Conservation Halton Finance & Audit Committee Meeting

Conservation Halton
Zoom:
https://us02web.zoom.us/j/82799713884?pwd=RDMrTVhlZ0FyM0dVOGdId09EbUwvUT09
April 4, 2024, 9:00 AM - 10:30 AM EDT

Table of Contents

REPORT TO: **Conservation Halton Finance & Audit Committee**

REPORT NO: # FA 01 24 01

FROM: Marnie Piggot, Director Finance

DATE: April 4, 2024

SUBJECT: **2023 Year End Budget Variance Report – Operating**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board that the allocation of the 2023 operating surplus of $5,045,061 to the following Reserves be approved:**

- **$600,000 to the WMSS Stabilization Reserve**
- **$400,000 to the Property Management Reserve**
- **$326,358 to the Building Reserve**
- **$200,000 to the Digital Transformation Reserve**
- **$200,000 to the Vehicle and Equipment Reserve**
- **$100,000 to the Legal Reserve**
- **$100,000 to the Land Securement Reserve**
- **$28,000 to the Stewardship and Restoration Reserve**
- **$2,967,193 to the Conservation Areas Capital Reserve**
- **$123,510 to the Conservation Areas Revenue Stabilization Reserve**

And

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board that the transfer of $40,118 to the Debt Financing Charges Reserve for the 2023 budget amount in excess of actual 2023 debt financing charges be approved;**

And

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board the transfer of $189,744 from the Conservation Areas Capital Reserve and $10,231 from the Building Reserve be approved for PSAB 3280 Asset Retirement Obligation accounting standards adoption;**

And

THAT the Conservation Halton Finance & Audit Committee **receives for information the staff report entitled "2023 Year End Budget Variance Report – Operating".**

Executive Summary

The 2023 year-end operating surplus is $5,045,061 and is summarized in the table below. Further details on the operating surplus are provided in the report. The amounts in the 2023 Year End Budget Variance Report (Appendix A) have been used by staff to prepare the audited 2023 financial statements. The amounts are audited by KPMG, the CH Board-appointed auditor.

With a successful Kelso/Glen Eden winter ski season in fiscal 2023, the year end surplus is driven by a strong Conservation Areas surplus of $3,118,702, translating to sustained revenue growth year-over-year. The Watershed Management & Support Services (WMSS) surplus of $1,926,358 is primarily attributed to favourable variances in staffing costs due to vacancies totaling $1,675,193; favourable Planning & Regulation fees totalling $492,493; and higher than expected investment revenues of $329,818.

The table below provides a summary of the 2023 revenue and expenses compared to the budgeted amounts.

Revenue and Expense Summary	**Actual Dec 31, 2023**	**Budget Dec 31, 2023**	**Increase (Decrease)**
Revenue			
Program Revenue	$ 23,750,174	$ 20,793,806	**$ 2,956,368**
Municipal Funding	10,546,849	10,546,849	**-**
Other & Municipal Special Funding	2,863,117	1,982,489	**880,628**
Internal Chargeback Recoveries	2,675,920	2,862,789	**(186,869)**
Transfers from Reserves	48,143	212,163	**(164,020)**
Provincial Funding	777,890	929,314	**(151,424)**
Total Revenues	**$ 40,662,093**	**$ 37,327,410**	**$ 3,334,683**
Expenses			
Corporate Administration & Operations	$ 6,049,606	$ 6,886,303	**($ 836,697)**
Natural Hazards & Watershed Management	5,908,583	6,503,071	**(594,488)**
Permitting & Planning	5,094,105	5,322,854	**(228,749)**
Conservation Lands			
Forestry & Land Management	1,609,249	1,835,300	**(226,051)**
Parks & Recreation	15,810,364	15,207,419	**602,945**
Debt Financing	540,008	580,126	**(40,118)**
Transfers to Reserves	605,118	565,000	**40,118**
Total Expenses	**$ 35,617,033**	**$ 36,900,073**	**($ 1,283,040)**
Total Operating Surplus	**$ 5,045,061**	**$ 427,337**	**$ 4,617,724**

Report

Operating Program

The attached Budget Variance Report (Appendix A) provides explanations for variances that are greater than 10% and exceed $10,000 from the 2023 budget amounts.

In consultation with CH's auditor related to an audit of Canadian Emergency Wage Subsidy (CEWS) claims by the Canada Revenue Agency (CRA), it was determined that the CEWS claims received were to be repaid at the end of fiscal 2022, with uncertainty on the interest associated with the repayment. Thus, an interest accrual in the amount of $702,000 was included in the December 31, 2022, financial statements. CH received notice in May 2023 that interest will not be charged as part of the reassessment of the CEWS funds, resulting in the reversal of the accrued amounts in the current fiscal year. Staff consulted with KPMG and filed of a notice of objection with CRA on the denial of the claims in June 2023.

Budget Variance – Total Revenue

Total revenue exceeds the budget target by $3.33 million. Significant variances of note contributing to the overall revenue increase are detailed in the chart below.

Revenue	Actual Dec 31, 2023	Budget Dec 31, 2023	Increase (Decrease)
Various Departments			
Total Internal Chargeback Recoveries from Parks - decrease for staff changes	1,581,100	1,650,700	(69,600)
Corporate Administration & Operations			
Increase in investment revenue	444,818	115,000	329,818
Natural Hazards & Watershed Management			
Restoration revenue decrease offset by decreased expenses	853,613	995,253	(141,640)
Hamilton Harbour Remedial Action Plan (HHRAP) revenue shortfall due to delay in provincial funding confirmation offset by reduced program expenses	258,314	334,939	(76,625)
Permitting & Planning			
Planning & Regulations fees	3,690,493	3,208,000	482,493
Other Municipal Funding - Regional Infrastructure Team (RIT) & Ecological Services Agreement (ESA) changes	410,037	799,417	(389,380)
Partnership Projects			
Project revenue decrease offset by decreased expenses	2,400,784	2,436,808	(36,024)
Conservation Areas			
Park revenue total increase	18,929,067	15,634,756	3,294,311
Other			
Reserve funding in year lower than budget due to cost	-	242,000	(242,000)
Various other increases			183,329
Total Revenue Variance from Budget			**$3,334,683**

For 2023, CH has recognized previously collected planning fees related to inactive, closed files, along with files which are appealed to the Ontario Land Tribunal (OLT) as they no longer follow the typical planning process. Staff will continue to monitor plan review fees for potential 2024 budget impacts that may need to be mitigated.

Revenues related to the Halton Region Regional Infrastructure Team (RIT) and Interim Ecological Services Agreement (IESA) are lower than budgeted due to changes in staffing and Bill 23-related impacts. As RIT funding is based on actual expenses, there is no impact on the completion of RIT work. Hamilton Harbour Remedial Action Plan revenues are lower in year due to a delay in confirming provincial funding. Investment revenue continues to drive a large favourable variance due to the increased interest rates.

Expenses

Total expenses are lower than the 2023 budget by ($1.28 million). Significant variances of note contributing to the overall decrease in expenses are detailed in the chart below.

Expense budget variances from are summarized from Budget Variance Report (Appendix A) in the following chart:

Expenses	Actual Dec 31, 2023	Budget Dec 31, 2023	Increase (Decrease)
Corporate Administration & Operations CEWS Interest accrual reversal	(702,544)	-	(702,544)
WMSS Various Departments Staff salaries & benefits - staff changes	14,536,656	16,211,849	(1,675,193)
Permitting & Planning, Watershed Strategies & Climate Change Legal fees increase	988,997	475,000	513,997
Conservation Lands - Forestry & Land Management Forestry purchased services are lower in year due to expenses funded by grants such as 2 Billion Trees and Parks Canada	298,990	478,590	(179,600)
Partnership Projects Project expenses decrease fully offset by matching lower funding	2,400,784	2,436,808	(36,024)
Conservation Areas Park expenses total decrease	15,810,364	15,207,418	602,946
Various other increases			193,379
Total Expense Variance from Budget			**($1,283,039)**

Staff costs are lower than the budget due to staffing vacancies in year and the implementation of the 2023 compensation review as staff are budgeted at 96% of the maximum band.

Legal fees related to planning and regulations, the OLT, and other cases continue to exceed budget. This is expected to decrease in 2024 and legal expenses will be further reviewed in the 2025 budget considerations.

Expense savings for some programs are partially due to operating costs funded through Partnership Project grants such as the 2 Billion Trees program for Forestry expenses.

Conservation Areas/Parks

The Parks Operating Summary chart below provides further details on the significant revenue and expense variances.

Parks Operating Summary	Actual Dec 31, 2023	Budget Dec 31, 2023	Budget Variance
Revenue			
Ski (season passes, lift fees, lessons, rentals, retail)	$ 8,422,230	$ 7,044,000	**$ 1,378,230**
Entry fees	3,226,669	2,619,000	**607,669**
Program & other	5,467,923	4,261,770	**1,206,153**
Annual park memberships	1,442,258	1,340,000	**102,258**
Municipal funding - Education & Outreach	369,986	369,986	**-**
Total Revenue	**$ 18,929,066**	**$ 15,634,756**	**$ 3,294,310**
Expenses			
Staff salaries & benefits - full time	$ 3,410,476	$ 3,863,468	**($ 452,992)**
Staff salaries & benefits - part time	5,947,665	4,798,863	**1,148,802**
Materials & supplies and Purchased services	4,871,123	4,894,387	**(23,264)**
Internal chargeback - WMSS support services	1,581,100	1,650,700	**(69,600)**
Total Expenses	**$ 15,810,364**	**$ 15,207,418**	**$ 602,946**
Parks Operating Surplus	**$ 3,118,702**	**$ 427,338**	**$ 2,691,364**

With the full season for Kelso/Glen Eden ski programs in 2023, total revenues exceeded the budget amount by $3.29 million. This is primarily attributed to an increase in ski and other program revenue and entry fees as park programming continues to innovate.

Park expenses exceed the budget by ($602,000) primarily due to increased part-time staffing costs. Consistent with an increase in ski revenues and general programming, staffing was also increased to maintain a high level of visitor experience for guests.

Reserves

The Reserve Continuity schedule below provides details of transfers to and from reserves. After the recommended reserve transfers, total reserves as of December 31, 2023, are $17,849,030.

The operating surplus of $5,045,061 is recommended to be allocated as follows:

Reserve	Allocation
WMSS Stabilization	$ 600,000
Property Management	400,000
Building	326,358
Digital Transformation	200,000
Vehicle & Equipment	200,000
Legal - Corporate	100,000
Land Securement	100,000
Stewardship & Restoration - Outreach	28,000
Parks Capital	2,967,193
Parks Stabilization	123,510
Total Surplus Allocation	**$ 5,045,061**

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Reserve	Reserve Balances Jan 1, 2023	Budgeted & Previously Approved Transfers	Reserve Balance Prior to Transfers	Reserve Transfers to be Approved		Reserve Balances Dec 31, 2023
				Investment Revenue, Debt Charges & ARO	Operating Surplus	
Watershed Management & Support (WMSS) Services						
Vehicle and equipment	744,296	(220,160)	524,135	29,500	200,000	**753,635**
Building - State of Good Repair	485,403	(115,569) 177,300	547,134	24,500		**571,634**
Building	511,150	500,000 (61,131)	950,019	34,700 (10,231)	326,358	**1,300,846**
Watershed Management Capital - Municipal Funds	773,271	(85,923) 362,700	1,050,048	43,300		**1,093,348**
Watershed Management Capital - Self Generated Funds	469,109	-	469,109	62,300		**531,409**
WMSS Stabilization	1,789,212	(62,710) (500,000)	1,226,502	-	600,000	**1,826,502**
Capital Projects - Debt Financing Charges	518,146		518,146	40,118	-	**558,264**
Digital Transformation	285,700	-	285,700	13,600	200,000	**499,300**
Legal - Planning & Watershed Management	941,995	-	941,995	-	-	**941,995**
Legal - Corporate	200,000	-	200,000	-	100,000	**300,000**
Water Festival	179,334	(48,143)	131,191	-	-	**131,191**
Land Securement	116,239	25,000	141,239	6,100	100,000	**247,339**
Property Management	1,112,642	-	1,112,642	52,800	400,000	**1,565,442**
Stewardship and restoration	439,051	-	439,051	-	28,000	**467,051**
Conservation Areas						
Capital	5,015,735	(2,188,611)	2,827,124	186,500 (189,744)	2,967,193	**5,791,073**
Revenue Stabilization	1,146,490		1,146,490	-	123,510	**1,270,000**
Total Reserves	**$14,727,774**	**$ (2,217,248)**	**$ 12,510,526**	**$ 293,443**	**$ 5,045,061**	**$ 17,849,030**

The Conservation Areas Revenue Stabilization Reserve balance of $1,270,000 is based on the Budget Principles target of 7.5% for Parks program revenue (2024 budget of $16,936,500).

The WMSS Stabilization Reserve balance of $1,826,502 more than exceeds the target balance of $500,000, which is based on 12.5% (midpoint) of WMSS program revenues (2024 budget totaling over $4 million).

Also included in fiscal 2023 is the adoption of accounting standard PS 3280 – Asset Retirement Obligations. As part of this standards adoption, CH has allocated $10,231 from the Building Reserve for WMSS-related infrastructure and $189,744 from the Conservation Areas Capital Reserve for Parks related infrastructure as part of a costing model for Asset Retirement Obligation costs.

Impact on Strategic Priorities

This report supports the Momentum priority of "Organizational Sustainability".

Financial Impact

This report, along with the 2023 Conservation Halton Budget Variance Report (Appendix A), summarizes the variances that have contributed to the 2023 operating surplus of $5,045,061 and recommends distribution of the surplus to reserves. The variances that have occurred during the year will inform the management of the approved 2024 Budget and preparation of the 2025 Budget.

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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Attachments: Appendix A: 2023 Conservation Halton Budget Variance Report

Conservation Halton
Budget Variance Report Financial Appendix

	NOTES	ACTUAL DEC 31, 2023	BUDGET DEC 31, 2023	$ VARIANCE OVER / (UNDER) BUDGET	% VARIANCE OVER / (UNDER) BUDGET
WATERSHED MANAGEMENT & SUPPORT SERVICES (WMSS)					
CORPORATE ADMINISTRATION & OPERATIONS					
Expenditures					
Salaries and Benefits		5,068,680	5,278,015	(209,335)	(4.0%)
Total Materials & Supplies and Purchased Services, Finance & other	1	980,926	1,608,288	(627,362)	(39.0%)
Debt Financing Charges	2	540,008	580,126	(40,118)	(6.9%)
Transfer to Reserves - Land Securement and Debt Financing	2	65,118	25,000	40,118	160.5%
Transfer to Reserves - State of Good Repair Levy		540,000	540,000	-	0.0%
Total Expenditures		**7,194,731**	**8,031,429**	**(836,698)**	**(10.4%)**
Revenue					
Program & Other Revenue	3	495,711	327,000	168,711	51.6%
Provincial Funding		-	-	-	0.0%
Municipal Funding		10,546,851	10,546,849	2	0.0%
Internal Chargeback Recoveries		1,559,200	1,635,500	(76,300)	(4.7%)
Reserve Funding		-	10,000	(10,000)	(100.0%)
Total Revenues		**12,601,761**	**12,519,349**	**82,412**	**0.7%**
TOTAL CORPORATE SERVICES		**5,407,030**	**4,487,920**	**919,110**	**20.5%**

Notes:

Corporate Services category includes: Office of the CEO, CH Foundation Administration, Finance, Human Resources, Marketing & Communications, Office of the COO, GIS, IT, Project Management Office, Risk & Health and Fleet Operations.

1. Total Materials & Supplies and Purchased Services, Finance & other are less than the budget by $(627,362) as this includes $702,544 in the CEWS interest accrual reversal. Staff have consulted with KPMG and filed of a notice of objection on the denial of the claims in June 2023. This amount is slightly offset by increased staff training costs and increased marketing expenses.
2. The debt financing charges budget amount exceeded actual debt charges by $40,118 and the excess is recommended to be transferred to the Debt financing Charges Reserve.
3. Other revenue includes investment revenue allocated to the Watershed Management & Support Services program that is significantly higher than the 2023 budget amount as a result of increasing interest rates.

Conservation Halton
Budget Variance Report Financial Appendix

	NOTES	ACTUAL DEC 31, 2023	BUDGET DEC 31, 2023	$ VARIANCE OVER / (UNDER) BUDGET	% VARIANCE OVER / (UNDER) BUDGET
NATURAL HAZARDS & WATERSHED MANAGEMENT					
Expenditures					
Salaries and Benefits	4	3,890,964	4,537,020	(646,056)	(14.2%)
Total Materials & Supplies and Purchased Services		2,017,619	1,966,051	51,568	2.6%
Total Expenditures		**5,908,583**	**6,503,071**	**(594,488)**	**(9.1%)**
Revenue					
Program & Other Revenue	4	1,224,085	2,012,326	(788,241)	(39.2%)
Provincial Funding	4	652,890	804,314	(151,424)	(18.8%)
Other Municipal Funding	4	198,067	289,750	(91,683)	(31.6%)
Federal Funding	4	1,403,426	341,336	1,062,090	311.2%
Reserves	5	-	185,163	(185,163)	(100.0%)
Internal Chargeback Recoveries	4	673,248	823,149	(149,901)	(18.2%)
Total Revenues		**4,151,716**	**4,456,038**	**(304,322)**	**(6.8%)**
TOTAL NATURAL HAZARDS & WATERSHED MANAGEMENT		**(1,756,867)**	**(2,047,033)**	**290,166**	**(14.2%)**

Notes:

Natural Hazards & Watershed Management category includes: Flood Forecasting, Science & Monitoring, Design & Restoration (previously Land Owner Outreach & Restoration), Hamilton Harbour Remedial Action Plan (HHRAP), Partnership Projects, Source Protection, and Watershed Management & Climate Change (WM&CC).

4. Expenditures are less than the budget amount by ($594,488) as a result of staff vacancies and changes and lower Partnership Projects costs. As the majority of this is related to Partnership Projects and Restoration work, this will be offset by lower Program & Other Revenue and confirmed grants.

5. Reserve funding included in the budget related to Legal and Restoration project expenses is not needed as a result of cost savings and increased other revenues.

Conservation Halton
Budget Variance Report Financial Appendix

	NOTES	ACTUAL DEC 31, 2023	BUDGET DEC 31, 2023	$ VARIANCE OVER / (UNDER) BUDGET	% VARIANCE OVER / (UNDER) BUDGET
PERMITTING & PLANNING					
Expenditures					
Salaries and Benefits	6	4,163,898	4,909,204	(745,306)	(15.2%)
Total Materials & Supplies and Purchased Services	7	930,207	413,650	516,557	124.9%
Total Expenditures		**5,094,105**	**5,322,854**	**(228,749)**	**(4.3%)**
Revenue					
Program & Other Revenue	8	3,691,378	3,208,000	483,378	15.1%
Provincial Funding		-	-	-	0.0%
Other Municipal Funding	9	410,037	799,417	(389,380)	(48.7%)
Internal Chargeback Recoveries		29,372	30,750	(1,378)	(4.5%)
Total Revenues		**4,130,787**	**4,038,167**	**92,620**	**2.3%**
TOTAL PERMITTING & PLANNING		**(963,318)**	**(1,284,687)**	**321,369**	**(25.0%)**

Notes:
Permitting & Planning category includes: Planning & Regulations, Floodplain Mapping, and the Regional Infrastructure Team (RIT).
6. Salaries and benefits are lower due to staff vacancies and Bill 23 impacts which led to staffing changes within the program.
7. Purchased Services include legal expenses that exceed the budget by $374K primarily due to increased Planning & Regulations OLT and violation legal costs.
8. Planning fees are higher as CH has recognized a balance of collected fees related to prior year OLT appeal requests. New fees are lower than budgeted and CH will continued to monitor throughout 2024.
9. Other municipal funding is lower than budget primarily due to changes to the Ecological Services Agreement and lower than expected costs for the Regional Infrastructure Team (RIT). As RIT funding is based on actual expenses, there are savings in salaries and benefits primarily due to staffing vacancies with no impact on RIT work.

Conservation Halton
Budget Variance Report Financial Appendix

	NOTES	ACTUAL DEC 31, 2023	BUDGET DEC 31, 2023	$ VARIANCE OVER / (UNDER) BUDGET	% VARIANCE OVER / (UNDER) BUDGET
CONSERVATION LANDS - FORESTRY & LAND MANAGEMENT					
Expenditures					
Salaries and Benefits		1,413,113	1,487,610	(74,497)	(5.0%)
Chargeback - Parks staff support		36,920	39,040	(2,120)	(5.4%)
Total Materials & Supplies and Purchased Services	10	159,216	308,650	(149,434)	(48.4%)
Total Expenditures		**1,609,249**	**1,835,300**	**(226,051)**	**(12.3%)**
Revenue					
Program & Other Revenue	11	336,456	211,800	124,656	58.9%
Provincial Grants		125,000	125,000	-	0.0%
Other Municipal Funding		47,055	47,000	55	0.1%
Internal Chargeback Recoveries	11	340,251	295,300	44,951	15.2%
Total Revenues		**848,762**	**679,100**	**169,662**	**25.0%**
TOTAL CONSERVATION LANDS - FORESTRY & LAND MANAGEMENT		**(760,487)**	**(1,156,200)**	**395,713**	**(34.2%)**

Notes:
Conservation Lands & Recreation (Lands Management) includes: Forestry, Property Management, and Security.
10. Purchased Services are lower than budget primarily due to lower Property Management and Forestry operating costs allocated to project costs funded by grants such as 2 Billion Trees and Parks
11. Program & Other Revenue and Internal Chargeback Recoveries are higher in year due to higher Forest Management tree planting revenues along with increased utilization of the Forestry & Land Management team interally throughout CH.

