- 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.



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS (NOT-FOR-PROFIT)

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of Entity.

1. DOCUMENTS AND LICENSES.

a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.

b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that KPMG may list Entity as a customer in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "Client is an Audit, Advisory, and/or Tax client of KPMG LLP").

2. ENTITY'S RESPONSIBILITIES.

a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.

b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity's failure to deliver documents and information as required.

c. To the extent that KPMG personnel are on Entity's premises, Entity will take all reasonable precautions for their safety.

d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.

e. Except as required by applicable law or regulation, Entity shall keep confidential the terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission.

f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings.

3. FEE ARRANGEMENTS.

a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues.

b. Additional time may be incurred for such matters as significant

issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee. Our professional fees are also subject to an additional charge to cover information technology infrastructure costs and administrative support of our client service personnel. Disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

c. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.

d. Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in the Engagement Letter.

e. Canadian Public Accountability Board ("CPAB") participation fees, when applicable, are charged to Entity based on the annual fees levied by CPAB.

4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

a. KPMG is a member firm of the KPMG International Cooperative ("KPMG International"). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity's confidential information and personal information ("information"). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity's confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above.



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS (NOT-FOR-PROFIT)

b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information with its legal advisers and insurers for the purposes of obtaining advice.

c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity's information to offer services that may be of interest to Entity.

5. PERSONAL INFORMATION CONSENTS AND NOTICES.

KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG's Privacy Officer noted in KPMG's privacy policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.

a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG or a foreign component auditor which has been engaged in connection with an assurance engagement ("component auditor") may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's or the component auditor's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG or its component auditor, as applicable, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG or its component auditor, as applicable, will produce documents and provide information in response to the third party demand, without further authority from Entity, its subsidiaries or affiliates.

b. KPMG will use reasonable efforts to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of Entity is required for such disclosure, then Entity hereby provides its consent.

c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands.

d. Entity waives and releases KPMG from any and all claims that it may have against KPMG as a result of any disclosure or production by KPMG of documents or information as contemplated herein.

e. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.

a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.

b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Entity assumes all responsibility or liability in respect of the risk associated with the use of the foregoing, and agrees that KPMG is not responsible for any issues that might arise (including loss of data) as a result of Entity using the foregoing to transmit information to or otherwise share information with KPMG and, in the case of online tools other than email, KPMG's access to and use of the same in connection with obtaining Entity information and documents.

8. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 14, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION ON LIABILITY AND INDEMNIFICATION

a. Subject to Section 14: Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of one million dollars (\$1,000,000).



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS (NOT-FOR-PROFIT)

b. Subject to Section 14, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 14: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 9, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 9 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

10. CONSENT TO THE USE OF THE KPMG NAME OR KPMG REPORT.

Except as otherwise specifically agreed in this Engagement Letter, KPMG does not consent to:

- i. the use of our name or our report in connection with information, other than what we have reported on as part of this engagement letter or our report thereon, that contains, incorporates by reference, or otherwise accompanies our report or our name;
- ii. the use of our report in another language, or the use of our report in connection with information that we reported on that has been translated into another language, or the use of our name in connection with information that we reported on that has been translated into another language;
- iii. the use of our report in connection with an offering document or other securities filing, including continuous disclosure filings; or
- iv. the use of our name or our report in connection with the interim financial statements (or other interim financial information) to any statement by the Entity regarding the services that we provided on the interim financial statements or other interim financial information. Any communication, report, statement or conclusion on the interim financial statements may not be included in, or otherwise referred to in any public document or public oral statements except when the interim review conclusion contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.

If the Entity wishes to obtain KPMG's consent regarding the matters above or other matters not otherwise specifically covered by this Engagement Letter, we will be required to perform procedures as required by applicable professional standards, and such procedures would be a separate engagement and subject to separate engagement terms.

11. ALTERNATIVE DISPUTE RESOLUTION.

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation. If

mediation is not successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing this engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

12. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity; and (ii) provide advice or services to any other person or entity making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.

c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.

d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. In the event that circumstances arise that place KPMG into a conflict of interest as between Entity and a pre-existing client, which in KPMG's sole opinion cannot be adequately addressed through the use of confidentiality and other safeguards, KPMG shall be entitled to immediately terminate the engagement with Entity, without liability.

f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

13. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.



**TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS
(NOT-FOR-PROFIT)**

14. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

15. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

16. LLP STATUS.

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

17. INDEPENDENT LEGAL ADVICE

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

18. SURVIVAL.

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.



KPMG LLP
115 King Street South,
2nd floor
Waterloo Ontario N2J 5A3
Canada
Tel (519) 747-8800
Fax (519) 747-8830

PRIVATE & CONFIDENTIAL

Ms. Marnie Piggot
Director, Finance
Conservation Halton
2596 Britannia Road West
Burlington, Ontario L7P 0G3

November 13, 2020

Dear Ms. Piggot:

Except as specified herein, all provisions of the most recent Engagement Letter between KPMG and Conservation Halton (the "Entity") dated November 30, 2018 continue in effect from period to period unless amended or terminated in writing or unless revised due to the issuance of new professional standards.

This letter amends the following terms of our engagement:

Terms and Conditions

This letter amends the Terms and Conditions in our previous engagement letter dated November 30, 2018 with the ones attached to this letter.

Fees

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The estimated fee for the services described in this letter is \$27,000.

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm's HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG within 30 days of receipt.

COVID 19 Rider

We update our previous engagement letter dated November 30, 2018 with a COVID 19 Rider which can be found ***Appendix – COVID 19 Rider***.



Conservation Halton
November 13, 2020

We are available to discuss these amendments to the terms of our engagement with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign the copy in the space provided and return it to us.

Yours very truly,

Matthew Betik, CPA, CA
Partner, responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body
519-747-8245

Enclosure

The terms of the engagement for Conservation Halton set out are as agreed:

Marnie Piggot, Director, Finance

25 February 2021
Date (DD/MM/YY)



Appendix - COVID-19 Rider

1. During the engagement, each party shall keep the other party reasonably informed of any events which:
 - i. relate to the notifying party and the COVID-19 situation;
 - ii. are not existing or reasonably foreseeable at the date of this agreement; and
 - iii. which will materially and adversely affect the notifying party's ability to perform its obligations under the engagement.
2. Each party will implement mitigation measures to enable the services to be performed so far as reasonably practicable in the circumstances, including:
 - i. reducing travel (particularly international travel) and in-person meetings to the minimum necessary level;
 - ii. at the party's premises, implementing such infection control procedures as are recommended or required by official bodies in the applicable location;
 - iii. implementing internal corporate policies which permit and encourage individual remote working, and technical systems to enable individual remote working; and
 - iv. implementing telepresence, audio conference, video conference, and other systems for collaborative working.
3. If, as a result of the global COVID-19 virus situation, performance by a party of its obligations under the engagement are rendered impossible or impracticable, the time for performance of such obligations shall be extended by such period as is reasonable in the circumstances, PROVIDED THAT the party in question is complying, and continues to comply, with its obligations pursuant to paragraphs 1 and 2 above.



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Canada
Tel (519) 747-8800
Fax (519) 747-8830

PRIVATE & CONFIDENTIAL

Ms. Marnie Piggot
Director, Finance
Conservation Halton
2596 Britannia Road West
Burlington, Ontario L7P 0G3

January 25, 2022

Dear Ms. Piggot:

Except as specified herein, all provisions of the most recent Engagement Letter between KPMG and Conservation Halton (the "Entity") dated November 30, 2018 and November 13, 2020 continue in effect from period to period unless amended or terminated in writing or unless revised due to the issuance of new professional standards.

This letter amends the following terms of our engagement:

Fees

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The estimated fee for the services described in this letter is \$27,500.

Harmonized Sales Tax (HST) will be computed and shown separately on our invoices, together with our firm's HST registration number, so that you will have the information required to claim input tax credits and input tax refunds, if applicable.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG within 30 days of receipt.



Conservation Halton
January 25, 2022

We are available to discuss these amendments to the terms of our engagement with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign the copy in the space provided and return it to us.

Yours very truly,

KPMG LLP

Stacey Stahlmann, CPA, CA

Partner, responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body
519-747-8846

Enclosure

The terms of the engagement for Conservation Halton set out are as agreed:

Marnie Piggot

Marnie Piggot, Director, Finance

January 25, 2022

Date (DD/MM/YY)

Appendix: Assurance and audit insights

Our latest thinking on the issues that matter most to audit committees, board of directors and management.

