Conservation Halton Finance & Audit Committee Meeting

Conservation Halton
Zoom Meeting: https://us02web.zoom.us/j/83375330892
April 3, 2025, 9:00 AM - 10:30 AM EDT

Agenda

Conservation Halton

April 2025

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

REPORT NO: # FA 01 25 01

FROM: Winston Young, Chief Financial Officer

DATE: April 3, 2025

SUBJECT: **2024 Year End Budget Variance Report**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board that the allocation of the 2024 operating surplus of $3,086,850 to the following Reserves be approved:**

- **$114,873 to the WMSS Stabilization Reserve**
- **$147,000 to the Stewardship and Restoration Reserve**
- **$100,000 to the Vehicle and Equipment Reserve**
- **$93,000 to the Land Securement Reserve**
- **$2,524,977 to the Conservation Areas Capital Reserve**
- **$107,000 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 $97,794 to the Debt Financing Charges Reserve for the 2024 budget amount in excess of actual 2024 debt financing charges be approved;**

And

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board that the closing of the capital projects noted in the "Conservation Halton Capital Project Financial Appendix as at December 31, 2024" be approved.**

Executive Summary

The 2024 year end operating surplus is $3,086,850 and is summarized in Table 1 below. Further details on the operating surplus are provided in the report. The amounts in this 2024 Year End Budget Variance Report have been used by staff to prepare the audited 2024 financial statements. The amounts are audited by KPMG, the CH Board-appointed auditor.

With a successful Kelso/Glen Eden winter ski season in fiscal 2024, which included opening in December 2024, the year end surplus is driven by a strong Parks surplus of $2,631,977. The

Watershed Management & Support Services (WMSS) surplus of $454,874 is primarily attributed to favourable variances in staffing costs and higher than expected investment revenues.

Table 1 provides a summary of the 2024 revenue and expenses compared to the budgeted amounts.

Table 1: 2024 Revenue and Expenses			
Budget Summary	**Actual Dec. 31, 2024**	**Budget Dec. 31, 2024**	**Increase (Decrease)**
Revenue			
Program Revenue	$ 24,705,253	$ 22,302,348	**$ 2,402,906**
Municipal Funding	11,226,554	11,259,211	**(32,657)**
Other & Municipal Special Funding	1,687,066	2,110,382	**(423,316)**
Internal Chargeback Recoveries	2,906,955	3,281,754	**(374,798)**
Transfers from Reserves	9,000	170,100	**(161,100)**
Provincial Funding	1,295,201	1,422,893	**(127,692)**
Total Revenues	**$ 41,830,030**	**$ 40,546,687**	**$ 1,283,343**
Expenses			
Corporate Administration & Operations	$ 7,163,460	$ 7,084,698	**$ 8,762**
Natural Hazards & Watershed Management	6,269,009	7,761,069	**(1,492,060)**
Permitting & Planning	4,185,773	5,025,549	**(839,776)**
Conservation Lands			
Forestry & Land Management	1,637,702	1,784,859	**(147,157)**
Parks & Recreation	17,621,393	16,360,174	**1,261,219**
Debt Financing	534,782	631,576	**(96,794)**
Transfers to Reserves	1,331,061	599,600	**731,461**
Total Expenses	**$ 38,743,180**	**$ 39,247,525**	**($ 504,345)**
Total Operating Surplus	**$ 3,086,850**	**$ 1,299,162**	**$ 1,787,688**

Report

Operating Program

The attached Conservation Halton Budget Variance Report Financial Appendix (Attachment 1) provides explanations for variances that are greater than 10% and exceed $10,000 from the 2024 budget amounts.

Budget Variance – Total Revenue

Total revenue exceeds the budget target by $1.28 million. Significant variances of note contributing to the overall revenue increase are detailed in Table 2 below.