	ACTUAL	BUDGET	$ VARIANCE	% VARIANCE
TOTAL WMSS REVENUE	**21,733,027**	**21,692,654**	**40,373**	**0.2%**
TOTAL WMSS EXPENDITURES	**19,806,669**	**21,692,654**	**(1,885,985)**	**(8.7%)**
TOTAL	**1,926,358**	**-**	**1,926,358**	

Conservation Halton
Budget Variance Report Financial Appendix

	NOTES	ACTUAL DEC 31, 2023	BUDGET DEC 31, 2023	$ VARIANCE OVER / (UNDER) BUDGET	% VARIANCE OVER / (UNDER) BUDGET
CONSERVATION LANDS - PARKS & RECREATION					
Expenditures					
Salaries and Benefits		9,358,141	8,662,332	695,809	8.0%
Total Materials & Supplies and Purchased Services		4,871,123	4,894,387	(23,264)	(0.5%)
Internal Chargeback - WMSS Support Services to Parks		1,581,100	1,650,700	(69,600)	(4.2%)
Total Expenditures		**15,810,364**	**15,207,419**	**602,945**	**4.0%**
Revenue					
Program Revenue	12	18,002,541	15,034,680	2,967,861	19.7%
Other Revenue	13	354,400	85,000	269,400	316.9%
Municipal Funding		450,132	419,986	30,146	7.2%
Reserve Funding (Outreach)	14	48,143	17,000	31,143	183.2%
Internal Chargeback Recovery - Parks to WMSS		73,850	78,090	(4,240)	(5.4%)
Total Revenues		**18,929,068**	**15,634,756**	**3,294,312**	**21.1%**
TOTAL - CONSERVATION LANDS - PARKS & RECREATION		**3,118,703**	**427,337**	**2,691,366**	**629.8%**

Notes:

Conservation Land & Recreation (Recreation) includes: Education & Awareness, Recreation, Risk Management, and Visitor Experience programming.

12. Program revenue exceeds the budget by almost $3.0M and is primarily attributed to an increase in ski revenues, entry fees and annual park memberships.

13. Other revenue consists of investment revenue allocated to the parks operating program and is higher than the budget amount due to increased interest rates.

14. Increased reserve funding for the Outreach program was approved to be higher than the budget amount with expanded Water Festival programming.

Conservation Halton

April
2024

REPORT TO: **Conservation Halton Finance & Audit Committee**

REPORT NO: # FA 01 24 02

FROM: Marnie Piggot, Director, Finance

DATE: April 4, 2024

SUBJECT: **2023 Investments and Investment Revenue**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board that the allocation of investment revenue of $1,764,086 as noted in the report be approved.**

Report

In 2023, Conservation Halton (CH) earned total investment revenue of $1,764,086 on total investments of $36,850,192 compared to total 2022 investment revenue of $1,106,563 on investments totaling $31,307,886.

Total investment revenue has been allocated in the 2023 financial statements as follows:

Capital reserve funds	$ 453,300
Operating funds	$ 796,233
Long-term Water Management System Fund	$ 514,553
Total Investment revenue	**$1,764,086**

Investment balances as of December 31, 2023, are detailed by investment, investment revenue, and fair market value as follows:

Investment	Investment Cost Book Value Dec 31, 2023	Average Rate of Return	2023 Investment Revenue	Investment Fair Market Value Dec 31, 2023
Bank & Business Investment Account	$ 56,362	4.5%	$ 189,761	$ 56,362
Bank 31 day Notice Plan	5,622,111	5.4%	294,496	5,622,111
GICs (Guaranteed Investment Certificates)	8,000,000	5.1%	370,590	8,339,116
One Investment - High Interest Savings	4,221,964	5.0%	215,008	4,221,964
One Investment - Corporate Bond Portfolio	4,650,160	2.5%	113,047	4,331,670
One Investment - Equity Portfolio	731,805	9.5%	66,631	1,552,238
Subtotal	23,282,402	**4.7%**	1,249,533	24,123,461
Long-term Water Management System Fund	13,567,790	**3.9%**	514,553	13,160,589
Total	**$ 36,850,192**		**$ 1,764,086**	**$ 37,284,050**

2023 Investment Revenue

Funds were invested throughout the year in accordance with the Conservation Halton Investment Policy in the following instruments:

- Bank Business Investment and Notice Plan Accounts
- Bank short term money market instruments such as Guaranteed Investment Certificates (GICs)
- One Investment High Interest Savings, Corporate Bond Portfolio and Equity Portfolio
- Provincial bonds

CH investments achieved an average rate of return for 2022 of 4.7% (2022 – 2.6%) for funds other than the long-term Water Management System Fund. The average rate of return for the segregated Water Management System Fund was 3.9% with most of the funds invested in long term provincial bonds.

The Bank of Canada continued to raise interest rates in 2023 by a total of 0.75% in attempts to reduce inflation to the target level of 2.0% by 2025. The multiple interest rate increases in 2022 and 2023 positively impacted CH through the re-investment of maturing GICs with higher interest GICs. The Bank of Canada interest rate of 5.0% and potential rate reductions will be considered at the next bank meeting in April. Staff will continue to monitor investments and seek reinvestments that maximize investment returns.

The increase in year-over-year investment funds can be attributed to operating surpluses and deferred revenue. Deferred revenue in 2023 included amounts such as Kelso/Glen Eden pre-season ski passes sales as well as grant and other funding received in advance.

Investments are segregated for the Water Management System (WMS) Fund as required by the funding agreements. Although Halton Region staff are not able to invest funds on behalf of CH, Halton Region staff do participate on the WMS Fund Investment Committees in accordance with the funding agreements and assist with investment purchases recommended by the Investment Committees. The transfer and operation of the water management system has an estimated timeline of 2063 and is not part of current operations.

Allocation of Investment Revenue to Operating and Reserve Funds

Investment earnings are allocated first to capital reserve funds in accordance with CH's Reserves Policy. Operating investment revenue is allocated to programs on a proportional basis.

Staff have allocated $1,249,533 of investment revenue on the CH reserve balances and operating funds for 2023 as outlined in the chart below. Consistent with prior years, investment revenue is allocated to capital reserves based on the average annual reserve balance and the average annual rate of return of 4.7% for 2023.

Fund or Reserve	Allocation of 2023 Investment Revenue	2023 Budget	2022 Investment Revenue
Operating Fund			
Watershed Management & Support Services	$ 447,333	$ 115,000	$ 297,720
Conservation Areas	348,900	75,000	232,800
Subtotal	**796,233**	190,000	530,520
Capital Reserves			
Vehicle and Equipment	29,500	-	18,600
Building	34,700	-	7,700
Building - State of Good Repair	24,500	-	11,800
Land Securement	6,100	-	2,500
Property Management	52,800	-	28,600
Water Capital - Municipal	43,300	-	19,700
Water Capital - Self Generated	62,300	-	34,200
Digital Transformation	13,600	-	7,300
Conservation Areas - Capital	186,500	-	65,300
Subtotal	**453,300**	-	195,700
Total Investment Revenue	**$ 1,249,533**	$ 190,000	$ 726,220

One Investment – Pooled Funds

The One Investment program pools together investment funds from multiple Ontario municipalities and eligible public sector investors to provide higher returns for its investors. Investors such as CH benefit from investing in actively managed and diversified investment portfolios, with investment management costs spread over a larger asset base. The One Investment Prudent Investor program that allows for broader investments is currently available only to municipalities.

Investment Fair Market Value

The combined total fair market value at December 31, 2023, for the One Investments Corporate and Equity pooled funds was $5,883,908, exceeding the book value of $5,381,966.

The WMS fund market value at year-end of $13,160,589 is less than the WMS fund book value of $13,567,790. The aggressive interest rate increases by the Bank of Canada in 2022 and 2023 has had a negative impact on Canadian bond market values with longer term to maturity bonds impacted more significantly. No adjustment is required to the WMS fund carrying value as the market value decline is expected to be temporary. The bonds are intended to be held to maturity with the bond par value realized on maturity and will not have a bearing on the long-term fund value.

Adoption of Public Sector Accounting Board (PSAB) Financial Instruments

CH has adopted PSAB standard PS 3450 Financial Instruments for 2023, which establishes accounting and reporting requirements for all types of financial instruments including portfolio investments. The standard requires fair value measurement of portfolio investments in equity instruments that are quoted in an active market. Other financial instruments are generally recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. CH has not elected to record any financial instruments at fair value and will continue to record on a cost basis.

Impact on Strategic Priorities

This report supports the Momentum priority of “Organizational Sustainability”.

Financial Impact

Investment revenue for 2023 is allocated to operating and reserve funds and exceeded the 2023 budget amounts. The 2023 budget was prepared conservatively, and surplus funds are difficult to predict. The allocation of investment revenue to the capital reserve balances increases available reserve funds for future capital projects through self-generated revenues.

Signed & respectfully submitted:

Marnie Piggot
Director, Finance

Approved for circulation:

Hassaan Basit
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Marnie Piggot, Director, Finance
mpiggot@hrca.on.ca, 905-336-1158 x 2240

Conservation Halton

April
2024

REPORT TO: **Conservation Halton Finance & Audit Committee**

REPORT NO: # FA 01 24 03

FROM: Marnie Piggot, Director, Finance

DATE: April 4, 2024

SUBJECT: **2023 Year End Capital Projects Update**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board the closing of capital projects noted in the Capital Project Summary Financial Appendix be approved;**

And

THAT the Conservation Halton Finance & Audit Committee **receives for information the staff report entitled "2023 Year End Capital Projects Update".**

Report

The attached Capital Project Summary Financial Appendix (Appendix A) provides an overview of the capital project work completed in 2023, with total costs of $6,404,715. Life to date costs for these capital projects amount to $10,577,796 or 53% of the total capital budget available of $20,026,722.

The total capital budget on the Capital Project Summary (Appendix A) consists of the 2023 budget amounts, amounts carried over from prior budgets, and project budget increases approved in 2023 associated with grant and other funding received after budget approval. Funding sources for the respective capital project are also detailed in the Capital Project Summary.

Capital projects completed in 2023 and recommended to be closed are within the respective budget amounts. The remaining capital projects are in progress and anticipated to be within budget.

Closing of Capital Projects

The closing of capital projects is reported in accordance with the Conservation Halton (CH) Budget Principles and provides transparency to external funders of the completion of the project. The projects recommended to be closed are generally marked as "CLOSE" in the designated column in the Capital Project Summary (Appendix A). These projects have been completed or are annual projects, where the capital project amount will be reconsidered during the annual budget process.

Dams and channels capital projects are completed to coincide with the provincial Ministry of Natural Resources and Forestry (MNRF) Water and Erosion Control Infrastructure (WECI) grant period ending March 31. Projects completed by March 31, 2023, were previously approved to be closed, as noted in Appendix A.

Municipal Debt Financing

The CH Administration Office Low Impact Development (LID) capital project completed in 2023 and to be closed was the only project in 2023 funded by debt financing received through Halton Region. This project was also funded partly by federal grant funding.

The loan balance owing to Halton Region at December 31, 2023, for debt financing received in prior years for dams and channels and Administration Office projects, is $4,424,113. Debt financing for the 2023 LID project work of $322,884 was received in 2024 and will be added to the loan balance.

The debt capacity ratio estimated for 2024 of 3.5% is based on CH estimated own source revenues excluding Conservation Areas program revenue. CH has approved a debt capacity ratio of 10% in its Budget Principles.

Impact on Strategic Priorities

This report supports the Momentum priority of “Organizational Sustainability”.

Financial Impact

The report outlines the capital project work completed in 2023. Total capital projects costs were within the total funding amounts approved.

Signed & respectfully submitted:

Marnie Piggot
Director, Finance

Approved for circulation:

Hassaan Basit
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Marnie Piggot, Director, Finance
mpiggot@hrca.on.ca, 905-336-1158 x 2240

Attachments: Appendix A: Capital Project Summary Financial Appendix

CONSERVATION HALTON
CAPITAL PROJECT FINANCIAL APPENDIX
AS AT DECEMBER 31, 2023

Capital Project Description	Total Capital Budget	Prior Years Capital Costs	2023 Capital Costs	Total Capital Costs	Total Unspent	Project to be Closed	Capital Project Funding
	= A			= B	= A - B		
Watershed Management & Support Services (WMSS)							
Kelso Dam Lift Gates and Hoists Refurbishment & East Gate	395,970	257,284	1,700	258,984	136,986	CLOSED	50% Provincial; 50% Reserve
Milton Channel - Kingsleigh Court	190,000	122,104	(2,456)	119,648	70,352	CLOSED	50% Provincial; 50% Reserve
Hilton Falls Dam - 96" Actuator & Trashrack	130,000	99,548	20,451	119,999	10,001	CLOSED	50% Provincial; 50% Reserve
Mountsberg Dam Safety Review	80,000	38,665	28,835	67,500	12,500	CLOSED	50% Provincial; 50% Reserve
Scotch Block Dam Intake Assessment	25,000	13,342	11,658	25,000	0	CLOSED	50% Provincial; 50% Reserve
Kelso Dam - Lift Gates & Hoists; Low Flow Engineering	50,000	-	34,669	34,669	15,331		50% Provincial; 50% Reserve
Mountsberg Dam - Building and Sluice Gate Refurbishment	125,000	-	43,829	43,829	81,171		50% Provincial; 50% Reserve
Hilton Falls Dam - Low Flow Actuator Refurbishment	50,000	-	5,726	5,726	44,274		50% Provincial; 50% Reserve
Scotch Block Dam – Intake and Sluicegate Refurbishment	55,000	-	14,159	14,159	40,841		50% Provincial; 50% Reserve
Channels - Channel Repair, Design and Engineering	88,000	-	12,977	12,977	75,023		50% Provincial; 50% Reserve
Multi-Structure - Emergency Preparedness	60,000	-	1,997	1,997	58,003		50% Provincial; 50% Reserve
Emerald Ash Borer	942,581	-	908,377	908,377	34,204		Other Municipal Halton Region
Flood Forecasting & Warning	303,027	-	36,158	36,158	266,869		Municipal
Flood Hazard Mapping - Urban Milton; Morrison-Wedgewood	521,626	503,560	13,412	516,972	4,654	CLOSE TO GENERAL	50% Federal NDMP; 50% Municipal
Flood Hazard Mapping - General	880,000	273,021	310,139	583,160	296,840		Other Municipal Halton Region
Flood Hazard Mapping - East Burlington	975,000	488,754	122,892	611,646	363,354	CLOSE TO GENERAL	50% Other Municipal Halton; 50% NDMP
Flood Hazard Mapping - Bronte Creek Survey & General	525,000	-	110,041	110,041	414,959		Other Municipal Halton Region
Watershed Management & Climate Change-Watershed Planning	252,269	-	224,979	224,979	27,290		Balance Reserve
WMSS Facility & Admin. Office Renovations - non SOGR	100,000	-	31,038	31,038	68,962		Reserve - Building
WMSS Facility & Admin. Office - State of Good Repair (SOGR)	208,754	-	88,215	88,215	120,539		Reserve - Building SOGR
Green Infrastructure Low Impact Development - Admin. Office	798,000	387,743	380,966	768,709	29,291	CLOSE	Debt Financing $500K; CCRF Grant
Central Works Operations Centre -Study, Design & Construction	1,100,000	21,353	30,093	51,446	1,048,554		Reserve - Building; Debt Financing
Information Technology	150,171	-	46,646	46,646	103,525		Municipal
Digital Transformation	401,047	-	50,033	50,033	351,014		Municipal; Reserve $200K
Asset Management Plan	90,000	23,936	43,419	67,355	22,645		Reserve
Program Rates & Fees	32,579	-	32,579	32,579	0	CLOSE	Municipal
Financial system upgrades	75,000	-	21,885	21,885	53,115		Municipal
GIS Imagery Data Acquisition (Lidar; Ortho)	115,000	21,168	77,138	98,307	16,693	CLOSE	Municipal
Fleet Vehicle and Equipment Replacements	281,023	9,951	220,160	230,111	50,912	CLOSE	Reserve; Vehicle Sales
Property Management	225,000	-	54,776	54,776	170,224	CLOSE $100K	Municipal; Reserve $100,000
Speyside Weir Removal	57,000	4,088	3,002	7,090	49,910	CLOSE	Reserve; Grant
Conservation Areas Facility & Infrastructure:							
Kelso/Glen Eden - Water/Wastewater Servicing	579,035	562,142	-	562,142	16,893	CLOSED	Reserve
Feasbility Studies-Kelso & Crawford Lake (Dev. Contr'n Projects)	750,000	227,972	92,648	320,620	429,380		Developer Contribution funds
Crawford Lake Boardwalk	3,480,000	68,036	42,754	110,790	3,369,210		ICIP Grant; Developer Contribution funds
Kelso/Glen Eden - Ski Capital	1,025,000	179,187	333,232	512,418	512,582		Reserve
Kelso Quarry Park	530,250	272,877	144,468	417,344	112,906	CLOSE $62,906	Reserve; CCRF Grant & CH Foundation
Facility and Infrastructure Major Maintenance	2,694,171	227,755	1,725,943	1,953,697	740,474	CLOSE $270,474	Reserve; CCRF & EAF Grants
Enhancing Trail Systems and Park Infrastructure	1,041,500	285,918	688,841	974,759	66,741		ICIP Grant
Foundation Funded Capital Projects	100,000	-		-	100,000	CLOSE	CH Foundation
Information Technology	194,703	18,623	133,330	151,953	42,750		Reserve
Fleet Vehicle and Equipment replacements	350,016	66,057	264,005	330,061	19,955		Reserve; Vehicle Sales
Total Capital Projects	**$20,026,722**	**$4,173,081**	**$6,404,715**	**$10,577,796**	**$9,448,926**		

Conservation Halton

April
2024

REPORT TO: **Conservation Halton Finance & Audit Committee**

REPORT NO: # FA 01 24 04

FROM: Marnie Piggot, Director, Finance

DATE: April 4, 2024

SUBJECT: **2023 Audited Financial Statements**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board the audited financial statements for the year ended December 31, 2023, be approved as presented.**

Executive Summary

The annual audit of Conservation Halton's (CH) financial transactions for the year ended December 31, 2023, has been completed by KPMG LLP. The financial statements were prepared by CH staff. The Draft Audited Financial Statements (Appendix A) are attached.

The KPMG Auditors' Report, which is included in the financial statements, is a standard audit report without qualifications. It is their opinion that the statements are presented fairly and in accordance with public sector accounting standards. KPMG has also provided the attached 2023 Audit Findings Report (Appendix B).

Report

The Statement of Financial Position for CH reports Accumulated Surplus at December 31, 2023, of $88.9 million. This is an overall increase of 6.1% over the restated 2022 Accumulated Surplus of $83.8 million.

Statement of Financial Position Summary	**2023 Actual**	**2022 Actual (restated)**
Financial Assets	$43,905,398	$41,344,737
Non-Financial Assets	76,480,109	74,709,098
Total Assets	120,385,507	116,053,835
Less: Financial liabilities	(31,426,875)	(32,247,835)
Accumulated Surplus	**$88,958,632**	**$83,806,000**

The increase in the Accumulated Surplus is derived from the 2023 Annual Surplus of $5,152,632 reported on the Statement of Operations.

Effective for the year ending December 31, 2023, the audited financial statements will need to include the estimated liability for Asset Retirement Obligations (ARO) following PS 3280. Financial statements were prepared with inclusion of this standard, including restatement of any prior year comparatives.

A summary of the Statement of Operations is as follows:

Statement of Operations Summary	**2023 Budget**	**2023 Actual**	**2022 Actual (restated)**
Total Revenue	$37,157,752	$42,453,091	$39,866,284
Total Expenses	(38,214,838)	(37,300,459)	(34,132,319)
Annual Surplus (Deficit)	**$ (1,057,086)**	**$ 5,152,632**	**$ 5,733,965**

The Audited Financial Statements (Appendix A) were prepared consistent with the amounts in the 2023 Year end Budget Variance Report financial appendix, with a reported operating surplus of $5,045,061.

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

Adjustments to the audited financial Statement of Operations (Appendix A) 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 Public Sector Accounting Board (PSAB) standards, though they are reported as funding sources and expenditure items that CH 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:

		2023 Actual		2022 Actual (restated)
Total Operating Surplus - Budget Variance Report	**$**	**5,045,061**	**$**	**3,643,396**
Public Sector Accounting Board (PSAB) Adjustments:				
Addition of:				
Amortization of tangible capital assets expense		(1,965,840)		(1,920,572)
Elimination of:				
Acquisition of tangible capital assets		3,768,677		3,914,804
Proceeds on disposal of tangible capital assets		(36,860)		(19,786)
Gain (loss) on disposal of tangible capital assets		1,486		(34,647)
Transfers to and (from) reserves		(1,723,828)		(164,486)
Municipal Debt Financing		(322,884)		(95,827)
Debt financing charges - Principal portion		386,820		411,083
Total PSAB adjustments		**107,571**		**2,090,569**
Annual surplus per audited financial statements	**$**	**5,152,632**	**$**	**5,733,965**

The 2023 budget amounts shown on the Statement of Operations have also been modified to be consistent with PSAB standards. The adjustments to the 2023 budget are outlined in note 12 of the Audited Financial Statements (Appendix A).