Featured insight	Summary
KPMG Audit & Assurance Insights	Curated research and insights for audit committees and boards
Accelerate	The key issues driving the audit committee agenda in the time of COVID-19
Board Leadership Centre	Supporting you in your Director role
KPMG Climate Change Financial Reporting Resource Centre	Our climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.
You can't go green without blue - The blue economy is critical to all companies' ESG ambitions	In this report, we consider how leading corporates and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.
20 predictions for the next 20 years	Just two decades into the 21st century and we've already seen remarkable changes that our 20th century selves could never have anticipated. In the 1990s, no one had a smartphone or knew how to "tweet". The world around us is being transformed by technology. If so much can change in such a short time, what do the next 20 years have in store?
Inclusion and diversity practices	Getting started on the inclusion and diversity journey. Unique inclusion and diversity considerations for boards.

Appendix: Current developments

Standard	Summary and implications
PS 3280, Asset Retirement Obligations (new)	<p>This standard describes how to account for and report asset retirement obligations associated with tangible capital assets. Conservation Halton will have to identify if they have any asset retirement obligations which will be a significant project.</p> <p>On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2022 (Conservation Halton's December 31, 2023 year end). Earlier adoption is permitted.</p>
PS 3160 Public Private Partnerships (new)	<p>This section contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership. This section applies when the private sector partner is obligated to design, build, acquire or better new or existing infrastructure; finance the transaction past the point where the infrastructure is ready for use; and operate and/or maintain the infrastructure. The infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure. This asset should be initially measured at cost and amortized over the useful life of the asset in a rational and systematic manner. A liability should be recognized when the public private partnership recognizes an asset. The liability would be measured at the same value of the asset, reduced for any consideration previously transferred. The financial liability should be at amortized cost using the effective interest method.</p> <p>This standard will be in effect for fiscal years beginning on or after April 1, 2023 (Conservation Halton's December 31, 2024 year end). Earlier adoption is permitted.</p>
PS 3400, Revenue (new)	<p>Currently the Public Sector Accounting Handbook has two sections that address two major sources of revenue, government transfers and tax revenue. This new standard addresses the recognition, measurement and presentation of revenues that are common in the public sector other than government transfers and tax revenue.</p> <p>On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2023 (Conservation Halton's December 31, 2024 year end). Earlier adoption is permitted.</p>
PS 3041 Portfolio Investments (new)	<p>The PSAB has issued a new standard, PS 3041 Portfolio Investments, which replaces PS 3030 Temporary Investments and PS 3040 Portfolio Investments. The new standard does not make a distinction between temporary and portfolio investments and investments previously within the scope of PS 3030, which are not cash equivalents, are now accounted for within the scope of PS 3041.</p>

On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2022 (Conservation Halton's December 31, 2023 year end). Earlier adoption is permitted.

**PS 3450
Financial
Instruments
(new)**

This new standard establishes requirements for recognition, measurement, derecognition, presentation, and disclosure of financial assets and financial liabilities, including derivatives. In this standards, financial instruments are classified into two measurement categories, fair value, or cost or amortized cost. Almost all derivatives are measured at fair value. Portfolio investments in equity instruments quoted in an active market are measured at fair value. Other financial assets and liabilities are generally measured at cost or amortized cost. Remeasurement gains and losses on financial instruments measured at fair value are reported in the new statement of remeasurement gains and losses until the financial instrument is derecognized. Financial assets and liabilities are only offset and reported on a net basis if a legally enforceable right to set off the recognized amounts exists, and the entity intends to settle on a net basis or realize/settle the amounts simultaneously.

Measurement provision are applied prospectively and adjustments to previous carrying amounts are recognized in opening accumulated remeasurement gains or losses.

On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2022 (Conservation Halton's December 31, 2023 year end). Earlier adoption is permitted.

**PS 1150
Generally
Accepted
Accounting
Principles
(amendment)**

In April 2021, the Public Sector Accounting Board (PSAB) issued amendments to the GAAP hierarchy set out in PS 1150 to position International Public Sector Accounting Standards (IPSAS) as the first accounting framework to consult in situations where PSAB has not issued a specific standard, situations not covered by primary sources of GAAP, or for assistance in applying a primary source of GAAP to specific circumstances and it is necessary to consult pronouncements issued by other bodies authorized to issue accounting standards. PSAB will continue to issue Canadian Public Sector Accounting Standards (PSAS), but future standards would be based on the principles of IPSAS.