The Accumulated Surplus of $88,958,632 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	$75,933,650
Deficit - Current Funds	(4,824,046)
Reserves	17,849,028
Total Accumulated Surplus at December 31, 2023	**$88,958,632**

The reserve transfers approved in the 2023 Year End Budget Variance Report have been reflected in the reserves reported on the audited financial statements.

The Deficit – Current Funds is attributed to long-term debt financing of $4,501,172 at December 31, 2023, and $322,885 in Halton Region municipal debt financing invoiced in 2024 for debt financed capital project costs incurred in 2023.

Details of significant budget variances reported on the Statement of Operations were provided in the 2023 Budget Variance Report financial appendix.

Impact on Strategic Priorities

This report supports the Momentum priority of “Organizational Sustainability”.

Financial Impact

This report provides details on the annual financial results for the year ended December 31, 2023, for CH. The audited financial statements to be approved will be provided to various funding partners and stakeholders of CH to meet funding agreements and are a source of information on the programs carried out by CH.

Signed & respectfully submitted:

Marnie Piggot
Director, Finance

Approved for circulation:

Hassaan Basit
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Marnie Piggot, Director, Finance
mpiggot@hrca.on.ca, 905-336-1158 x 2240

Attachments:
Appendix A: Draft Audited Financial Statements
Appendix B: Conservation Halton Audit Findings Report for the year ended December 31, 2023 – KPMG

Financial Statements of

CONSERVATION HALTON

Year ended December 31, 2023

CONSERVATION HALTON
Financial Statements

Year ended December 31, 2023

Page

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2023
- 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, 2023, and its results of operations, its changes in accumulated surplus, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Emphasis of Matter – Change in Accounting Policy

We draw attention to Note 2 to the financial statements which indicate that Conservation Halton has changed its accounting policy for Asset Retirement Obligations, as a result of the adoption of PS 3280, Asset Retirement Obligations, and has applied that change using the modified retroactive method, with prior period restatement.

Our opinion is not modified in respect to this matter.

Other Information

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

- the information, other than the financial statements and the auditor's report thereon, included in Annual Report document.

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

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

We obtained the information, other than the financial statements and the auditor's report thereon, included in Annual Report document as at the date of this auditor's report.

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity'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

Kitchener, Canada

(date)

CONSERVATION HALTON

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated)
Financial assets:		
Cash	$ 2,761,162	$ 7,024,283
Short-term investments (note 3)	23,282,402	18,575,926
Investment - Water Management Systems (note 4)	13,567,791	12,731,960
Accounts receivable (note 5)	4,294,043	3,012,568
	43,905,398	41,344,737
Financial liabilities:		
Accounts payable and accrued charges	3,104,512	3,513,322
Deferred revenue (note 6)	9,190,877	10,088,949
Deferred revenue - capital and major projects (note 7)	862,549	921,462
Deferred revenue - Water Management Systems (note 4)	13,567,791	12,731,960
Long-term liabilities (note 8)	4,501,171	4,792,167
Asset retirement obligations (notes 2 and 10)	199,975	199,975
	31,426,875	32,247,835
Net financial assets	12,478,523	9,096,902
Non-financial assets:		
Tangible capital assets (note 9)	75,933,650	74,166,187
Prepaid expenses	435,835	396,028
Inventory	110,624	146,883
	76,480,109	74,709,098
Contingencies (note 13)		
Commitments (note 14)		
Accumulated surplus (note 12)	$ 88,958,632	$ 83,806,000

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, 2023, with comparative information for 2022

	2023 Budget (Note 11)	2023 Actual	2022 Actual (Restated)
Revenue (note 18):			
Municipal grants	$ 10,916,835	$ 10,916,835	$ 10,533,636
Ministry of Natural Resources and Forestry	155,034	155,034	155,034
Corporate services	383,900	698,778	464,488
Natural hazards and watershed management	4,142,136	3,985,037	3,107,352
Permitting and planning	4,018,167	4,112,165	4,443,400
Conservation lands management	355,000	482,122	354,616
Conservation lands recreation	15,169,680	18,362,530	16,407,384
Major projects	2,017,000	3,740,590	4,400,374
Total revenue	37,157,752	42,453,091	39,866,284
Expenses (note 18):			
Corporate services (note 6 (b))	6,938,363	6,136,712	7,026,238
Natural hazards and watershed management	7,178,071	6,407,650	5,726,867
Permitting and planning	5,322,854	5,094,105	5,082,614
Conservation lands management	2,044,150	1,767,427	1,646,344
Conservation lands recreation	14,606,718	15,219,383	13,136,513
Major projects	1,957,000	2,521,995	1,350,825
Debt financing charges	167,682	153,187	162,918
Total expenses	38,214,838	37,300,459	34,132,319
Annual surplus (deficit) (note 12)	(1,057,086)	5,152,632	5,733,965
Accumulated surplus, beginning of year as previously reported		83,806,000	78,220,813
Change in accounting policy (note 2)		–	(148,778)
Accumulated surplus, beginning of year, as restated		83,806,000	78,072,035
Accumulated surplus, end of year		$ 88,958,632	$ 83,806,000

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(Note 11)		(Restated)
Annual surplus	$ (1,057,086)	$ 5,152,632	$ 5,733,965
Acquisition of tangible capital assets	(2,913,431)	(3,768,677)	(3,914,802)
Amortization of tangible capital assets	1,964,000	1,963,651	1,918,384
Amortization of asset retirement obligations	–	2,189	2,189
Proceeds on disposal of tangible capital assets	–	36,860	19,786
Loss (gain) on disposal of tangible capital assets	–	(1,486)	34,647
	(2,006,517)	3,385,169	3,794,169
Change in prepaid expenses	–	(39,807)	44,578
Change in inventories	–	36,259	(30,461)
Net change in net financial assets	(2,006,517)	3,381,621	3,808,286
Net financial assets, beginning of year, as previously reported		9,096,902	5,488,591
Change in accounting policy (note 2)		–	(199,975)
Net financial assets, beginning of the year, as restated		9,096,902	5,288,616
Net financial assets, end of year		$ 12,478,523	$ 9,096,902

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated)
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 5,152,632	$ 5,733,965
Items not involving cash:		
Amortization of tangible capital assets	1,963,651	1,918,384
Amortization of asset retirement obligations	2,189	2,189
Loss (gain) on disposal of tangible capital assets	(1,486)	34,647
	7,116,986	7,689,185
Change in non-cash working capital balances:		
Accounts receivable	(1,281,475)	(586,752)
Prepaid expenses	(39,807)	44,578
Inventory	36,259	(30,461)
Accounts payable and accrued charges	(408,811)	986,276
Deferred revenue	(898,072)	(6,373,109)
Deferred revenue - capital and major projects	(58,913)	108,926
	4,466,167	1,838,643
Capital transactions:		
Acquisition of tangible capital assets	(3,768,677)	(3,914,802)
Proceeds on disposal of tangible capital assets	36,860	19,786
	(3,731,817)	(3,895,016)
Investing activities:		
Purchase of investments	(7,179,678)	(8,144,306)
Sale of investments	7,000,000	5,000,000
Investment - Water Management System	(835,831)	(380,343)
	(1,015,509)	(3,524,649)
Financing transactions:		
Deferred revenue - Water Management System	835,831	380,343
Proceeds from long-term debt	95,825	203,436
Repayment of long-term debt	(386,820)	(411,082)
	544,836	172,697
Net change in cash and cash equivalents	263,677	(5,408,325)
Cash and cash equivalents, beginning of year	12,397,922	17,806,247
Cash and cash equivalents, end of year	$ 12,661,599	$ 12,397,922
Cash and cash equivalents:		
Cash	$ 2,761,162	$ 7,024,283
Cash in short-term investments (note 3)	56,362	14,361
Notice plan investment (note 3)	5,622,111	5,327,616
Pooled fund - High interest savings (note 3)	4,221,964	31,662
	$ 12,661,599	$ 12,397,922

See accompanying notes to financial statements.

CONSERVATION HALTON

Notes to Financial Statements

Year ended December 31, 2023

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 is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

Conservations 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 measurable; expenses are recognized as they are incurred and measurable 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) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Conservation Halton has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments are measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

1. **Significant accounting policies (continued):**

(b) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term cash commitments which are highly liquid with original maturities of three months or less from acquisition.

(d) 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.

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(ii) 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

Asset retirement obligations are amortized using the same basis and useful life as the buildings and infrastructure.

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.

(e) 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.

1. Significant accounting policies (continued):

(f) 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.

(g) 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.

(h) 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.

(i) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

(i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset and other contract obligations;

(ii) The past transactions or events giving rise to the liability has occurred;

(iii) It is expected that future economic benefits will be given up; and

(iv) A reasonable estimate of the amount can be made.

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation.

A liability has been recognized based on estimated future expenses on retirement of the tangible capital assets. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of the adoption of the standard. Assumptions used in the subsequent calculations are revised yearly. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation occurs.

1. Significant accounting policies (continued):

(j) 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.

(k) 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 revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include accrued liabilities, contaminated site liabilities, contingencies, asset retirement obligations and tangible capital assets. Actual results could differ from estimates.

2. Adoption of new accounting standards:

(a) Conservation Halton adopted the following accounting standards beginning January 1, 2023, with no impact on the financial statements:

(i) PS 1201 *Financial Statement Presentation* replaces *PS 1200 Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS *3450 Financial Instruments*, and PS *3041 Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

(ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

(iii) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

2. Adoption of new accounting standards (continued):

(a) Conservation Halton adopted the following accounting standards beginning January 1, 2023, with no impact on the financial statements (continued):

(iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

(b) Conservation Halton adopted the following accounting standard beginning January 1, 2023:

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in building controlled by public sector entities. An ARO liability can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis.

In the past, Conservation Halton has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Conservation Halton's buildings. Conservation Halton reports liabilities related to the legal obligations where Conservation Halton is obligated to incur costs to retire a tangible capital asset.

2. Adoption of new accounting standards (continued):

(b) Conservation Halton adopted the following accounting standard beginning January 1, 2023 (continued):

Conservation Halton's ongoing efforts to assess the extent to which designated substances exist in Conservation Halton's assets, and new information obtained through regular maintenance and renewal of Conservation Halton's assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to in the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in adjustment to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis.

In addition, Conservation Halton recognized an additional asset retirement obligation related to underground wells, as Conservation Halton has a legal obligation to remove or cap the well and remediate the site. The wells expected useful life estimate has not been changed since purchase.

A summary of the impact of the adjustments are as follows:

	December 31, 2022, as previously reported	Adjustment	December 31, 2022, as restated
Statement of financial position:			
Tangible capital assets	$ 74,117,179	$ 49,008	$ 74,166,187
Asset retirement obligations	–	199,975	199,975
Accumulated surplus	83,956,967	(150,967)	83,806,000
Statement of operations:			
Amortization of asset retirement obligations	–	2,189	2,189
Excess of revenue over expenses	5,736,154	(2,189)	5,733,965
Accumulated surplus, beginning of year	78,220,813	(148,778)	78,072,035
Cash flows:			
Amortization of asset retirement obligations	–	2,189	2,189

3. Short-term investments:

	Level	2023	2022
Cash	1	$ 56,362	$ 14,361
Notice plan investment	1	5,622,111	5,327,616
Guaranteed investment certificates	1	8,000,000	8,000,000
Pooled fund – High interest savings	1	4,221,964	31,662
Pooled fund – Corporate bonds	2	4,650,160	4,537,113
Pooled fund – Equities	2	731,805	665,174
Total		$ 23,282,402	$ 18,575,926

The guaranteed investment certificates have effective rates that range between 4.85% and 6.01% (2022 - 0.75% and 5.00%). Interest is receivable on the date of maturity. Maturity dates range from February 2, 2024 to October 30, 2026.

The notice plan investment has accrued interest rate of 5.65% that is tied to bank reference rates that are subject to change and withdrawals require 31 days' notice.

Fair value of short-term investments are $24,123,461 (2022 - $18,877,502).

There were no transfers between Level 1, 2, and 3 for the year.

4. Investment/Deferred revenue - Water Management Systems:

Conservation Halton entered into an agreements for the transfer of Water Management Systems and their long-term operation with an estimated timeline of 2063. The agreements are based on the principle that the net costs associated with ongoing operation, maintenance and performance of the Water Management Systems 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 systems, Conservation Halton received amounts as part of the agreements. 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 agreements. At the time of transfer Conservation Halton will be able to draw on the funds only to facilitate the management of the water systems.

The funds are invested as follows:

	Level	2023	2022
Cash	1	$ 337,494	$ 205
Provincial and provincially regulated agency bonds	2	13,230,297	10,431,382
Guaranteed investment certificates	1	–	2,300,373
Total		$ 13,567,791	$ 12,731,960

The provincial and provincially regulated agency bonds have effective yields of 3.11% to 4.22% (2022 - 3.11% to 4.22%). Interest is receivable on the date of maturity. Maturity dates range from July 16, 2027 to October 17, 2050.

The guaranteed investment certificate that matured on January 13, 2023 which had an effective interest rate of 0.95%.

Fair value of investments are $13,160,589 (2022 - $12,069,035).

5. Accounts receivable:

Included in accounts receivable is $223,000 (2022 - $192,629) due from Conservation Halton Foundation.

During 2023, the Foundation contributed $980,150 (2022 - $711,347) to fund projects carried out by Conservation Halton.

6. Deferred revenue:

(a) Deferred revenue includes the following amounts:

	Balance at December 31, 2023	Additions	Revenue recognized	Balance at December 31, 2022
Watershed management	$ 1,550,269	$ 11,322,002	$ 12,648,291	$ 2,876,558
Partnership projects	1,145,575	520,878	294,733	919,430
Source water protection	130,464	411,223	319,559	38,800
Conservation areas	6,364,569	6,907,725	6,797,317	6,254,161
	$ 9,190,877	$ 19,161,828	$ 20,059,900	$ 10,088,949

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.

(b) Conservation Halton applied for funding through the Canada Emergency Wage Subsidy (CEWS) program. In 2021, Conservation Halton received funding totaling $7,437,811 and the amount was recorded as deferred revenue until the year ended December 31, 2021. The Canada Revenue Agency (CRA) through an audit determined that the Conservation Halton was not eligible for this subsidy. The subsidy was refunded to the CRA during 2022 in the full amount of $7,437,811. The assessment resulted in interest owing of $702,544 and was expensed in Corporate Services on the statement of operations in 2022. The interest assessment was reversed by CRA in 2023 resulting in a reduction of Corporate Services expenses in 2023. Conservation Halton is appealing the CEWS eligibility assessment. A final decision by the CRA is pending as at December 31, 2023.

7. Deferred revenue - Capital and Major Projects:

	Balance at December 31, 2023	Contributions received	Revenue recognized	Balance at December 31, 2022
Capital - Ministry of Natural Resources and Forestry	$ 163,433	$ 196,436	$ 137,885	$ 104,882
Capital - Municipal	699,116	520,761	638,226	816,580
	$ 862,549	$ 717,197	$ 776,111	$ 921,462

8. Long-term liabilities:

	2023	2022
5 year term loan at 2.95% interest compounded annually, with a registered collateral mortgage covering 54.36 acres of land, due November 30, 2025	$ 77,058	$ 123,498
Municipal debt financing and interest payments due annually at variable current interest rates of 3.0% to 3.2% annual principal repayments, due December 2023 to December 2050	4,424,113	4,668,669
	$ 4,501,171	$ 4,792,167

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

2024	$ 370,940
2025	294,361
2026	197,060
2027	178,263
2028	177,758
Thereafter	3,282,789
	$ 4,501,171

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Tangible capital assets:

Cost	Balance at December 31, 2022 (restated)	Additions	Disposals	Transfers	Balance at December 31, 2023
Land	$ 38,083,447	$ –	$ –	$ –	$ 38,083,447
Land improvements	692,615	632,089	(4,978)	382,975	1,702,701
Buildings and building improvements	16,364,640	524,284	–	226,227	17,115,151
Machinery and equipment	9,100,554	417,944	(214,896)	–	9,303,602
Furniture and fixtures	480,711	5,473	–	–	486,184
Infrastructure	36,442,886	1,196,296	(207,497)	376,056	37,807,741
Vehicles	2,562,699	398,899	(46,360)	–	2,915,238
Computer hardware and software	1,574,849	113,154	(122,713)	–	1,565,290
Assets under construction	999,711	480,538	–	(985,258)	494,991
Asset retirement obligations (note 2)	199,975	–	–	–	199,975
	$ 106,502,087	$ 3,768,677	$ (596,444)	$ -	$ 109,674,320

Accumulated amortization	Balance at December 31, 2022 (restated)	Additions	Disposals	Transfers	Balance at December 31, 2023
Land	$ –	$ –	$ –	$ –	$ –
Land improvements	364,473	30,609	(4,979)	–	390,103
Buildings and building improvements	7,047,585	428,558	–	–	7,476,143
Machinery and equipment	5,313,828	387,843	(208,738)	–	5,492,933
Furniture and fixtures	258,925	22,464	–	–	281,389
Infrastructure	15,893,713	789,106	(184,910)	–	16,497,909
Vehicles	2,046,176	183,210	(41,724)	–	2,187,662
Computer hardware and software	1,260,233	121,861	(120,719)	–	1,261,375
Assets under construction	–	–	–	–	–
Asset retirement obligations (note 2)	150,967	2,189	–	–	153,156
	$ 32,335,900	$ 1,965,840	$ (561,070)	$ –	$ 33,740,670

9. Tangible capital assets (continued):

	Net book value balance at December 31, 2022	Net book value balance at December 31, 2023
	(Restated)	
Land	$ 38,083,447	$ 38,083,447
Land improvements	328,142	1,312,598
Buildings and building improvements	9,317,055	9,639,008
Machinery and equipment	3,786,726	3,810,669
Furniture and fixtures	221,786	204,795
Infrastructure	20,549,173	21,309,832
Vehicles	516,523	727,576
Computer hardware and software	314,616	303,915
Assets under construction	999,711	494,991
Asset retirement obligations (note 2)	49,008	46,819
	$ 74,166,187	$ 75,933,650

9. Tangible capital assets (continued):

Cost	Balance at December 31, 2021 (Restated)	Additions	Disposals	Transfers	Balance at December 31, 2022 (Restated)
Land	$ 36,465,678	$ 1,617,769	$ –	$ –	$ 38,083,447
Land improvements	564,806	97,030	–	30,779	692,615
Buildings and building improvements	16,071,563	279,803	–	13,274	16,364,640
Machinery and equipment	8,898,400	276,267	(74,113)	v	9,100,554
Furniture and fixtures	480,621	4,283	(4,193)	–	480,711
Infrastructure	35,870,066	523,029	–	49,791	36,442,886
Vehicles	2,613,430	55,246	(105,977)	–	2,562,699
Computer hardware and software	1,538,494	79,335	(42,980)	–	1,574,849
Assets under construction	148,669	982,040	(37,154)	(93,844)	999,711
Asset retirement obligations (note 2)	199,975	–	–	–	199,975
	$ 102,851,702	$ 3,914,802	$ (264,417)	$ –	$ 106,502,087

Accumulated amortization	Balance at December 31, 2021 (Restated)	Additions	Disposals	Transfers	Balance at December 31, 2022 (Restated)
Land	$ –	$ –	$ –	$ –	$ –
Land improvements	352,911	11,562	–	–	364,473
Buildings and building improvements	6,620,774	426,811	–	–	7,047,585
Machinery and equipment	5,014,070	367,609	(67,851)	–	5,313,828
Furniture and fixtures	240,386	22,313	(3,774)	–	258,925
Infrastructure	15,138,262	755,451	–	–	15,893,713
Vehicles	1,949,095	192,460	(95,379)	–	2,046,176
Computer hardware and software	1,161,035	142,178	(42,980)	–	1,260,233
Assets under construction	–	–	–	–	–
Asset retirement obligations (note 2)	148,778	2,189	–	–	150,967
	$ 30,625,311	$ 1,920,573	$ (209,984)	$ -	$ 32,335,900

9. Tangible capital assets (continued):

	Net book value, Balance at December 31, 2021	Net book value Balance at December 31, 2022
	(Restated)	(Restated)
Land	$ 36,465,678	$ 38,083,447
Land improvements	211,895	328,142
Buildings and building improvements	9,450,789	9,317,055
Machinery and equipment	3,884,330	3,786,726
Furniture and fixtures	240,235	221,786
Infrastructure	20,731,804	20,549,173
Vehicles	664,335	516,523
Computer hardware and software	377,459	314,616
Assets under construction	148,669	999,711
Asset retirement obligations (note 2)	51,197	49,008
	$ 72,226,391	$ 74,166,187

10. Asset retirement obligations:

Conservation Halton's asset retirement obligations consist of the following:

(a) Asbestos obligations:

Conservation Halton owns and operates several buildings and structures that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it for $104,225 (2022 - $104,225).

(b) Well obligations:

Conservation Halton has underground wells that will require future remediation and where there is a legal obligation to remove or cap the well and remediate the site for $95,750 (2022 - $95,750).

All liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

10. Asset retirement obligations (continued):

Changes to the asset retirement obligations in the year are as follows:

	2023	2022
Balance, beginning of the year, as restated	$ 199,975	$ 199,975
Less: obligations settled during the year	–	–
Balance, end of the year	$ 199,975	$ 199,975

11. Budget amounts:

The 2023 budget amounts approved by Conservation Halton on November 17, 2022 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 November 17, 2022, with adjustments as follows:

	2023	2022
Budget deficit for the year	$ (1,418,961)	$ (1,377,270)
Less: Amortization of tangible capital assets	(1,964,000)	(1,918,000)
Less: Municipal debt financing	(1,000,000)	–
Add: Acquisition of tangible capital assets	2,913,431	5,397,123
Add: Debt financing charges - principal portion	412,444	440,396
Budget surplus (deficit) per Statement of Operations	$ (1,057,086)	$ 2,542,249

12. Accumulated surplus:

Accumulated surplus consists of operating surplus and reserves as follows:

	Balance at December 31, 2023	Excess of revenue over expenses	Transfers (to) from reserves	Balance at December 31, 2022 (Restated)
Surplus - investment in tangible capital assets	$ 75,933,650	$ (2,001,214)	$ 3,768,677	$ 74,166,187
Surplus (deficit) - current funds	(4,824,046)	7,153,846	(6,889,933)	(5,087,959)
Total surplus	71,109,604	5,152,632	(3,121,256)	69,078,228
Reserves:				
Conservation areas capital	5,791,072	–	775,338	5,015,734
Conservation areas stabilization	1,270,000	–	123,510	1,146,490
Vehicle and equipment	753,636	–	9,340	744,296
Building	1,300,847	–	789,696	511,151
Building - state of good repair	571,635		86,231	485,404
Watershed management capital - municipal funds	1,093,346	–	320,076	773,270
Watershed management capital - self generated funds	531,409	–	62,300	469,109
Watershed management and support services stabilization	1,826,502	–	37,290	1,789,212
Digital transformation	499,300		213,600	285,700
Debt financing charges capital	558,264	–	40,118	518,146
Legal - planning and watershed management	941,995	–	–	941,995
Legal - corporate	300,000	–	100,000	200,000
Water festival	131,191	–	(48,143)	179,334
Property management	1,565,442	–	452,800	1,112,642
Land securement	247,339	–	131,100	116,239
Stewardship and restoration	467,050	–	28,000	439,050
Total reserves	17,849,028	–	3,121,256	14,727,772
Accumulated surplus	$ 88,958,632	$ 5,152,632	$ –	$ 83,806,000

13. Contingencies:

Conservation Halton has been named as defendant or co-defendant in several lawsuits that have claims outstanding. Conservation Halton anticipated 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 related to the 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 funds are available for the rehabilitation plan implementation. Conservation Halton is a member of the Investment Committee that oversees management of the trust account with a balance of $3,385,382 (2022 - $2,901,595) as at December 31, 2023. No deposit to the trust account by the funder is required to be made by March 31, 2023 (2022 - $322,640) based on extraction in 2023. Conservation Halton will release their interest in the trust account when the implementation plan is completed.

14. 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, 2023 are as follows:

2024	$ 2,275,998
2025	61,670
2026	62,695
	$ 2,400,363

15. 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, 2023. At that time the plan reported a $4.2 billion actuarial deficit (2022 - $6.7 billion actuarial deficit), based on actuarial liabilities of $134.6 billion (2022 - $128.8 billion) and actuarial assets of $130.4 billion (2022 - $122.1 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2023 employer portion of OMERS pension contributions was $1,587,433 (2022 - $1,330,243).

16. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Conservation Halton is exposed to credit risk with respect to the accounts receivable, cash and investments.

Conservation Halton assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of Conservation Halton as at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts is $nil (2022 - $nil).

There have been no significant changes to the credit risk exposure from 2022.

16. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that Conservation Halton will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Conservation Halton manages its liquidity risk by monitoring its operating requirements. Conservation Halton prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets with variable interest rates expose Conservation Halton to cash flow interest rate risk.

Conservation Halton's investments are disclosed in notes 3 and 4.

There has been no change to the interest rate risk exposure from 2022.

17. Comparative information:

Certain comparative information in the statement of cashflows has been reclassified to conform with the financial statement presentation adopted in the current year.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2023

18. Revenue and expenses by program:

2023	Corporate Services	Natural hazards and watershed Management	Permitting and planning	Conservation lands management	Conservation lands recreation	Major projects	Debt financing	Reserve funding	Total
Revenue:									
Municipal funding	$ 4,996,215	$ 1,964,621	$ 1,284,687	$ 1,156,200	$ 369,986	$ -	$ 580,126	$ 565,000	$ 10,916,835
Municipal funding – Major projects	–	–	–	–	–	499,464	–	–	$ 499,464
Provincial transfer payments	–	155,034	–	–	–	–	–	–	155,034
Program fees and other	698,778	3,985,037	4,112,165	482,122	18,362,530	3,241,126	–	–	30,881,758
	5,694,993	6,104,692	5,396,852	1,638,322	18,732,516	3,740,590	580,126	565,000	42,453,091
Expenses:									
Salaries, wages and benefits	5,034,339	3,876,839	4,163,898	1,410,524	9,356,197	436,468	–	–	24,278,265
Members per diems and expenses	35,568	–	–	–	–	–	–	–	35,568
Materials and supplies	151,061	414,638	1,010	126,175	1,775,929	1,575,679	–	–	4,044,492
Property taxes	–	–	–	66,972	5,276		–	–	72,248
Purchased services	1,298,353	1,475,636	4,713	86,146	2,594,886	509,849	–	–	5,969,583
Legal	28,223	64,513	924,484	8,885	(87,601)	–	–	–	938,504
Finance and rent	(672,053)	701		10,812	504,796	–	–	–	(155,744)
Debt financing – charges	–	–	–	–	–	–	153,189	–	153,189
Amortization of tangible capital assets and ARO	255,148	575,323	–	87,227	1,048,142	–	–	–	1,965,840
Loss (gain) on disposal of tangible capital assets	6,073	–	–	(29,314)	21,755	–	–	–	(1,486)
	6,136,712	6,407,650	5,094,105	1,767,427	15,219,380	2,521,996	153,189	–	37,300,459
Annual surplus (deficit)	$ (441,719)	$ (302,958)	$ 302,747	$ (129,105)	$ 3,513,136	$ 1,218,594	$ 426,937	$ 565,000	$ 5,152,632

CONSERVATION HALTON

Notes to Financial Statements (continued)

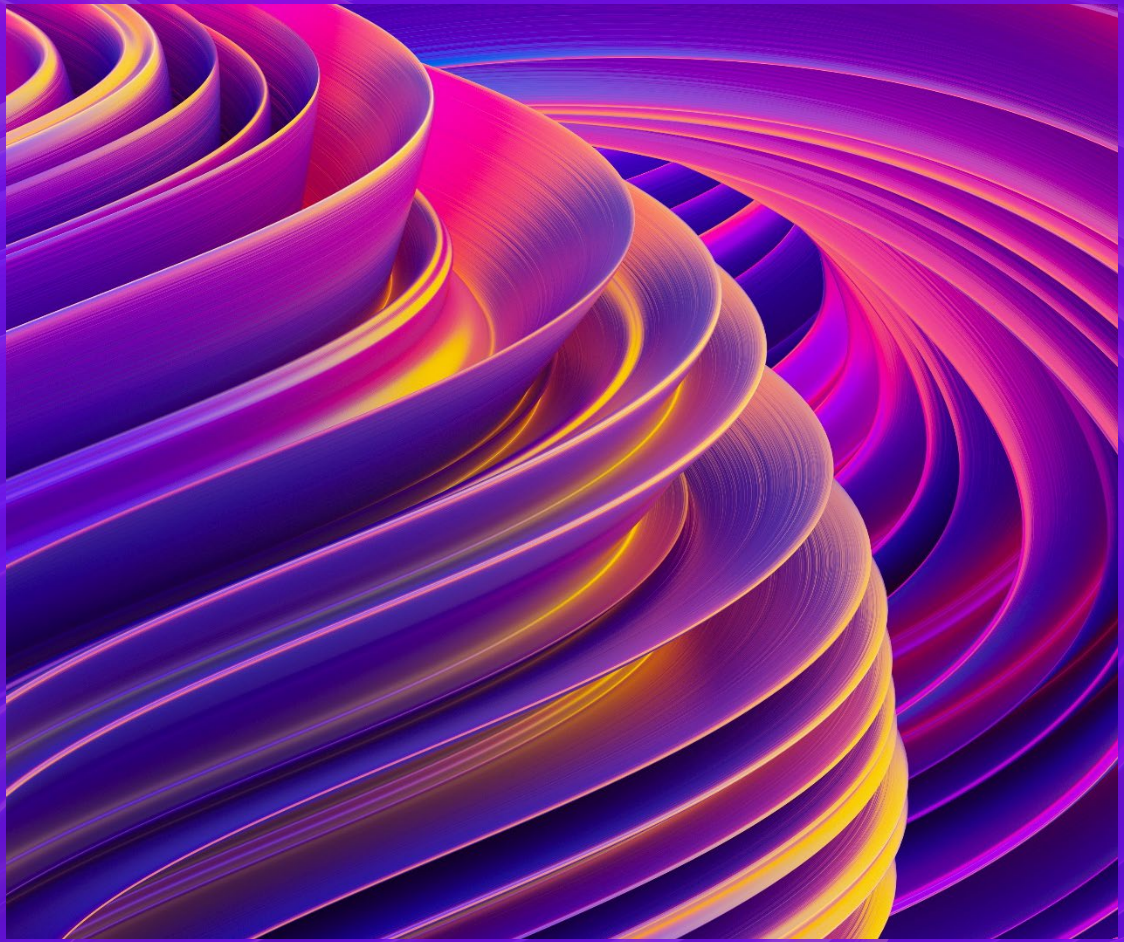
Year ended December 31, 2023

18. Revenue and expenses by program (continued):

2022	Corporate Services	Natural hazards and watershed management	Permitting and planning	Conservation lands management	Conservation lands recreation	Major projects	Debt financing	Reserve funding	Total
(Restated)									
Revenue:									
Municipal funding	$ 4,159,550	$ 2,179,008	$ 1,614,635	$ 1,114,836	$ 339,556	$ –	$ 620,551	$ 505,500	$ 10,533,636
Municipal funding – Major projects	–	–	–	–	–	173,407	–	–	$ 173,407
Provincial transfer payments	–	155,034	–	–	–	–	–	–	155,034
Program fees and other	464,488	3,107,352	4,443,400	354,616	16,407,384	4,226,967	–	–	29,004,207
	4,624,038	5,441,394	6,058,035	1,469,452	16,746,940	4,400,374	620,551	505,500	39,866,284
Expenses:									
Salaries, wages and benefits	4,777,012	3,665,486	4,462,322	1,279,841	7,751,483	168,168	–	–	22,104,312
Members per diems and expenses	20,425	–	–	–	–	–	–	–	20,425
Materials and supplies	147,793	610,815	45	98,393	1,549,123	728,087	–	–	3,134,256
Property taxes	–	–	–	61,013	5,126	–	–	–	66,139
Purchased services	1,063,716	763,245	24,635	93,676	2,374,288	420,416	–	–	4,739,976
Legal	24,635	124,455	595,612	13,734	12,686	–	–	–	771,122
Finance and rent	726,776	886	–	10,812	439,477	–	–	–	1,177,951
Debt financing charges	–	–	–	–	–	–	162,918	–	162,918
Amortization of tangible capital assets and ARO	265,461	561,980	–	90,185	1,002,947	–	–	–	1,920,573
Loss (gain) on disposal of tangible capital assets	420	–	–	(1,310)	1,383	34,154	–	–	34,647
	7,026,238	5,726,867	5,082,614	1,646,344	13,136,513	1,350,825	162,918	–	34,132,319
Annual surplus (deficit)	$ (2,402,200)	$ (285,473)	$ 975,421	$ (176,892)	$ 3,610,427	$ 3,049,549	$ 457,633	$ 505,500	$ 5,733,965

KPMG

Conservation Halton



Audit Findings Report
for the year ended December 31, 2023

KPMG LLP

Licenced Public Accountants

Prepared as of March 22, 2024 for presentation to the Audit Committee on April 4, 2024

kpmg.ca/audit

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Table of contents

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and 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.

Digital use information

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

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

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

Audit highlights

No matters to report

Matters to report – see link for details

Status

We have completed the audit of the financial statements for Conservation Halton (Conservation Halton or Organization) with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.

Risks and results

Materiality $1,000,000

- Risk of management override of controls
- Presumed risk of fraudulent revenue recognition
- Other risks of material misstatement
- Going concern matters

Policies and practices & Specific topics

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

Uncorrected misstatements

- Uncorrected misstatements

Corrected misstatements

- Corrected misstatements

Control deficiencies

- Significant deficiencies

Technology highlights

We plan to utilize technology to enhance the quality and effectiveness of the audit.

Summary of advanced technologies

Datashare

DataShare is a data extraction tool that enables easy and reliable data extraction to support our year-end audit work from clients using a compatible accounting system. Data extracted is formatted into standardized reports, ensuring consistency in the way we receive and analyze data.

KPMG Clara for Client (Kcfc)

Allows the client team to see the real-time status of the engagement and who from our KPMG team is leading on a deliverable. The tool is used to control the status of audit requirements and as a collaboration site to share files and data.

KPMG Clara Workflow (KCw)

A modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements. The tool allows us to identify and respond to relevant risks, document our audit procedures, conclusions, and reporting.

Datasnipper

Datasnipper is an audit tool that uses optical character recognition and robotic process automation to automate vouching procedures within the audit engagement. It automatically matches specified excel data to the corresponding documents, leaving an audit trail behind for review.

Monetary Unit Sampling (MUS)

Sampling tool embedded in our KCw application used by the engagement team to calculate the most efficient sample sizes based on the specific risk considerations of an account and assertion, select and extract items from a population, and evaluate our results after audit procedures have been performed over selected items.

Status

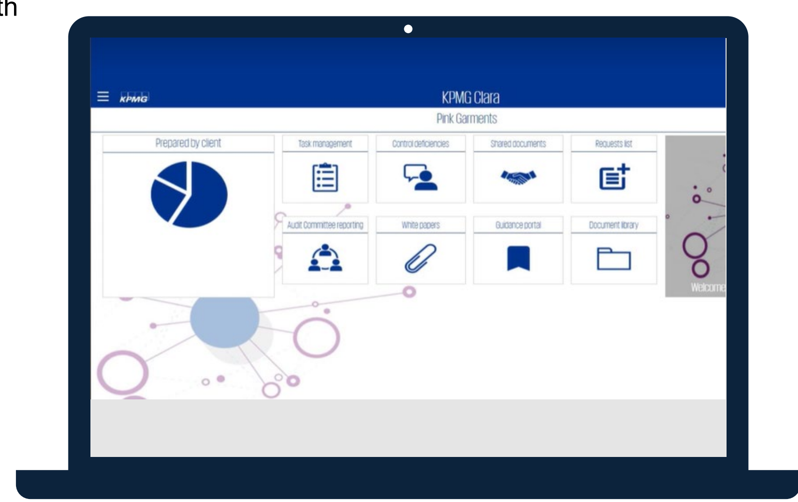
KPMG Clara for Clients (KCfc)

As of March 22, 2024, the date of preparation of Audit Findings Report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Final quality control procedures and review;
- Receipt of legal confirmation responses;
- Completing our discussions with the Audit Committee;
- Inquiries regarding subsequent events;
- Obtaining evidence of the Board of Director’s approval of the financial statements; and
- Receipt of the signed management representation letter.

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

A draft of our auditor’s report is provided in the draft financial statements.



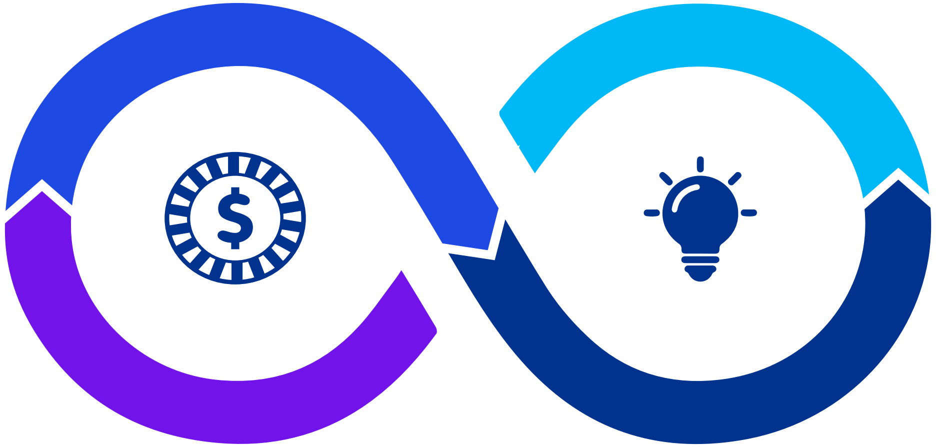
Real-time collaboration and transparency

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

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

Learn more

Materiality



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

Plan and perform the audit

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

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

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

Evaluate the effect of misstatements

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

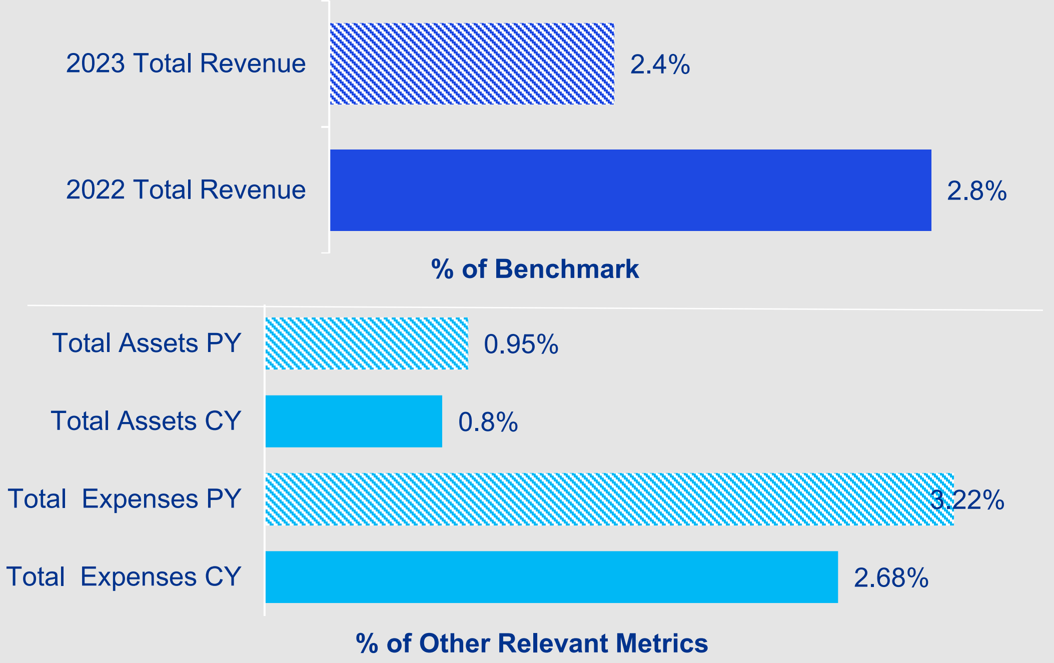
- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Materiality

Materiality

$1,000,000

(2022: $1,100,000)



Total Revenue

$ 42,453,000

(2022:$ 39,866,000)

Total Assets

$ 120,385,500

(2022: $ 116,054,000)

Total Expenses

$ 37,300,000

(2022: $ 34,132,000)

Significant risks and results

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

Management Override of Controls

RISK OF FRAUD

Significant risk	Estimate?	Key audit matter?
Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.	No	No

Our response

- Our procedures included:
  - We tested the design and implementation of controls surrounding the review of journal entries, and the business rationale for significant entries.
  - Using our KPMG Clara Journal Entry Analysis Tool, 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.
  - No issues were noted in the performance of the above procedures.