This amendment will be in effect for fiscal years beginning on or after April 1, 2021 (Conservation Halton's December 31, 2022 year end).

**PS 1201
Financial
Statement
Presentation
(new)**

In June 2011, PSAB issued a new standard, PS 1201 which revises and replaces PS 1200 Financial Statement Presentation. The main change to the standard is the introduction of a new statement, the statement of remeasurement gains and losses.

On June 25, 2020 the PSAB deferred the effective date by one year due to the impact of COVID-19, and therefore the effective date is for annual financial statements relating to fiscal years beginning on or after April 1, 2022 (Conservation Halton's December 31, 2023 year end). Earlier adoption is permitted.

Appendix: KPMG's Commitment to Climate Change and Nature

KPMG shares the District of West Vancouver's passion for climate, sustainability, and protecting our natural assets. KPMG is committed to translating passion into positive outcomes for the communities we operate in, our clients, and our people. KPMG recently launched our global ESG strategy, a multi-year program spending more than US\$1.5 billion to focus on the ESG change agenda. In addition to an ambitious learning program for all KPMG professionals on ESG matters and climate risk, this strategy embeds ESG and climate considerations in every single KPMG service. Whether our professionals are assessing risks of misstatement for a financial statement audit, or delivering tax and advisory services, ESG factors are incorporated into our methodologies and deliverables. KPMG has also created Our Impact Plan, to hold us as a firm accountable for our progress on sustainability commitments. We encourage you to review our plan here:

[Our Impact Plan - KPMG Global \(home.kpmg\)](https://home.kpmg/OurImpactPlan)

KPMG's commitments include:

Achieve net zero carbon emissions by 2030. We are proud to say that to date, nine KPMG firms are carbon neutral, accounting for 15 percent of our global workforce, while net CO2 emissions per FTE have come down by 13 percent between 2016 and 2019.

Give financial markets, clients and our leaders clear, comprehensive, high-quality information on the impacts of climate change. This includes regular reporting to our Global Board on our progress on sustainability indicators and playing an active role in the Taskforce for Climate-Related Financial Disclosure (TCFD).

Understanding and improving our impact on nature and biodiversity. KPMG is committed to the push to protect biodiversity and to work with, rather than against, planetary boundaries. We are proud to be a founding member of the Informal Working Group developing the Taskforce for Nature-related Financial Disclosures (TNFD), and to provide pro bono expertise to this taskforce from our sustainability experts.

We are excited for the opportunity to work side by side with the District of West Vancouver as it further develops its reporting on natural assets. The District has truly distinguished itself amongst its peers as one of the first Canadian municipalities to estimate the value of its natural assets in terms of the services provided.

KPMG is proud of our collaborations with the Intact Centre on Climate Adaptation at the University of Waterloo and the Municipal Natural Assets Initiative to advocate for the development of guidance on the reporting on natural assets in public sector financial statements. Our joint June 2021 submission to the Public Sector Accounting Board expressed "... the need for public-sector accounting to be able to reflect the monetary value of natural assets in Canada, including carbon sequestration and storage, flood protection and biodiversity benefits." This submission was signed by more than 50 leaders from private and public sector organizations across Canada. KPMG also supported the November 2021 submission to the Public Sector Accounting Discussion Group on natural assets. This submission noted that:

- Exclusion of natural assets from public sector financial reporting reduces accountability;
- Natural assets should be valued based on eco-system benefits, not extraction value;
- Methods for addressing measurement uncertainty; and

- Assessing options to allow for recognition or disclosure in advance of formal standards development.

KPMG continues to collaborate closely with stakeholders in the natural assets community, as well as the public sector accounting standard setters on this critical initiative. In the appendix to this proposal we have included an Opinion Piece co-authored by KPMG Partner Bailey Church, who leads our Public Sector Accounting Advisory service line for Canada which was published in the Globe and Mail in January 2021. Bailey is eager to work with the District to advance the inspiring work on natural assets reporting.



kpmg.ca/audit

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KPMG member firms around the world have 227,000 professionals, in 146 countries.