Significant qualitative aspects of the Organization's accounting practices

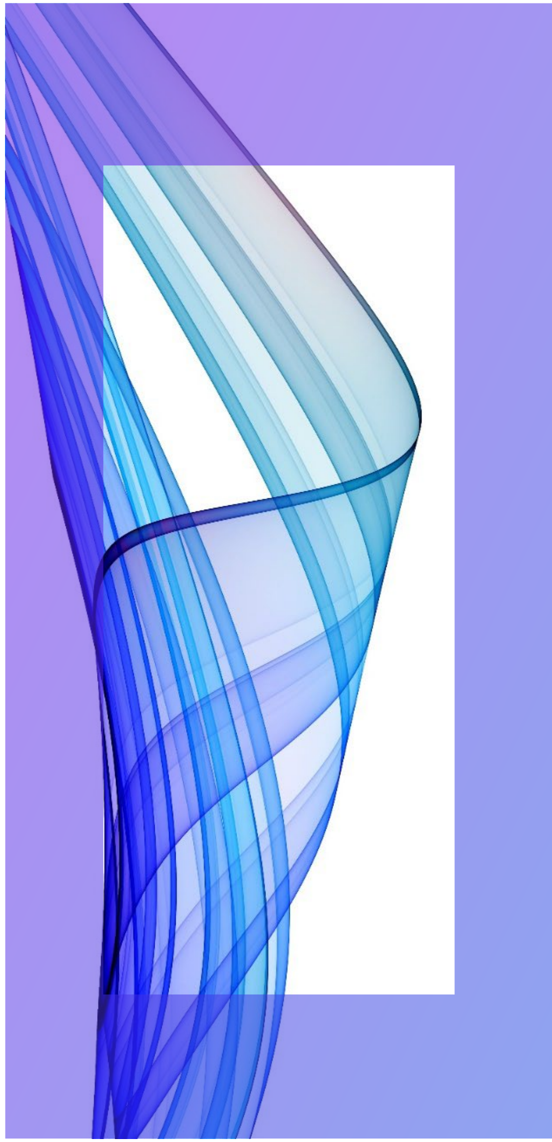
No significant qualitative aspects to note.

Advanced technologies

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.

Click to learn more

Other risks of material misstatement and results



Asset retirement obligations, new accounting standard adoption

Other area of focus	Estimate?	Key audit matter?
Asset retirement obligations - Risk of error over completeness, existence and accuracy of the asset retirement obligations	Yes	No

Our response

KPMG gained an understanding of the Conservation Halton’s process for identifying Asset Retirement Obligations (ARO). This includes required estimates, any changes to estimates, how management made the ARO estimate, and the underlying data (methodology; controls; use of experts; assumptions)

KPMG focused on key audit risks:

- KPMG has assessed that the ARO’s reported are complete on the financial statements, and have verified all the required assets have been identified as in-scope
- Management has correctly applied the Modified Retrospective transition method
- Management has adequate documentation of the process and audit working papers enabling auditability

Significant qualitative aspects of the Conservation Halton’s accounting practices

No significant qualitative aspects to note.

Other risks of material misstatement and results

Financial instruments and financial statement presentation, new accounting and presentation standard

Other area of focus	Estimate?	Key audit matter?
Financial instruments and financial statement presentation - Risk of error over completeness, existence, accuracy and presentation of financial instruments.	No	No

Our response

- KPMG gained an understanding of the Conservation Halton's process for identifying financial instruments.
- KPMG obtained and reviewed management's policy for financial instruments; equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, are recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Conservation Halton has not elected to carry any such financial instruments at fair value. Further, Conservation Halton holds ONE Investment pooled funds, however these are not traded on a public market and therefore, are recorded at cost. KPMG has assessed this is reasonable and appropriately included in the notes to the financial statements.
- Confirmation of investments with Custodians.
- No issues noted.

Significant qualitative aspects of the Conservation Halton's accounting practices

No significant qualitative aspects to note.

Other risks of material misstatement and results

Grant revenues and deferred contributions

Other area of focus	Estimate?	Key audit matter?
Grant revenue and deferred contributions - Risk of error over completeness, existence and accuracy of grant revenue including related deferrals.	No	No

Our response

- We have performed statistical sampling and obtained confirmation of a sample of levies received by the Conservation Halton from local municipalities and reconciled to cash received and revenue reported for the fiscal year.
- We have performed statistical sampling over contributions received and contributions recognized in deferred revenue and obtained supporting documentation to ensure the contribution was received and the funds were used in accordance with the underlying agreement.
- No issues noted.

Significant qualitative aspects of the Conservation Halton's accounting practices

No significant qualitative aspects to note.

Other risks of material misstatement and results

Conservation Halton Program fees and other revenue

Other area of focus	Estimate?	Key audit matter?
Conservation Halton Program fees and other revenues - Risk of error over completeness, existence and accuracy of revenues	No	No

Our response

- We performed statistical sampling over program fees and other revenue. The items selected were agreed to supporting documentation, assessed whether accurately recorded in the proper year.
- No issues noted.

Significant qualitative aspects of the Conservation Halton's accounting practices

No significant qualitative aspects to note.

Other risks of material misstatement and results

Tangible Capital Assets

Other area of focus	Estimate?	Key audit matter?
Tangible capital assets – Risk of completeness, accuracy and presentation/disclosure of tangible capital assets.	No	No

Our response

- We performed statistical sampling to select tangible capital asset additions in the year.
- We assessed the capitalization of tangible capital assets and projects to ensure the items are appropriately classified.
- We performed statistical sampling over repairs and maintenance expenditures to ensure the completeness of tangible capital assets.
- We assessed the financial statement presentation and disclosure of tangible capital assets.

Significant qualitative aspects of the Conservation Halton's accounting practices

No significant qualitative aspects to note.

Other risks of material misstatement and results

Operating expenditures, including payroll

Other area of focus	Estimate?	Key audit matter?
Operating expenditures, including payroll - Risk of error over completeness, existence and accuracy of operating expenditures.	No	No

Our response

- We performed statistical sampling over operating expenditures and agreed the items selected to source documentation.
- For payroll expenses, we performed statistical sampling and agreed the selected items to employee files.
- We performed a search for unrecorded liabilities to assess the completeness and accuracy of year-end accruals.
- We performed statistical sampling over accruals and tested the assumptions, estimates, calculations, supporting documentation and subsequent payments of significant accruals.
- No issues noted.

Significant qualitative aspects of the Conservation Halton's accounting practices

No significant qualitative aspects to note.

Uncorrected and corrected misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected Misstatements

We did not identify any corrected misstatements.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

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

No significant control deficiencies were identified during the audit.

Accounting policies and practices

Initial selection

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

- PSAS 3280 Asset Retirement Obligations
- PS 1201 Financial Statement Presentation
- PS 3450 Financial Instruments
- PS 3401 Portfolio Investments
- PS 2601 Foreign Currency Translation

Revised

There were no changes to accounting policies and practices during the year, other than the above new accounting standards.

Significant qualitative aspects

No significant qualitative aspects of accounting policies and practices

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	No matters to report.
Concerns regarding application of new accounting pronouncements	Next year the Conservation Halton will have to adopt PS 3400 Revenue, Public Sector (PS) guideline 8 – Purchased intangibles, and PS 3160 Public private partnerships. Management will be assessing the impact of the above new accounting standards for 2024. Management and KPMG do not believe the impact of the new standards to be significant. See Appendix: Accounting Standards for proposed future accounting standards
Significant qualitative aspects of financial statement presentation and disclosure	No matters to report.

Specific topics

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

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud	No matters to report
Other information in documents containing the audited financial statements	No matters to report
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Management's consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Other matters that are relevant matters of governance interest	No matters to report

Independence

The services are not prohibited, and threats to our independence, if any, resulting from the provision of the services will be eliminated or reduced to an acceptable level. Further details on the services and the assessment of the potential effects on our independence are included on the slides that follow.

Audit services	Fee before HST	Fee structure
Audit of financial statements of Conservation Halton for the year ending December 31, 2023 (including the technology and support charge)	$ 32,000	Fixed
Adoption of new accounting standards for the year ending December 31, 2023 will be based on additional hours incurred	To be determined*	

**Our professional fees are also subject to a 7% technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel which are not included in our client service personnel fee.*

Bank confirmations are charged on a cost recovery basis.

Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the engagement letter. The critical assumptions, and factors that cause a change in our fees, include:

- Audit readiness, including delays in the receipt of requested working papers, audit samples, inquiries and financial statements information from the agreed upon timelines, and the books and records being properly closed at the start of our year-end audit work;
- The availability, participation and responsiveness of key Conservation Halton team members during the audit;
- Significant changes to internal control over financial reporting;
- Significant changes in the nature or size of the operations of Conservation Halton beyond those contemplated in our planning processes;
- Significant unusual and/or complex transactions;
- Changes in the timing of our work;
- Other significant issues (e.g. cyber security breaches, change in IT systems);
- Any accounting advice

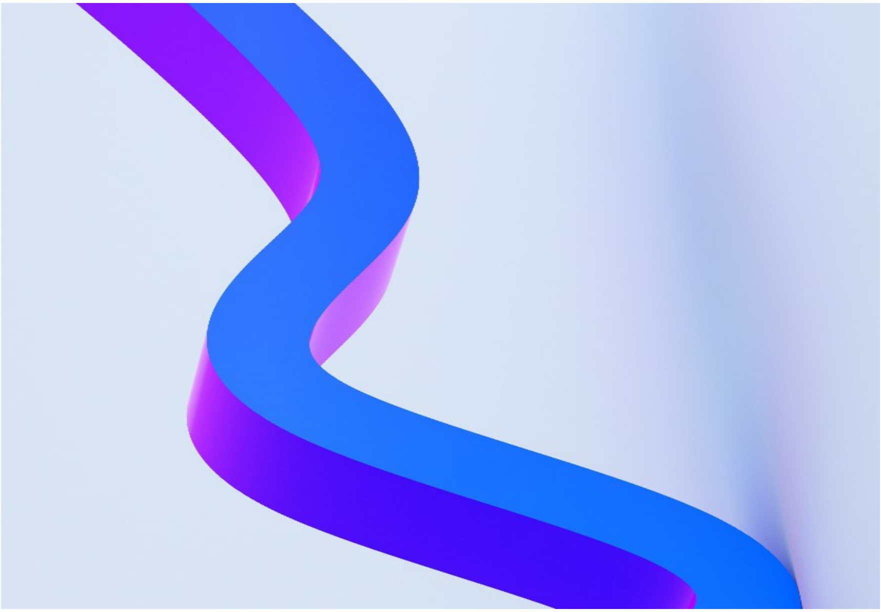
Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code[1] and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:

- Dedicated ethics & independence partners
- Process for reporting breaches of professional standards and policy, and documented disciplinary policy
- Ethics, independence and integrity training for all staff
- International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest
- Operating polices, procedures and guidance contained in our quality & risk management manual
- Mandated procedures for evaluating independence of prospective audit clients
- Restricted investments and relationships
- Annual ethics and independence confirmation for staff

Statement of compliance

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



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

Independence: Additional detail

Audit services	Detailed description of service	Potential effects of the proposed service on independence
	Audit of the financial statements of Conservation Halton for the year ending December 31, 2023, in accordance with Canadian public sector accounting standards.	Such services are provided by the auditor pursuant to statutory or regulatory requirements and are permitted under CPA Code and IESBA independence rules.

Independence: Additional detail

Tax compliance and other tax services

Detailed description of service	Potential effects of the proposed service on independence
General tax consulting services to Conservation Halton on matters that may arise for which the Conservation Halton seeks our advice, both written and oral, and that are not the subject of a separate engagement contract. The tax consulting services primarily relate to domestic and indirect tax advice.	The proposed tax services are not prohibited under CPA Code or IESBA independence rules. The tax services will not involve contingent fees, the terms of our engagement will not include conditions of confidentiality regarding tax transactions or KPMG tax services, or aggressive tax position transactions. This tax service is based on historical information, existing law and precedents. It will not involve calculations or acting as an advocate before a tribunal or court, neither tax planning, valuation or tax dispute that might create a self-review threat. It is noted that the accounts related to these services are not material to the financial statements and are not assessed as including significant risks for the audit. Further, Conservation Halton will be responsible for evaluating the services and any findings or recommendations we provide. KPMG will not direct action at Conservation Halton or take responsibility for Conservation Halton's actions or their employee's actions.

Independence: Additional detail

Accounting Advisory

Detailed description of service	Potential effects of the proposed service on independence
Professional accounting services to assist the Conservation Halton's initiative to implement, PS 3280, asset retirement obligations for the fiscal year ended December 31, 2023	The proposed services are not prohibited under CPA Code or IESBA independence rules. The advisory services will not involve contingent fees. The advisory work is led by a Partner from an office other than that of the Lead Partner for the financial statements. Additionally, the project team for the advisory work was comprised entirely of team members independent of the financial statement audit. Lastly, the nature and extent of audit procedures performed by the audit team over the ARO work will not be reduced from what normally be to support the financial statement audit opinion. KPMG advisory is not considered the preparer or the developer of the information or project. Management assumes responsibility to review and otherwise attempt to verify the accuracy or completeness of the information provided.

Independence: Additional detail

KPMG Law

Detailed description of service	Potential effects of the proposed service on independence
KPMG Law has been engaged to previously assist Conservation Halton in filing the Notice of Objection related to the Canadian Emergency Wage subsidy.	The provision of a legal service to support an audit or review client in the execution of a transactions may create a self-review threat. The filing of the Notice of Objection was an administrative task in nature and involved members of the firm which were not apart of the engagement team. Conservation Halton management made the ultimate decision to file the notice in relation to the advice provided and the legal services relate to the execution of what was previously decided by management.

Independence: Additional detail

All other services

Detailed description of service	Potential effects of the proposed service on independence
Assistance with the word processing of the Conservation Halton's financial statements for the year ended December 31, 2023.	The proposed services may be permissible under CPA Code or IESBA independence rules with consideration to the following: 1) services are of a routine or mechanical nature; 2) the Organization is not a reporting issuer and service is routine or mechanical in nature; 3) the Organization will be responsible for the financial statements as their own; 4) the Organization is sufficiently informed of the Organization's activities and financial condition and the applicable accounting principles and can reasonably accept such responsibility, including the fairness of valuation and presentation and adequacy of disclosures.

Appendices

- Required communications
- Management representation letter
- Engagement letter
- Audit quality
- Proposed accounting standards
- New auditing standards
- Audit and assurance insights
- ESG

Appendix: Other required communications

Engagement terms

A copy of the engagement letter is included in Appendix: Engagement Letter

CPAB communication protocol

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

- CPAB Audit Quality Insights Report: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results

Appendix: Management representation letter

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada

DATE

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 December 31, 2023.

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 16, 2022 and amended on March 21, 2024, including for:

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

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

      – the names of all related parties and information regarding all relationships and transactions with related parties;

      – the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

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

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

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

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 or illegal acts, whose effects should be considered when preparing financial statements.

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

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

COMPARATIVE INFORMATION:

11) In respect to the adjustments to the prior period financial statements presented as comparative information in relation to the implementation of PS 3280, Asset Retirement Obligations, these have been explained qualitatively in the notes according to the requirements of the Standard. The comparative information has been adjusted accordingly based on the requirements of the new standard.

OTHER INFORMATION:

12) We confirm that the final version of Annual Report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

MISSTATEMENTS:

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

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

14) 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).

15) 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

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

Yours very truly,

By: Marnie Piggot, Director, Finance

By: Mr. Hassaan Basit, President and CEO

Attachment I – Definitions

MATERIALITY

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

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

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

FRAUD & ERROR

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

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

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

Appendix: Engagement letter

KPMG LLP
120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

<u>PRIVATE & CONFIDENTIAL</u>

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

March 21, 2024

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, 2023.

This letter supersedes our previous letter to the Entity dated November 16, 2022.

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 Assurance 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 of the annual financial statements does not relieve management or those charged with governance of their responsibilities.

KPMG

Conservation Halton
March 21, 2024

AUDITOR'S RESPONSIBILITIES

Our responsibilities are described in Appendix – Auditor's Responsibilities.

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

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 auditor's 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 auditor's report thereon
- an annual report's purpose is to provide owners (or similar stakeholders) with information on the Entity's:
  - operations; and/or
  - financial results and financial position as set out in the financial statements.

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 "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".

AUDITOR'S DELIVERABLES

Unless otherwise specified, our report(s) will be in writing and the expected content of our report(s) are 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 information we reported on after we have issued our report, but which was not known to us at the date of our 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 engagement, 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 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 report would have been affected if the information had been known as of the date of our report; and (b) we believe that the report may have been distributed to 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 advise of the newly discovered facts and the impact to the information we reported on.

NON-AUDIT SERVICE - CERTAIN ASSISTANCE RELATING TO WORD PROCESSING OF FINANCIAL STATEMENTS

Word Processing

We will assist management by providing word processing for the Entity's financial statements and related notes.

We will not assume management responsibilities on behalf of the Entity.

The Entity agrees to:

- Assume all management responsibilities, including determining the accuracy and completeness of the financial statements and notes.
- Assign a suitable employee with appropriate skills, knowledge and/or experience to oversee the financial statement preparation assistance and evaluate the adequacy and results of the services.
- Accept responsibility for the results of the financial statement preparation assistance.

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

This letter details the general tax advisory services to be provided to the Entity for the 2023 calendar year and in the future. If there are tax services to be delivered outside the scope of those described in this letter, we will require a separate engagement letter for those services.

Conservation Halton
March 21, 2024

We will perform the following services under the terms of this engagement:

General tax advisory services

Our tax advice generally falls under one of the following situations:

1. On an ongoing basis, we will provide advisory services of a general nature relating to various income, capital, payroll and indirect tax matters as they arise. This type of service generally arises on a periodic basis as a result of preliminary inquiries made by you. In rendering these services, it is important to recognize that the advice provided is dependent on the detail of the information provided and the environment in which it is rendered. When professional judgment suggests written confirmation of the facts and advice is necessary, we will draft the appropriate correspondence to ensure the appropriate standard of care is met by all parties.

2. Periodically, you will seek detailed advice from us in connection with a specific transaction or undertaking you are contemplating. In such a situation, our advice will be based on the information provided to us. It is the responsibility of the Entity to ensure we are provided with all the information necessary in order for us to render the advice sought. Our tax advice will most likely be communicated to you, or your designate, in writing.

Our tax advisory services, both written and oral, will be based on the facts and assumptions submitted to us. We will not independently verify this information. Inaccuracy or incompleteness of the information could have a material effect on our conclusions.

Client's Responsibilities

With respect to KPMG’s services, Client agrees it will:

- Designate a Project Sponsor, a senior member of management, who has the requisite skills, knowledge and/or experience to oversee the services;
- Evaluate the adequacy and results of services performed;
- Make management decisions and perform all management functions (including project management);
- Accept responsibility for the results of the services;
- Designate a Project Sponsor, a senior member of management, who has the requisite skills, knowledge and/or experience to oversee the services;
- Establish and maintain internal controls, including monitoring ongoing activities.

Client also acknowledges and agrees that:

- KPMG’s services may include high level advice and recommendations, but all decisions in connection with such advice and recommendations shall be the responsibility of, and made by Client management;

Conservation Halton
March 21, 2024

- KPMG will not perform management functions or make management decisions for Client. Specifically, KPMG will not be acting, temporarily or permanently, as a director, officer, or employee of Client, or be performing any decision-making, supervisory, or on-going monitoring functions or project management functions for or on behalf of Client;
- Work product prepared by KPMG will be delivered to Client in KPMG's name and/or KPMG letterhead (KPMG will not prepare documentation that is the responsibility of management);
- KPMG will not manage or assist in an employee or support role in any Client Project Management Office ("PMO") or project management activities; and
- KPMG will not perform any activities that would result in KPMG acting as an advocate in fact or appearance during the course of this engagement.

A number of domestic and foreign jurisdictions, including, among others, Canada, the Province of Quebec, the United States and the European Union, are enacting or have enacted mandatory disclosure regimes ("MDRs"), which require taxpayers and their advisors to provide notice of or disclose certain transactions or arrangements ("Reportable Arrangements") to the relevant local taxing authorities. Non-compliance with MDRs may result in adverse tax consequences, including significant penalties. Accordingly, the parties hereby acknowledge that KPMG, other KPMG member firms located outside of Canada who are involved in the Services, and/or Entity may, as required, disclose details of the advice and/or work product provided under this Agreement to relevant taxing authorities with respect to a Reportable Arrangement (an "MDR Disclosure"). Unless prevented by law, KPMG will use commercially reasonable efforts to inform Entity if KPMG is required to make, or KPMG becomes aware that another KPMG member firm is required to make, an MDR Disclosure. Unless prevented by law, Entity will use commercially reasonable efforts to inform KPMG if Client is required to make an MDR Disclosure. Entity is advised to consult with a tax or legal professional service provider proficient in MDRs for assistance in this regard; for greater certainty, unless expressly provided for in this engagement letter, the Services do not include advice in relation to the application of, and compliance with, MDRs. To the fullest extent permitted by law, KPMG is not liable to Entity for any consequences that may result or arise from or otherwise be connected with any MDR Disclosure. Entity agrees to use commercially reasonable efforts to inform KPMG of any confidential protection or conditions of confidentiality imposed by any third party advisor or promoter (or person who does not deal at arm's length with such advisor or promoter) with respect to any transaction or series on which KPMG's advice is requested. Such notification must occur prior to KPMG providing any advice with respect to the transaction or series.

Our advice will be limited to the conclusions specifically set forth in our reporting letter and KPMG will not express an opinion with respect to any other federal, provincial or foreign tax or legal aspect of the transactions described therein. It should be noted that the Canada Revenue Agency and/or the relevant provincial tax authority and/or any other governmental tax authority (collectively a Tax or Revenue Authority) could take a different position with respect to these transactions, in which case it may be necessary for you to defend this position on appeal from an assessment or litigate the dispute before the courts, including one or more appellate courts, in order for our conclusions to prevail. If a settlement were reached with a Tax or Revenue Authority or if such appeal and litigation were not, or were not entirely, successful, the result would likely be different from the views we express in our reporting letter. Unless expressly provided for, KPMG's services do not include representing Entity in the event of a challenge by a Tax or Revenue Authority or litigation before any court.

Advice delivered outside the scope described in this letter will require a separate engagement letter. In addition, after providing the advice referred to herein, we will not be responsible for updating such advice to take into account any subsequent changes in law or administrative practice unless specifically provided for under the terms of this engagement.

USE OF KPMG CLARA FOR CLIENTS

The terms and conditions for use of KPMG Clara for clients apply to the use of the collaboration tool and are available at https://kcfcdocumentstore.blob.core.windows.net/documents/KCfc_terms_and_conditions%20Canada%20June%2024.pdf.

FEES

The estimated fee for the services described in this letter is $29,907. These fees do not include additional fees for the adoption of asset retirement obligations, financial instruments, financial presentation. The additional services will be billed based on hours and agreed rates.

The information technology infrastructure costs and administrative support charge as described in the Assurance Terms and Conditions ("Fee and Other Arrangements") shall be 7% of total fees. Other direct out-of-pocket costs, such as bank confirmations, will be charged separately based on our actual costs.

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.

The attached Terms and Conditions for Advisory and Tax Services are incorporated into, and form an integral part of, this engagement letter. However, the prohibition regarding the distribution or disclosure of KPMG's reports and written advice or any information provided by KPMG to Client, set out in Sections 5 and 6 of such Terms and Conditions for Advisory and Tax Services, or any similar prohibition set out in this engagement letter, and the first sentence of Section 30(b) of such

Terms and Conditions for Advisory and Tax Services, shall not apply. For certainty, no provision of this engagement letter is or is intended to be construed as confidential protection within the meaning of subsection 237.3(1) of the Income Tax Act (Canada) or any applicable regulations or under any similar or analogous provisions of the laws of a province or other jurisdiction, and Client may disclose to any and all persons, without limitation of any kind, the tax treatment of a transaction or series of transactions within the scope of the engagement. Client agrees that, if any such disclosure is made, Client will, at the time of disclosure, inform the person(s) to whom/which disclosure is made that KPMG accepts no responsibility or liability to such person(s) in connection with the details or structure disclosed.

We are proud to serve the Entity 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, please sign the duplicate of this letter in the space provided and return it to us within 30 days.

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 set out are as agreed:

Marnie Piggot

Marnie Piggot, Director, Finance

(having the appropriate authority to engage the Entity as defined above)

21/ March/ 2024

Date (DD/MM/YY)

Conservation Halton
March 21, 2024

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 ("relevant information") such as financial records, documentation and other matters, including:
  – the names of all related parties and information regarding all relationships and transactions with related parties
  – 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 the 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.

KPMG

Conservation Halton
March 21, 2024

Appendix - Auditor's 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

Conservation Halton
March 21, 2024

Appendix - Expected Form of Report

INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2023
- the statement of operations 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, 2023, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Other Information

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

- the information, other than the financial statements and the auditor’s report thereon, included in Annual Report document.

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

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

Conservation Halton
March 21, 2024

Appendix - Expected Form of Report (continued)

We obtained the information, other than the financial statements and the auditor's report thereon, included in Annual Report document as at the date of this auditor's report.

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

Conservation Halton
March 21, 2024

Appendix - Expected Form of Report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity'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.

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 AND OTHER 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. 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

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

above.
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: (i) 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 the lesser of one million dollars ($1,000,000) or two times the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

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.

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.

TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES

1. TERMS AND CONDITIONS.

References to the word "Client" in the attached Terms and Conditions for Advisory and Tax Services are to be read as "Entity".

a. These Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.

b. In the event of conflict between the Proposal or Engagement Letter and these Terms and Conditions, these Terms and Conditions shall prevail unless specific reference to a provision of the Terms and Conditions being varied is made in the Proposal or Engagement Letter. Other capitalized words in these Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations, shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in these Terms and Conditions or Engagement letter (or Proposal) shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

3. CLIENT RESPONSIBILITIES.

a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information necessary for KPMG to perform the services under the Engagement Letter. To the extent that KPMG personnel are on Client premises, Client will take all reasonable precautions for the safety of KPMG partners and employees at Client premises. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.

b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.

c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.

d. Client acknowledges that information made available by it, or by others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provision of the services hereunder shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if anything occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

4. REPORTING.

a. All oral and written communications by KPMG to Client with respect to the engagement, including, without limitation, drafts and those communications occurring prior to the execution of the Engagement Letter will be subject to the terms and conditions of the Engagement Letter and these Terms and Conditions. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned.

b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions occur.

5. WORKING PAPERS AND USE OF REPORTS; USE OF NAME AND LOGO.

a. KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including, without limitation, copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are confidential and intended solely for Client's internal use (or the use of Client's management, as applicable) to assist with this specific matter or transaction, and, where applicable, government taxation authorities, and are not for general use, circulation or publication. Such reports and written advice shall not be edited, referred to, circulated, reproduced, distributed, published, made available, used for any other purpose or relied upon by any other person without KPMG's express written permission and on such terms and conditions as KPMG may require in its sole discretion. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Notwithstanding the foregoing, Client may disclose in whole any report or written advice given to Client by KPMG hereunder solely to Client's legal and professional advisors for the purposes of Client seeking advice in respect of the transaction or matter to which the engagement relates, provided that when doing so Client informs such advisors that: (i)

TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES

disclosure by them (except as permitted herein) is not permitted without KPMG's prior written consent; and (ii) KPMG accepts no responsibility or liability to such advisors in connection with such reports or written advice. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.

b. Client shall not refer to KPMG or use KPMG's name or logo in any manner or medium without the prior written permission of KPMG in each instance, which permission may be unreasonably withheld by KPMG.

c. The contents of this Section 5 may be reproduced in any report or written advice of KPMG, in whole or in part, at KPMG's sole discretion. Any failure of KPMG to include any such language shall not derogate from the obligations set out in this Section 5.

6. CONFIDENTIALITY.

a. Except as described in Section 5 above, Client will treat in confidence any information provided by KPMG to Client including but not limited to KPMG methodologies, know-how, knowledge, application or software and will not use or disclose any such confidential information of KPMG to others.

b. Except as expressly set forth herein, KPMG will treat as confidential all proprietary information and personal information obtained from Client in the course of the engagement.

c. The restrictions in subsections 6 (a) and (b) above shall not apply to any information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by KPMG..

d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.

e. KPMG shall be entitled to share all information with all other member firms of KPMG International Cooperative ("KPMG International"). KPMG may also use such information to offer services that may be of interest to Client. KPMG may retain and may disclose to other KPMG International member firms, subject to terms of this Section 6, such information required for compliance with applicable professional standards or internal policies or for quality reviews or to share best practices.

f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may use all such findings, observations and recommendations in KPMG's assurance engagement.

g. Except as required by applicable law or regulation, Client shall keep confidential the existence and terms of the Proposal or the Engagement Letter (as applicable) and these Terms and Conditions. Such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission. Further, for purposes of the services described in the Engagement Letter only, the Client 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 Client solely for presentations or reports to the Client or for internal KPMG presentations and intranet sites.

7. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Client represents and warrants that: (i) it will obtain from individuals all consents required by law to permit KPMG to collect, use and disclose all personal information reasonably required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in Section 8 below) to all individuals whose personal information is disclosed to KPMG.

8. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information collected by KPMG during the course of the engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms providing services hereunder, KPMG subsidiaries, affiliates and related parties or third party service providers to provide professional services and administrative, analytical and clerical support and to comply with applicable law, regulations and professional standards. Client also understands and agrees that KPMG aggregates Client's information with information from other sources for the purpose of improving quality and service, and for use in presentations to clients and non-clients, in a form where such information is sufficiently de-identified so as not to be attributable to Client. KPMG represents to Client that each KPMG International member firm, KPMG subsidiary, affiliate and related party and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to Client's information to the same or similar extent as KPMG has agreed pursuant to Section 6. Further, KPMG is responsible to Client for causing such KPMG subsidiaries, affiliates, related parties and third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to Client for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by KPMG subsidiaries, affiliates, related parties and third party service providers shall be performed in accordance with the terms of the Engagement Letter, including Section 6, but KPMG shall remain responsible to Client for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. 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.

9. TAXES/BILLING/EXPENSES/FEES.

a. All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.

b. Bills will be rendered on a regular basis as the engagement progresses. Our professional fees are also subject to a technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel which are not included in our client service personnel fee. The technology and support fee covers costs such as our client service personnel computer hardware and customized KPMG software, telecommunications equipment, client service professional administrative support, IT programming, professional services and other client support services. Other direct out-of-pocket costs, such as travel, will be charged separately based on our actual costs. For certainty, Client acknowledges that to the extent a subsidiary, affiliate or relegated party of KPMG is engaged by KPMG to assist KPMG in providing the services hereunder, Client may receive bills from such subsidiary affiliate or related party of KPMG for such services. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.

c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.

d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

10. 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. 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.

11. LIMITATION ON LIABILITY.

a. Client agrees that KPMG shall not be liable to Client 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 the fees paid by Client to KPMG under the engagement. On a multi-phase engagement, KPMG’s liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. In the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Client 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. 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). In any Claim arising out of the engagement, Client agrees that KPMG’s liability will be several and not joint and several. Client 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 Section11, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers and employees, agents and representatives. The provisions of this Section 11 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

12. LEGAL PROCEEDINGS.

a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance.

c. If Client requests that KPMG produce documents or personnel as witnesses in any proceedings in any way related to the engagement or services provided by KPMG hereunder and KPMG is not a party to such proceedings, KPMG may agree to produce documents or personnel as witnesses on such terms and conditions as KPMG may, in its sole discretion, determine. Without limiting the generality of the foregoing, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes, incurred in responding to such Client requests.

d. Client acknowledges that KPMG may from time to time receive requests or orders from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG’s files including, without limitation working papers and other work-product relating to Client which information and documents may contain confidential information of Client. Except where prohibited by law, KPMG will advise Client of the request or order. Client hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from Client.

Client must mark any document over which it asserts privilege as "privileged". When such an authority requests access to KPMG’s working papers and other work-product relating to Client’s affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed KPMG at the time of delivery that the Client asserts privilege (by the Client marking such document as "privileged" as contemplated in the foregoing sentence). Notwithstanding the foregoing, where disclosure of documents is required by law. KPMG will disclose such 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 the Client is required for

TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES

such disclosure, then Client hereby provides its consent.
Where privileged Client documents are disclosed, by KPMG as contemplated above, KPMG is directed to advise the authority that Client is permitting disclosure only to the extent required by law and for the limited purpose of the authority exercise of statutory authority. KPMG is directed to advise the authority that Client does not intend to waive privilege for any other purpose and that Client expects its documents to be held by the authority as privileged and confidential material. For greater certainty, Client and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and Client expressly relies upon the privilege protections afforded under statute and otherwise under law.

13. LIMITATION PERIOD.

No proceeding arising under or relating to the engagement, may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement in the case of an advisory services engagement and not more than eight years after completion of the engagement in the case of a tax services engagement, except that a proceeding for non-payment may be brought by KPMG at any time following the date of the last payment due to KPMG hereunder. For purposes of this Section13, the term KPMG shall include subsidiaries and associated and affiliated entities and their respective current and former partners, directors, officers, employees agents and representatives.

14. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting therefrom. If at any time during the engagement it is determined by KPMG, in its sole discretion, that there may be an actual or potential breach by KPMG of applicable professional standards, KPMG may terminate the engagement without liability, immediately on notice to Client. The engagement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

15. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of the risk associated with its use.

16. POTENTIAL CONFLICTS OF INTEREST.

a. For purposes of this Section 16 "KPMG" means KPMG LLP and KPMG subsidiaries, affiliates and related parities providing services hereunder, if applicable. KPMG is engaged by a wide variety of entities and individuals, some of whom may be creditors, investors, borrowers, shareholders, competitors, suppliers or customers of Client, or other parties with conflicting legal and business interests to Client including, without limitation, in relation to the audit, tax or advisory services provided to Client by KPMG. KPMG's engagements with such companies and individuals may result in a conflict with Client's interests.
b. As a condition of KPMG's engagement by Client, Client agrees that: (i) without further notice or disclosure, KPMG may accept or continue engagements or unrelated matters to KPMG's engagement for Client in which KPMG may act contrary to Client's interests even if those unrelated matters are materially and directly adverse to Client; and (ii) without further notice or disclosure, KPMG may provide advice or services to any other person or entity making a competing bid or proposal to that of Client whether or not KPMG is providing advice or services to Client in respect or Client's competing bid or proposal.
c. In accordance with professional standards, and except as set out below, KPMG will not use any confidential information regarding Client 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. In no event shall KPMG be liable to Client or shall Client be entitled to a return of fees and disbursements incurred on behalf of Client or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement.
d. Client further agrees that KPMG may, in its sole discretion, disclose the fact or general nature of its engagement for Client to (i) KPMG International and other KPMG International member firms in order to check against potential conflicts of interest, 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 Client, in connection with the engagement or any future engagement.
e. Where another party has engaged KPMG to deliver services before Client has done so, and subsequently circumstances change such that there is a conflict, which in KPMG's sole opinion cannot be adequately managed through the use of confidentiality and other safeguards, KPMG shall be entitled to terminate the engagement for Client, without liability,immediately upon notice.
f. Other KPMG International member firms are engaged by many entities and individuals, including, without limitation, entities and individuals that may enter into transactions or may have disputes with Client or Client's related or affiliated entities. Client 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 Client.
g. Client will indemnify and hold harmless KPMG, its subsidiaries and associated and affiliated entities, and their respective current and former partners, directors, officers, employees, agents and representatives from any Claim by any third party (including, without limitation, reasonable legal fees) that alleges that KPMG was in a conflict of interest by providing services hereunder. The provisions of this subsection 16(g) shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or

otherwise.

h. KPMG encourages Client to obtain legal advice with respect to Client's rights in connection with potential future conflicts prior to entering into the engagement.

17. FORCE MAJEURE.

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

18. INDEPENDENT CONTRACTOR.

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

19. SURVIVAL.

Sections 1, 4(b), 5-16 and 18-30, 31(a) and (c)-(g) and 33-34 hereof shall survive the expiration or termination of the engagement.

20. SUCCESSORS AND ASSIGNS.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective subsidiaries and associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may arrange for or engage (as applicable) KPMG affiliates, subsidiaries, related parties, independent contractors and KPMG International member firms to assist KPMG in performing the services hereunder.

21. 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 these provisions shall be held to be invalid, void or unenforceable, then the remainder of these Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

22. ENTIRE AGREEMENT.

These Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

23. GOVERNING LAW.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province in which KPMG's principal Canadian office performing the engagement is located (without regard to such province's rules on conflicts of law).

24. PUBLICITY.

Upon the closing of a transaction, KPMG will have the right (but shall not be obliged), at its expense, to publicize its association with the transaction by way of public announcement in "tombstone" or similar format, subject to prior review of the wording for any such announcement with Client.

25. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all KPMG International member firms performing services hereunder shall be entitled to the benefits of these Terms and Conditions. Client 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 such third party service providers referred to in Section 8 above.

26. SARBANES-OXLEY ACT.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's assessment of internal control over financial reporting or Client's evaluation of disclosure controls and procedures, or its compliance with its principal officer certification requirements under Section 302 of the Sarbanes-Oxley Act of 2002 (the "Act"). The engagement shall not be construed to support Client's responsibilities under Section 404 of the Act requiring each annual report filed under Section 13(a) or 15(d) of the Securities Exchange Act of 1934 to contain an internal control report from management.

27. NATIONAL INSTRUMENT 52-109.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's evaluation of disclosure controls and procedures and internal control over financial reporting, or its compliance with its CEO/CFO certification requirements under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, including those related to the design disclosure controls and procedures and internal control over financial reporting.

28. SPECIFIC ACCOUNTING AND OTHER ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement.

Client should consult with and/or engage legal counsel for the purpose of advising on legal aspects of matters on which KPMG provides its advice and drafting any legal documents and/or agreements that may be required. To the extent legal counsel or other professional service providers are required, Client is exclusively responsible for engaging and paying such service providers.

29. TAX SERVICES.

TERMS AND CONDITIONS FOR ADVISORY AND TAX SERVICES

a. If tax work is specifically requested by Client, KPMG will perform the procedures in accordance with this Section 29. KPMG will base its findings exclusively on the facts and assumptions provided to KPMG by Client and Client's personnel and advisors. KPMG will consider the applicable provisions of the relevant taxing statutes, the regulations thereunder, applicable tax treaties and judicial and administrative interpretations thereof. In the case of Canadian tax services only. KPMG will also take into account all specific proposals to amend such statutes, regulations and treaties publicly announced prior to the date of KPMG's reports, based on the assumption that these amendments will be enacted substantially as proposed. For certainty, in the case of US tax services, KPMG shall not take into account any specific proposals to amend such statutes, regulations and treaties. The authorities referred to in this subsection 29(a) are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of KPMG's findings and may result in incremental taxes, interest or penalties. KPMG's findings will not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. Unless Client specifically requests otherwise, KPMG will not update tax work to take any such changes into account.

b. KPMG will use professional judgment in providing advice, and will, unless Client instructs otherwise, take the position most favourable to Client whenever reasonable. All returns are subject to examination by tax authorities, and KPMG's advice may be audited and challenged by a tax authority. Client understands that KPMG's conclusions are not binding on tax authorities or the courts and should not be construed as a representation, warranty or guarantee that the tax authorities or courts will agree with KPMG's conclusion.

c. Client is also responsible for ensuring that KPMG's advice is implemented strictly in accordance with KPMG's recommendations. KPMG is not responsible for any penalties or interest assessed against Client as a result of a failure by Client to provide KPMG with accurate and complete information.

d. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by the Canada Revenue Agency or other tax or revenue authorities

30. TAX SERVICES FOR SEC REGISTERED AUDIT CLIENTS AND/OR US TAX SERVICE.

a. In circumstances where the services provided by KPMG hereunder:(i) involve the delivery of any tax services, Client is or is an affiliate of (whether at the time of the engagement or at any point thereafter) an entity that is registered with the United States securities and Exchange Commission ("SEC"), and Client or such affiliate is audited by KPMG; or (ii) involve the delivery of US tax services, then the prohibition regarding the distribution of KPMG's reports and written advice set out in Section 5 of these Terms and Conditions shall not apply and no provision of the Engagement Letter is or is intended to be construed as a condition of confidentiality in relation to the tax services to which (i) and/or (ii) above are applicable. Further, in respect of the services to which (i) and/or (ii)above are applicable, no provision in the Engagement Letter or these Terms and Conditions is or is intended to be construed as a condition of confidentiality within the meaning of Internal Revenue Code ("IRC") sections 6011, 6111, 6112 or the regulations thereunder, or under any similar or analogous provisions of the laws of a state or other jurisdiction. In particular, Client (and each employee, representative, or other agent of Client) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any transaction within the scope of the engagement and all materials of any kind (including opinions and other tax analyses) that are provided to Client relating to such tax treatment and tax structure. Client also agrees to use commercially reasonable efforts to inform KPMG of any conditions of confidentiality imposed by third party advisors with respect to any transaction on which KPMG's advice is requested. Such notification must occur prior to KPMG providing any advice with respect to the transaction.

b. For certainty, Section 5 of these Terms and Conditions shall continue to apply in its entirety, and this Section 30 shall not apply, to any tax services to which subsection 30(a)(i) and/or (ii) above are not applicable. In this Section 30, the term "affiliate" is interpreted as that term is used by the SEC with reference to auditor independence rules.

c. In respect of any tax services to which subsection 30(a)(i) or (ii) above are applicable, any reports or advice ("Tax Deliverable") released to Client in any form or medium shall be supplied by KPMG on the basis that it is for Client's benefit and use only. If Client refers to or discloses in whole or in part any Tax Deliverable to any third party, Client shall notify such third party in writing as follows: that (i) the tax services performed by KPMG for Client were designed to meet Client's agreed requirements only, as determined by Client's needs at the time; (ii) any product of the tax services should not be regarded as suitable to be used or relied upon by any party wishing to acquire any rights against KPMG other than Client; (iii) KPMG does not assume any responsibility in respect of the tax services performed for Client, any product of the tax services, or any judgments, conclusions, opinions, findings or recommendations that KPMG may have formed or made, to any party except Client; (iv) to the fullest extent permitted by law, KPMG accepts no liability in respect of any such matters to any other person; and (v) should any person or entity except Client choose to rely on the tax services or any product thereof, that person or entity will do so at their own risk. Notwithstanding the foregoing, (A) in the event of a disclosure made by Client that is required by law, that is made to a regulatory authority having jurisdiction over Client, or that is made pursuant to subsection 30(a) above, no such notification shall be required and (B) no such notification shall be required with respect to disclosures expressly authorized by the Engagement Letter.

d. If Client refers or discloses in whole or in part any Tax Deliverable to any third party but does not notify such third party in writing as required in subsection 30(c) above, Client shall compensate KPMG and reimburse KPMG for and protect, indemnify and hold harmless KPMG against any Claim incurred by KPMG (including, without limitation, reasonable legal fees) as a result of, arising from or in connection with any such reference or disclosure, unless KPMG has agreed in writing with such third party to accept responsibility and liability to to that third party in respect of the tax services and the Tax Deliverable. If any payment is made by Client under this subsection 30(d), Client shall not seek recovery of that payment from KPMG at any time. In this subsection 30(d), "KPMG" shall include KPMG and its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives, and "Client" shall include Client, Client's affiliates and any other beneficiaries of KPMG's tax services. The foregoing indemnification obligations shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

e. Treasury regulations under IRC section 6011 require taxpayers to disclose to the IRS their participation in reportable transactions and IRC section 6707A imposes strict penalties for noncompliance. Client agrees to use commercially reasonable efforts to inform KPMG if Client is required to disclose any transaction covered by the Engagement Letter as a reportable transaction to the IRS or to any state or other jurisdiction adopting similar or analogous provisions. IRC section 6111 requires a material advisor with respect to a reportable transaction to disclose information on the transaction to the IRS by a prescribed date, and IRC section 6112 requires the material advisor to maintain, and make available to the IRS upon request, a list of persons and other information with respect to the transaction. KPMG will use commercially reasonable efforts to inform Client if KPMG provides Client's identifying information to the IRS under IRC section 6111 or 6112, or to any state or other jurisdiction adopting similar or analogous provisions.

f. For engagements where services will be provided by a KPMG International member firm with offices located in California, Client acknowledges that certain of KPMG's personnel who may be considered "owners" under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a);16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with the engagement, may not be licensed as certified public accountants under the laws of any of the various states.

31. DUE DILIGENCE SERVICES (TAX AND TRANSACTION SERVICES).

a. The procedures KPMG will perform are limited to those referred to in the Engagement Letter and its appendices. The procedures KPMG will perform are limited in nature and extent to those determined by Client to meet its needs and, as such, will not necessarily disclose all significant matters about Target or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. KPMG provides no assurance and makes no representation regarding the sufficiency of the procedures either for the purpose of the proposed transaction in the context of which KPMG has been engaged or for any other purpose. KPMG's findings will not constitute recommendations to Client as to whether or not Client should proceed with any proposed transactions. In performing the procedures and reporting its findings, KPMG will rely exclusively upon information provided to KPMG by Target, its personnel and advisors, Client's advisors, and Client, and any publicly available information KPMG obtains, and will not independently verify the accuracy or completeness of such information. KPMG's procedures with respect to Target's financial information will be substantially less in scope than any audit or other attestation standards, including without limitation those established by the Auditing and Assurance Standards Board and the Chartered Professional Accountants of Canada. Consequently, KPMG expresses no opinion and will provide no other form of assurance on Target's prospective financial information, financial statements or Target's internal control over financial reporting.

b. Client agrees to review reports promptly and to advise KPMG on a timely basis of any additional procedures Client would like KPMG to perform or areas to address.

c. In the event KPMG performs procedures related to future-oriented financial information, KPMG will not compile, examine, or apply other assurance procedures to such information and, accordingly, will express no opinion or any other form of assurance or representations concerning its accuracy, completeness or presentation format. Future-oriented financial information is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

d. Unless specifically requested by Client, KPMG is not obligated to provide a copy of the report to Target for the purpose of confirming Target's representations concerning the accuracy of the factual information presented in the report. If Client would like Target to review the report, KPMG will require Client and Target to indemnify KPMG for any Claims arising out of or relating to such review on such terms and conditions specified by KPMG in its sole discretion. In certain instances,Client may request that KPMG's report be distributed to a third party for informational purposes. KPMG will consider consenting to distribution based on such factors as the identity of the third party and the third party's intended use of the report. If KPMG agrees to the distribution of the report to a third party, Client agrees to execute and agrees to require the third party to execute an agreement in the form provided by KPMG regarding the release of information.

e. Client expressly acknowledges and agrees that if Client and Target (as such terms are defined in the Engagement Letter) are the same entity, that all references herein to "Target" shall be deemed to be references to "Client".

f. The provisions of subsections 3(c)-(d) and Section 6 shall apply to information about Target provided to KPMG in the course of performing the services under the Engagement Letter. Client agrees to use all reasonable efforts to arrange for KPMG's access to Target's personnel and advisors, business offices and financial information as required for KPMG to perform the services contemplated by the Engagement Letter.

g. If KPMG serves as independent auditors of Target or another party disclosed to Client, or provides any other audit or attestation services to Target or such other party (such as the target of a contract compliance review or a party having a connection to an investigation or proceeding), Client hereby acknowledges and agrees that KPMG may be in possession of confidential information concerning Target or such other party that may be relevant to Client's due diligence procedures or other services KPMG is providing to Client under the Engagement Letter and that such information will not be disclosed to Client unless Target or such other party provides prior written consent to such disclosure or provides such information directly to Client or to the KPMG engagement team serving Client for purposes of the services under the Engagement Letter.

32. LOBBYING.

Unless expressly stated in the 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 Client agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to the Engagement Letter.

33. LLP.

KPMG LLP 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. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

34. ALTERNATIVE DISPUTE RESOLUTION.

The parties shall, and shall cause both their and their respective subsidiaries', affiliates' and associated entities' current and former officers, partners, directors, employees, agents and representatives, to first attempt to settle any dispute arising out of or relating to the Engagement Letter or the services provided hereunder (the "Dispute") through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the Dispute. In the event that the parties are unable to settle or resolve a Dispute through negotiation within 30 days of when one of the parties has notified the other party of the Dispute by delivering a notice of dispute, or such longer period as the parties may mutually agree upon, such Dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. that are in force at the time the notice of dispute is delivered. Any Dispute remaining unresolved for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be resolved by arbitration pursuant to the Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules") that are in force at the time the Dispute is subject to arbitration. For certainty, the parties hereby waive any right they may otherwise have to bring a court action in connection with a Dispute. The parties also waive any right they may otherwise have to bring or participate in a class, collective or representative proceeding in connection with a Dispute, whether in court or before an arbitrator. The arbitrator's decision shall be final, conclusive and binding upon the parties, and the parties shall have no right to appeal or seek judicial review of the arbitrator's decision. For certainty, the parties hereby waive any right of appeal which may otherwise be available under applicable legislation or under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.

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

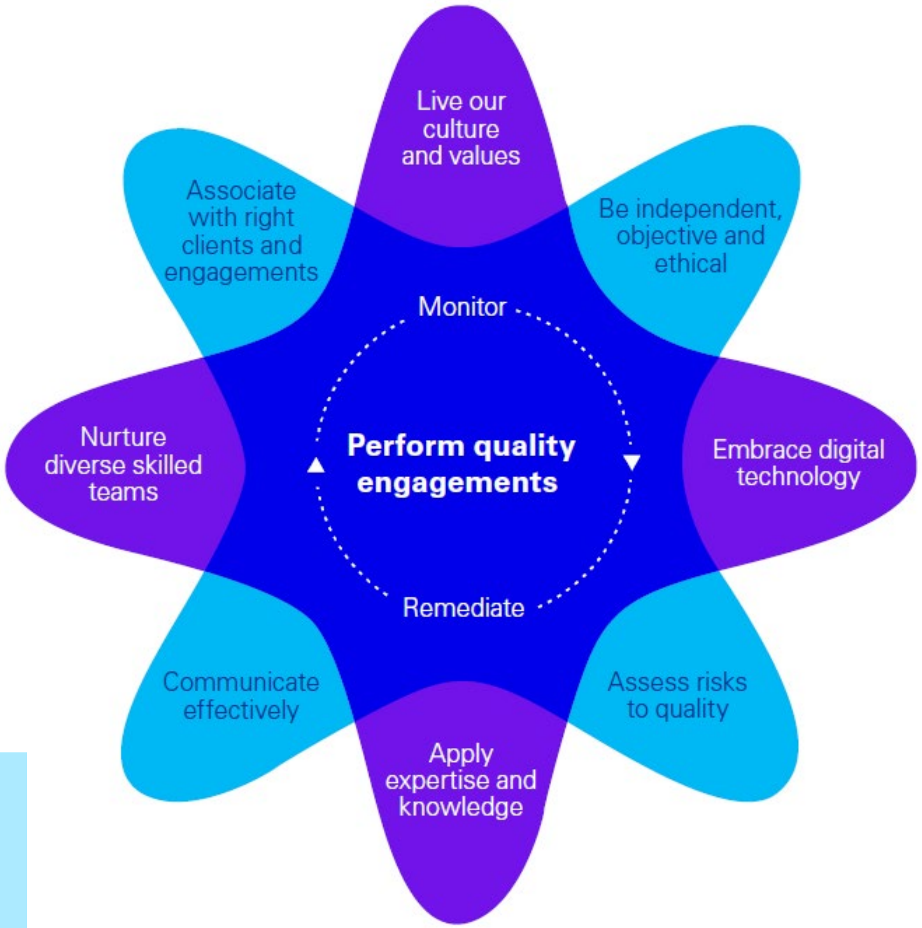
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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

KPMG 2023 Audit Quality and Transparency Report

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

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



Doing the right thing. Always.

Appendix: 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.

Team composition

Experience of the team

- Engagement Partner: Stacey Stahlmann 25+ years experience in the industry, 5+ years on this engagement
- Senior Manager: Sarah Clayton 8 years of experience in the industry, 3 years on this engagement
- Manager: Jenalle Vanhie 6 years of experience in the industry, 2 years on this engagement

Technology in the audit

Implementation of Technology in the Audit

- We have expanded the number of technologies implemented in the audit including:
  - **KPMG Clara Workflow ("KWc")** – new audit workflow to allow us to deliver globally consistent engagements
  - **KPMG Clara Advanced Capabilities** – Journal Entry Analysis – focuses audit effort on journal entries that are riskier in nature
  - **Datasnipper** – Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout
  - **Datashare** - Data extraction tool that enables easy and reliable data extraction to support our year-end audit work from clients using a compatible accounting system

Timing of prepared by client (PBC) items

Timeliness of PBC items

- We requested 45 PBCs, with various follow-up requests as a result of our findings.
- We had confirmed the availability of PBCs with management in advance of interim and year-end fieldwork.
- All PBC requests were received on time and in due course.

Nothing to report | Some matters to report | Specific matters to report

Appendix : Changes in accounting standards (continued)

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023. • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.

Appendix : Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
	  • Separating liabilities into financial liabilities and non-financial liabilities.
	  • Restructuring the statement of financial position to present total assets followed by total liabilities.
	  • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	  • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
	  • A new provision whereby an entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix: Newly effective auditing standards

For more information on newly effective and upcoming changes to auditing standards – see Current Developments

Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

Engagement quality reviews

Appendix: Audit and assurance insights

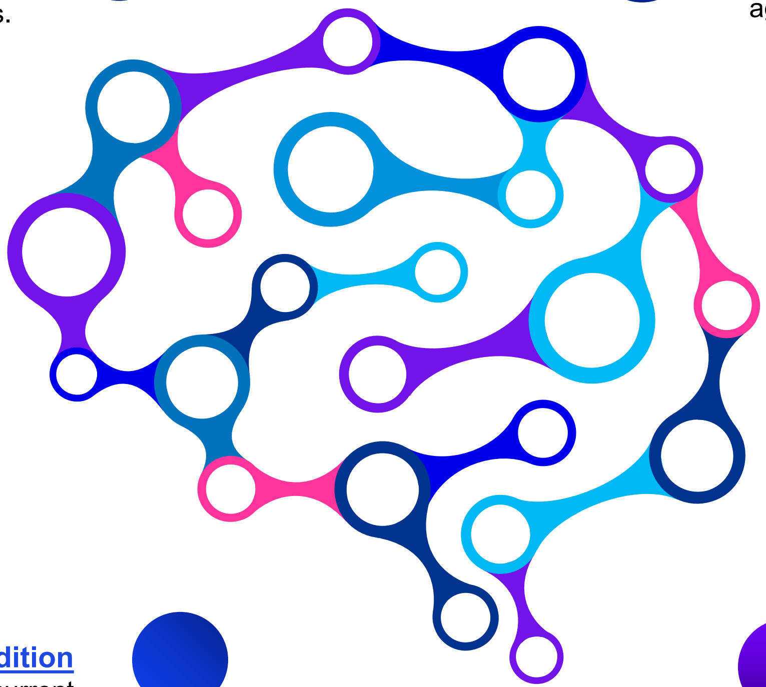
Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2023
The key issues driving the audit committee agenda in 2023.

Momentum
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

Government and public sector - KPMG Canada
KPMG in Canada’s Government & Public Sector practice aims to deliver meaningful results through a deep understanding of the issues, an intimate appreciation of how the public sector works, and global and local insight into the cultural, social and political environments.

Insights and Resources

Public sector and not-for-profit organizations across Canada are facing a plethora of challenges: financial uncertainty, advanced technological risk, environmental, social, and governance objectives, all which demand innovative approaches to policy, strategies, and operating models.

To help you understand and navigate these challenges, we have compiled insights and resources in one spot for you. This page was built for you, to ensure you have the right information in a timely way to enable your organization's success.

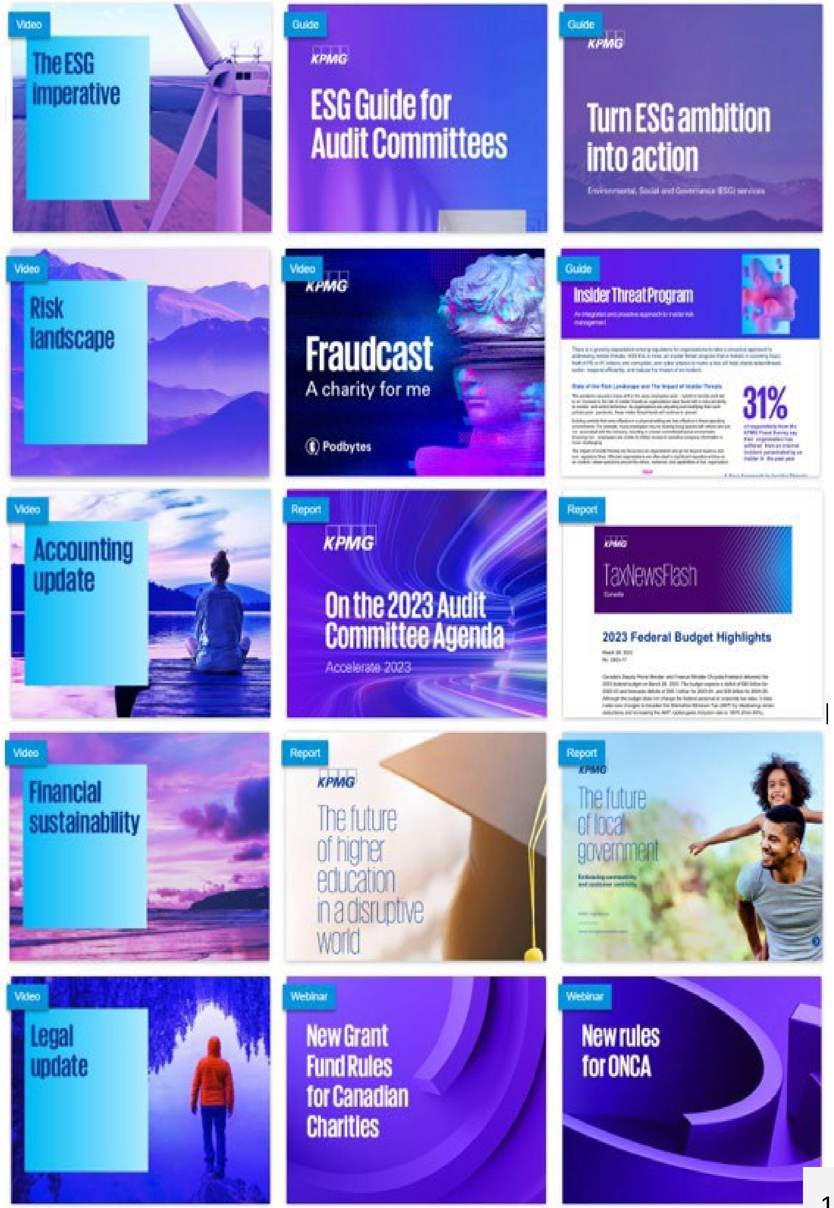
Organized into five content tracks, each section is dedicated to a specific area of relevance to the public sector and not-for-profit organizations. This resource site has guides, reports, on-demand webinars and articles. You will find content on topics such as ESG, legal considerations, accounting updates, risk considerations and financial sustainability.

The resources on this site go beyond the traditional areas of tax and accounting and will be of interest and importance to Board Members and Executive Directors, as well as CFOs, Directors of Finance, and accounting professionals.

We encourage you to visit the site to learn more about these topics; simply scan/click the QR code to access.

Our local team of trusted advisors in the Waterloo Wellington Region bring a creative and innovative approach to problem solving that reflects a keen understanding of the public sector and not-for-profit organizations.

We can help you understand relevant sector insights to help achieve sustainable results.



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Appendix: ESG - Global regulatory reporting standards

Recent Activity[1-6]

EU

- The European Financial Reporting Advisory Group (EFRAG) was mandated to develop European Sustainability Reporting Standards (ESRSs) setting out the detailed disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD)
- On July 31, 2023, the European Commission published the final text of its first set of twelve ESRSs as delegated acts
- The ESRSs will become effective as early as 2024 reporting periods for some companies
- **There are potentially considerable ESG reporting implications for Canadian entities** – as most EU-listed companies and large subsidiaries of Canadian companies with significant operations in the EU are in scope. Non-EU parent entities with substantial activity in the EU may also be in scope, with separate standards to be developed for these entities, with an effective date of 2028 reporting periods

US

- SEC's climate rule proposal published in March 2022 would require investor-focused climate disclosures
- The SEC's latest regulatory agenda, published in December 2023, included three items of note:
  - **the climate rule, scheduled to be finalized in April 2024**;
  - a proposal for human capital management disclosures, scheduled for April 2024; and
  - a proposal for corporate board diversity, scheduled for October 2024
- On October 7, 2023, the **California** Governor signed **two climate disclosure laws** that will shape climate disclosure practices beyond the state's borders. The laws will apply to US businesses (**including US subsidiaries of non-US companies**) that meet specified revenue thresholds and do business in California
- Under the climate disclosure laws, certain businesses will be required to disclose **scope 1, 2 and 3 GHG emissions**, with **limited assurance requirements** from 2026 (on FY25 data)

ISSB

- In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards – IFRS S1 (general requirements standard) and IFRS S2 (climate standard)
- The standards are effective for annual periods beginning on or after January 1, 2024 – subject to local jurisdiction adoption
- Companies will be required to report material sustainability-related financial disclosures for the same period and at the same time as their annual financial statements, subject to temporary transition relief options
- **The Canadian Sustainability Standards Board (CSSB)** has been established with the mandate to develop and support the adoption of the ISSB standards in Canada. The **CSSB expects to release draft requirements in March 2024** for public consultation

CAN

- The CSA proposal published in October 2021 would require investor-focused climate disclosures
- Subsequent to the release of the IFRS Sustainability Disclosure Standards, the **CSA announced** that they intend to conduct further consultations to adopt disclosure standards based on the IFRS Sustainability Disclosure Standards, with **modifications considered necessary and appropriate in the Canadian context**
- Bill S-211, **Canada's new Act on fighting against forced labor and child labour** will take effect on January 1, 2024. Canadian and foreign businesses impacted by the Act will be required to file a report on their efforts to prevent and reduce the risk of forced labour and child labour in their supply chain, by May 31st of each year

1. Refer to our *US Quarterly Outlook* publication for regulatory updates on the proposed SEC climate rules
2. Refer to our *ESRS resource centre* for resources on implementing the ESRSs
3. Refer to our *ISSB resource centre* for resources on implementing the IFRS Sustainability Disclosure Standards
4. Refer to our *guide* which compares the sustainability proposals issued by the ISSB, SEC and EFRAG
5. Refer to our *publication* on California's introduction of climate disclosures and assurance requirements
6. Refer to our *publication* on the impact of EU ESG reporting on non-EU companies

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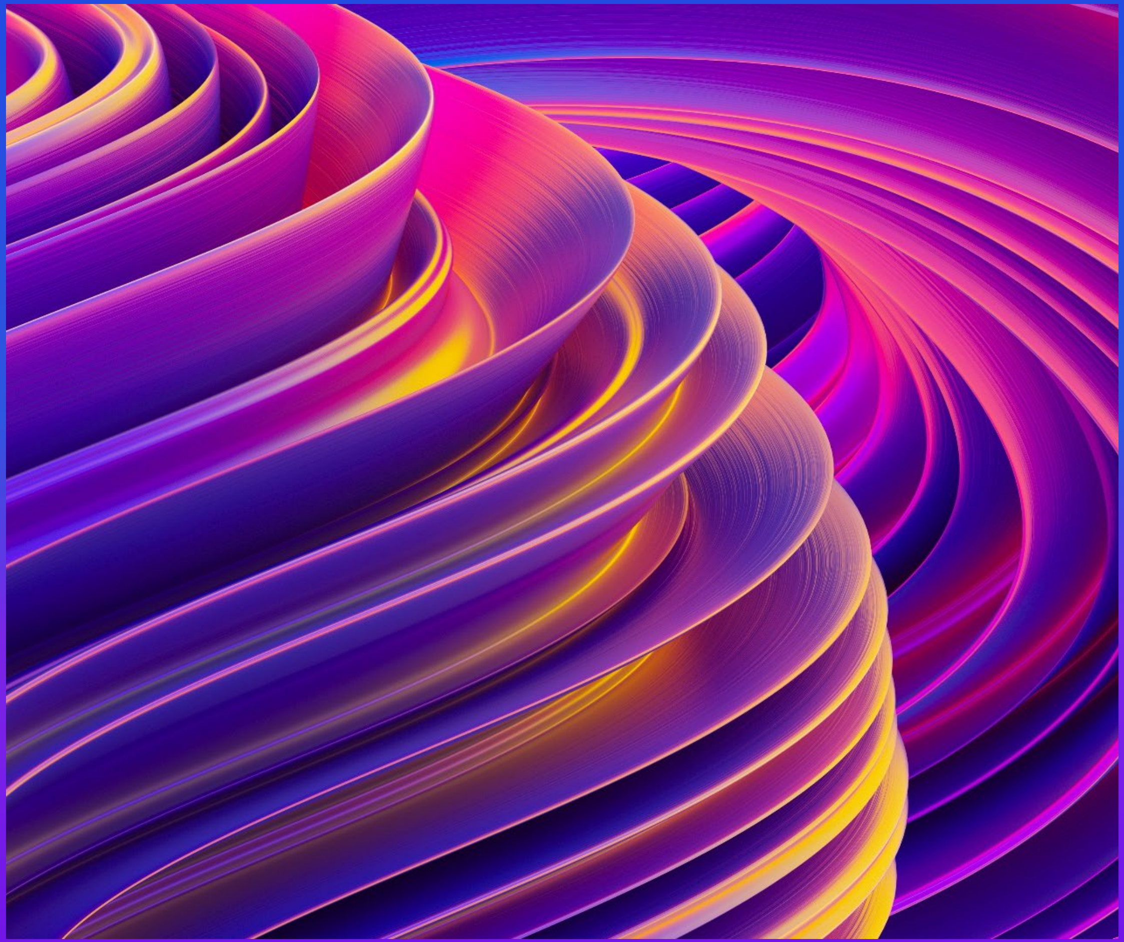

https://kpmg.com/ca/en/home.html

April
2024

REPORT TO: Conservation Halton Finance & Audit Committee

REPORT NO: # FA 01 24 05

FROM: Marnie Piggot, Director, Finance

DATE: April 4, 2024

SUBJECT: **Appointment of Auditor for 2024**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board the reappointment of KPMG LLP as auditor for Conservation Halton for the 2024 fiscal year.**

Report

As-per Section C.4 of the Halton Region Conservation Authority General Membership By-law, agenda items for the Annual Meeting of the Conservation Halton (CH) Board must include the appointment of the auditor for the coming year. Section 38 of the *Conservation Authorities Act* also references the appointment of an independent auditor.

Staff recommends the reappointment of KPMG LLP as auditor for 2024 based on the services provided to date.

Audit fees were approved in June 2022 by the CH Board for the five (5) year term 2022 to 2026 as follows and are subject to the annual reappointment of KPMG as auditor:

- 2022: $30,800
- 2023: $32,000
- 2024: $33,200
- 2025: $34,150
- 2026: $35,175

Impact on Strategic Priorities

This report supports the Momentum priority of “Organizational Sustainability”.

Financial Impact

The 2024 audit fee of $33,200 is included in the CH 2024 budget.

Signed & respectfully submitted:

Marnie Piggot
Director, Finance

Approved for circulation:

Hassaan Basit
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Marnie Piggot, Director, Finance
mpiggot@hrca.on.ca, 905-336-1158 x 2240

April
2024

REPORT TO:	**Conservation Halton Finance & Audit Committee**
REPORT NO: #	FA 01 24 06
FROM:	Marnie Piggot, Director, Finance
DATE:	April 4, 2024
SUBJECT:	**Budget Principles Revised April 2024**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board the Budget Principles Revised April 2024 be approved.**

Report

The attached updated Conservation Halton (CH) Budget Principles (Appendix A) is recommended to be updated to reflect changes in the *Conservation Authorities Act* (CA Act), the development of the CH Programs & Services Inventory, and budget variance report timelines. The CH Budget Principles continues to outline the policies and procedures followed by the CH Board and CH staff in the development and approval of the annual budget and budget forecasts.

Summary of Changes

Section	Description of Change
Budget Program Categories	The CH 2024 Budget & Business Plan reflected changes in the CA Act and regulations such as *Ontario Regulation 686/21* and *Ontario Regulation 687/21*. The 2024 Budget & Business Plan is also consistent with the final CH Programs & Services (P&S) Inventory document submitted to the Province. The Budget Principles Budget Program Categories section has been updated to incorporate these changes, including consideration of Category 1, 2, and 3 P&S established in the CA Act as well as the CH four (4) key service areas identified in the P&S Inventory.
Apportionment of Municipal Funding	The Budget Principles section on Apportionment of Municipal Funding has been updated to be in accordance with the CA Act

	and *Ontario Regulation 402/22.* The regulation sets out the procedures for the apportionment of municipal funding and notification requirements to its participating municipalities. The process to develop, approve, and communicate the CH 2024 Budget & Business Plan followed the updated CA Act regulation requirements.
Budget Monitoring and Financial Reporting	This section of the Budget Principles was expanded to further include the annual audited financial statements that are prepared in accordance with Canadian Public Sector Accounting Standards using the fund-based budget variance financial report. The timing of presenting to the CH Board, budget variance reports, including year to date and year end projected amounts, is recommended to be revised to three (3) times at April 30, August 31, and December 31, rather than the previous four (4) times per year. The proposed dates are consistent with changes in the CH Board meeting schedule and Halton Region budget variance reporting timelines.

Impact on Strategic Priorities

This report supports the Momentum priority of “Organizational Sustainability”.

Financial Impact

This report outlines changes to CH Budget Principles Revised April 2024. There is no direct financial impact for this report.

Signed & respectfully submitted:

Marnie Piggot
Director, Finance

Approved for circulation:

Hassaan Basit
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Marnie Piggot, Director, Finance
mpiggot@hrca.on.ca, 905-336-1158 x 2240

Attachments: Appendix A: Conservation Halton Budget Principles Policies & Procedures

BUDGET PRINCIPLES

POLICIES & PROCEDURES

BUDGET PRINCIPLES

Table of Contents

BUDGET PRINCIPLES

POLICIES & PROCEDURES

Budget Principles have been developed by Conservation Halton (CH) to serve as a guideline for the preparation of the CH annual Budget & Business Plan. These Budget Principles will ensure CH is transparent and accountable to our watershed municipalities, stakeholders, and the members of the public. The Budget Principles will also help to ensure the long-term financial sustainability for CH programs and to ensure adequate reserves.

CH is committed to delivering programs and services in a cost-effective manner that balances investments made in CH Strategic Plan priorities with mitigating cost increases to the residents of the watershed. These Budget Principles will ensure program operating and capital expenses are funded through an optimal mix of public funding, program user fees, and other self-generated revenue to minimize impacts to taxpayers.

Guiding Principles

The CH annual budget development will be guided by the principles of **Collaboration, Innovation, Sustainability and Integrity.** The annual budget will consider initiatives, priorities, and timelines identified in the CH Strategic Plan. The CH budget will be prepared annually in a consistent format that is easily understood by multiple users.

Approach to Budget Preparation

The annual budget for CH will be developed using a performance-based, program-based budgeting method. This budget approach focuses on programs rather than line-item budgeting and aligns the allocation of program resources with desired outcomes. The goal of using performance-based budgeting is to improve efficiency and effectiveness, as well as to foster departmental cooperation and increase accountability.

As part of the annual budget and strategic plan action plan development, each program will identify key outputs, service levels and outcomes derived from the strategic plan priorities that will be tracked to measure performance and service effectiveness against expected outcomes and objectives. Annual program budgets are based on achieving long term priorities in the strategic plan and all initiatives in the budget are linked to strategic plan objectives.

Budget Program Categories

CH has classified its core programs and services into two primary categories, **Watershed Management and Support Services** and **Conservation** Lands – Parks & Recreation (Parks) based on funding sources for these programs. Corporate **Support Services** are provided by staff to both of these program categories.

CH has also developed a Programs & Services (P&S) Inventory document in accordance with the Conservation Authorities (CA) Act and its regulations.

In addition to the primary budget categories, WMSS and Conservation Lands – Parks & Recreation, the CH budget will also reflect the CH P&S Inventory four budget categories or key service areas that align with the terminology in the CA Act and its regulations including:

- Natural Hazards & Watershed Management
- Permitting & Planning
- Conservation Lands – Lands Management and Parks & Recreation
- Corporate Services

Under Ontario Regulation 687/21, all CAs are required to develop an inventory of its P&S, including costs and funding sources, and classify all P&S based on the categories established under the CA Act. The P&S Inventory is required for CH to enter into agreements with participating municipalities to fund non-mandatory P&S.

The three categories of P&S include:

- **Category 1**: Mandatory P&S described in O. Reg. 686/21; funded through municipal levy, user fees, or grants.
- **Category 2:** P&S that are at the request of a municipality; funded through municipal levy, user fees, or grants; MOU/service agreement required.
- **Category 3:** P&S that the CA considers advisable to further the purposes of the CA Act; funded through user fees, or grants; use of municipal funding requires MOU/service agreement.

Park expenses associated with Category 3 programmed recreation activities, do not receive municipal funding by the choice of CH. CH believes that programmed recreation activities will be fully funded, including respective corporate support services costs, on a user pay system. This funding approach is not a requirement of the CA Act and is not practiced by all of Ontario's Conservation Authorities.

Park recreation program capital expenses are funded by transfers from the Conservation Area Capital Reserve derived from contributions to reserves from operating, year-end surpluses, and favourable savings from project closures. Reserve fund balances will consider asset management planning to ensure capital programs maintain the state of good repair of assets and are financially sustainable.

Support Services Internal Chargeback Recovery

The allocated proportionate share of corporate support services expenses will be charged as an internal recovery from Conservation Lands – Parks & Recreation and other programs as applicable. The Support Services Internal Chargeback Recovery will form part of the annual operating budget and will be taken into account in determining the annual operating results for Conservation Lands – Parks & Recreation.

Basis of Budgeting

The CH budget is prepared on a modified accrual basis to ensure there is sufficient funding for the planned outlay of expenses. This budget preparation method is consistent with local government public sector budgeting practices. Transactions are recognized in the period in which the transactions occur or are received. Budget amounts include capital asset expenses rather than amortization expense, total debt financing principal and interest charges and transfers to and from reserves. Revenues and expenses are reported as gross amounts rather than a net revenue or net expense.

The annual budget consists of an operating budget, a capital budget, and operating and capital program ten-year forecasts.

Fund Accounting

Financial information is prepared using a fund structure consisting of an Operating Fund, Capital Fund, and Reserve Funds. Each fund has its own revenue and expenses and transfers of revenue and expenses between operating and capital funds are not permitted.

Operating Fund - Operating expenses include ongoing expenses to provide the required resources to deliver programs and services operated by CH. Operating expenses will also include the operating impacts of new facilities and infrastructure resulting from completed capital projects and capital project administration staff costs with an offsetting internal chargeback recovery to the respective capital project.

Capital Fund - Capital expenses include significant expenses incurred for the improvement, acquisition or major rehabilitation of land, buildings, equipment, vehicles, and infrastructure including related studies and a chargeback for capital project administration staff to the respective capital project.

Tangible Capital Assets as defined in the CH Tangible Capital Asset policy are assets having a physical substance that:

a) are used on a continuing basis in the operations;
b) are used in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance, or repair of other tangible capital assets;
c) have useful lives extending beyond one year; and
d) are not for resale in the ordinary course of operations.

The key elements for CH definition of tangible capital assets include:

a) they are economic resources controlled by CH;
b) they result from past transactions or events;
c) they embody future economic benefits that are expected to be realized;
d) they are held for own use on a continuing basis and not for resale in the ordinary course of business; and
e) they have economic lives beyond one accounting period.

A minimum budget amount of $10,000 and minimum transaction amount of $100 have been established.

Although expense amounts are approved in the annual budget, actual purchases will be made in accordance with the limits outlined in the CH Purchasing Policy prior to being incurred.

Balanced Budgets

Operating and capital revenue and expenses will be balanced with funding sources for the budget period. Transfers to and from applicable reserves as approved by the CH Board may be required to balance differences between budgeted revenues and expenses.

CH Budget Process

a) CH program staff will prepare preliminary operating annual base budget estimates to consider existing or changes in levels of service. The program budget prepared incorporates inflationary increases, proposed program service level changes, staffing changes, and goals and objectives as identified in the strategic plan for the budget year. New staff positions require a business plan in a request for staffing form and will be approved by the Senior Leadership Team for inclusion in the budget.

b) Program staff will prepare capital budget requests and updated operating and capital ten-year forecast information with consideration of prior budget ten-year forecasts. Capital project information will include a brief description of the project, explanation of the need for the project, including maintenance of assets in a state of good repair, operating cost impacts, and any link to master plans and strategic plan. Capital budgets and forecasts will reflect best estimates for project costs and timelines.

c) Proposed new programs, service enhancements or program changes, and capital projects are reviewed by the Senior Leadership Team and ranked according to priority in relation to the strategic plan, the risk of not doing the project, public health and safety concerns, protection of assets such as maintenance needed to be in a state of good repair and the asset management plan, and links to funding sources such as approved grants and related timelines.

d) Preliminary budget guidelines are prepared by Finance staff. The CH Preliminary Budget, including the municipal funding to be requested, will consider the implications on costs and funding for future budgets. The guidelines for the CH Preliminary Budget and multi-year operating and capital forecasts will have regard for municipal budget guidelines.

e) Preliminary Budget is presented to the CH Finance & Audit Committee for recommendation for approval by the CH Board for budget discussion purposes prior to budget submissions and municipal funding discussions with participating municipalities.

f) The Preliminary Budget is submitted to participating municipalities for review and discussion.

g) The final CH Budget is presented to the CH Finance & Audit Committee for recommendation for approval by the CH Board. The budget approval by the Board is completed prior to the start of the budget fiscal year and prior to the approval of municipal funding by the majority of the participating municipalities to provide assurance to participating municipal Councils the CH Budget has received the support of the CH Board.

Budget Process Overview & Timing

April/May/June
Development of Preliminary Budget

June
Approval of Preliminary Budget by Finance & Audit Committee and CH Board for discussion purposes with municipal staff.

July/August/September
Submission of Preliminary Budget to municipal staff for review.

September
Preliminary Budget is revised to include updated information from staff, debt financing charges received from Halton Region staff, and municipal apportionment percentages received from the Province.

October (November in municipal election year)
Budget is approved by Finance & Audit Committee and CH Board.

November to January
Budget presentations to participating municipal councils.

Ongoing
Budget monitoring process and budget variance reports prepared.

Apportionment of Municipal Funding

The CA Act and Ontario Regulation 402/22 set out the procedures for the apportionment of municipal funding and notification requirements to its participating municipalities.

Municipal funding for CH's reduced operating expenses and capital costs is apportioned in accordance with the regulation through Modified Current Value Assessment (MCVA) apportionment or benefit-based apportionment. The municipal MCVA data and apportionment percentages are provided annually to Conservation Authorities by the Province of Ontario.

Base municipal funding included in the annual budget is apportioned to CH's four participating funding municipalities in its watershed, Halton Region, City of Hamilton, Peel Region, and Township of Puslinch, using MCVA apportionment. Under the MCVA apportionment method, the portion of a reduced operating expense and reduced capital cost is apportioned to a participating municipality based on the ratio that the participating municipality's modified current value assessment bears to CH's modified current value assessment.

Additional benefit-based municipal funding may be included in the annual budget related to capital project costs that benefits a municipality relative to the other municipalities.

The CA Act and Ontario Regulation 402/22 also requires CH to identify municipal funding associated with CH Program & Service (P&S) operating expenses and capital costs as Category 1, 2 and 3 defined in Ontario Regulation 686/21. Municipal funding for CH Category 2 and 3 programs and services will be apportioned to its funding municipalities, though funded through Memorandums of Understanding (MOU's) developed with the municipalities.

The weighted majority voting procedure required under Regulation 402/22, provides that each member of the CH Board vote in proportion to their municipality's share of its modified current value assessment. A weighted majority requires 51% of the total weighted vote for all votes cast.

Budget Monitoring and Financial Reporting

Program staff will report all anticipated variances from the budget amount and the completion of capital projects to Finance staff.

Finance staff will provide a report on variances from the annual budget amounts for variances of 10% or more that are greater than $10,000, generally three times per year to the CH Board. **Budget variance reports** presented to the CH Board will include year to date amounts and year end projections as at April 30, August 31, and December 31.

Approval of the CH Board is required for any net budget variance that cannot be accommodated in the budget and requiring a transfer to or from reserves.

The approved budget may be amended occasionally through the budget variance report upon approval by the CH Board. Budget amendments may occur as a result of additional program and other funding such as grants, received after budget approval and related to a new initiative, capital project, or budget amount increase not included in the budget.

CH also prepares annual audited financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS) as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The CH fund-based budget variance financial report is converted to full accrual basis of accounting to be in accordance with PSAB. The audited financial statements include adjustments such as 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.

Ten-Year Forecasts

Operating and capital ten-year forecasts are prepared based on revenue and expense estimates using the most current information and will be updated annually as detailed information becomes available. Impacts will be mitigated where possible to maintain the forecast within municipal budget guidelines.

CH operating and capital budgets will be prepared according to annual budget guidelines based on staff recommendations and approved by the CH Board. The operating and capital budget guidelines will give consideration to the prior year budget ten-year forecasts.

The operating and capital municipal funding requested in the annual budget will consider the existing base operating and capital municipal funding allocation to avoid funding significant shifts between operating and capital programs.

Fund Allocation Principles

Fund re-allocation between the operating budget and the capital budget is not permitted.

The following re-allocation of funds may occur with approval from the Board and the appropriate source of funding is maintained and the fund reallocation does not impact any approved municipal funding share for the current year:

a) Unbudgeted transfers from a related capital reserve to capital projects; and
b) Unbudgeted transfers from a related operating reserve to operating programs.

Allocation of Capital Funds

Capital funding will be allocated to projects according to the following principles:

a) Capital funding will be used only for capital projects that are approved by the Board.
b) Capital projects will be closed upon completion and with approval from the Board. Every effort will be made to complete capital projects within a reasonable time frame. Consideration will be given to recommending the closing of capital projects as a result of unexpected significant delays in project completion.
c) The annual capital budget will include only new capital requirements and not amounts approved in prior year budgets and completed after the budget year.
d) Surplus capital funding determined at the fiscal year-end, for each open capital project, will be reported as deferred revenue, recorded in a separate capital fund in Accumulated Surplus, or transferred to the appropriate reserve as a source of financing for future years.
e) Surplus capital funding, determined upon capital project closure, will be returned to the original funding source.

Reserve Financing and Reserve Balances

CH has established a **Reserves Policy** that outlines the purpose, target balance, and funding sources for its reserve funds. The Reserves Policy outlines the standards and guidelines for the management and administration of CH’s existing reserves and changes to the reserves in the future.

In accordance with the CH Reserves Policy, the budget will adopt reserve financing and **stabilization** and **capital reserve** balances that consider the following:

- Mitigation of current and future risks.
- Reduce exposure to unpredictable revenues.
- Multi-year financing of capital projects.
- Replacement value of tangible capital assets.
- Asset Management Plans.

The use or transfer from any reserve requires the approval of the CH Board.

Stabilization reserves are established to address in-year uncontrollable or unanticipated changes in revenues or costs that are operational in nature. The Government Finance Officers Association recommends that such reserves should be 5% to 15% of operational revenues or one to two months of operational expenses.

The adequacy of the stabilization reserve considers the stability and predictability of revenues and expenses and availability of other resources. Stabilization reserve balances in excess of the target amount may be used as funding for capital reserves.

For CH, separate stabilization reserves will be established for Watershed Management and Support Services and the Conservation Area Park programs. The guideline for Watershed Management and Support Services will be 10% to 15%. The guideline for the Parks will be lower at 5% to 10% due to the seasonality of revenues and ability to more easily reduce seasonal expenses, such as staffing. Stabilization reserves will be funded by unanticipated operating surpluses in the respective programs to maintain the reserve balance guidelines.

Capital reserves will be established to provide funding for the capital program and to fund capital projects and cost overruns in the following areas:

- Vehicle and Equipment
- Building
- Building – State of Good Repair (SOGR)
- Watershed Management Capital – Municipal Funds
- Watershed Management Capital – Self Generated Funds
- Digital Transformation
- Land Securement
- Property Management
- Debt Financing Charges
- Conservation Area Capital

The capital ten-year forecast will ensure sufficiency in capital funding. Capital reserves will be established through savings in capital projects, project closures, interest earnings, and reserve funding in the operating budget for future capital projects. Consideration will be given to transferring savings from closed capital projects to a holding account for funding cost overruns as an alternative to having to use capital reserves.

Interest earned on reserves will be allocated to each capital reserve based on the average reserve balance for the year.

Debt Financing

Debt financing is utilized for land acquisition and significant upgrade and rehabilitation initiatives such as dams and channels major repair projects. Debt financing is approved by the Board.

The CH debt capacity guideline will be 10% of its own source revenue.