Table 2: Budget Variance – Total Revenue			
Revenue	Actual Dec. 31, 2024	Budget Dec. 31, 2024	Increase (Decrease)
Various Departments			
Total Internal Chargeback Recoveries from Parks – decrease for staff changes	1,792,800	1,868,500	(75,700)
Corporate Administration & Operations			
Estate donations received to date	625,606	-	625,606
Increase in investment revenue	436,220	152,500	283,720
Natural Hazards & Watershed Management			
Restoration and partnership projects revenue decrease directly offset by decreased expenses	2,835,554	4,058,623	(1,223,069)
Hamilton Harbour Remedial Action Plan (HHRAP) revenue shortfall due to delay in provincial funding confirmation offset by reduced program expenses	221,126	3 17,750	(96,624)
Permitting & Planning			
Planning & Regulations fees	2,352,239	3,203,000	(850,761)
Other Municipal Funding - Regional Infrastructure Team (RIT)	412,543	550,000	(137,457)
Conservation Areas			
Park revenue total increase	20,253,370	17,659,336	2,594,034
Various other increases			163,593
Total Revenue Variance from Budget			**$1,283,343**

Remaining estate donations to be received will not impact the year end surplus, as staff is recommending a transfer to reserves. Investment revenue continues to drive a large positive variance due to interest rate favourability.

Planning and permit revenues are lower than expected due to external market conditions related to the housing market combined with the 2024 direction received from the Minister of Natural Resources in December 2023 to freeze review fees. The fee freeze direction occurred after the 2024 Budget was approved, resulting a variance of ($851,000) in year. The impact was mitigated through staffing vacancies and lower than expected legal fees (see Table 3 below).

Revenues related to the Halton Region Regional Infrastructure Team (RIT) and Hamilton Harbour Remedial Action Plan (HHRAP) are lower than expected. As RIT funding is based on actual expenses, there is no impact on the completion of RIT work. HHRAP revenues are lower in year due to revisions to the 2024 program funding.

Expenses

Total expenses are projected to be lower than the 2024 budget by ($504,000). Significant variances of note contributing to the overall decrease in expenses are detailed in Table 3 below.

Table 3: Expense Variance			
Expenses	**Actual Dec. 31, 2024**	**Budget Dec. 31, 2024**	**Increase (Decrease)**
WMSS Various Departments			
Staff salaries & benefits - staff changes and vacancies	15,002,897	16,871,034	(1,868,137)
Corporate Administration & Operations			
Transfer to Reserves - Estate donations received to date	633,667	-	633,667
Increased Innovation Hub project costs that are funded by a grant of $100,000 and other savings	299,062	130,500	168,562
Permitting & Planning, Watershed Management & Climate Change			
Legal fees decrease due to timing of applications and Ontario Land Tribunal (OLT) hearings	242,121	382,714	(140,594)
Natural Hazards & Watershed Management			
Partnership projects non-salary expense decrease offset by decreased revenues	1,386,258	1,926,442	(540,184)
Conservation Areas			
Park expenses total increase	17,621,393	16,360,173	1,261,220
Various other increases			(18,879)
Total Expense Variance from Budget			**($504,344)**

Staff costs are lower than budget primarily due to staff changes and vacancies throughout the fiscal year. Consistent with Table 2 above for revenue, estate donations received will not impact the year end surplus as staff is recommending a transfer to reserves.

Conservation Areas

The Parks operating surplus for December 31, 2024, totals $2.63 million, a favourable variance of $1.33 million compared to the budget of $1.30 million.

Total revenues are favourable compared to the budget by $2.59 million. With the opening of Kelso/Glen Eden in December 2024, an increase in ski-related revenues, combined with higher visitation, contributed to another successful Parks fiscal year.

Expenses are higher than budget by $1.2 million, primarily due to increased part-time staffing costs. Consistent with an increase in ski revenues and general programming, staffing was increased to maintain a high level of visitor experience for guests. As well, seasonal staffing costs were higher in year due to minimum wage increases for October 2024, in year seasonal compensation review impacts, and resource coverage for full-time vacancies.

Capital Program

The Capital Project Summary Financial Appendix (Attachment 2) includes current capital projects, the respective approved project budget, life-to-date costs, and the budget remaining to be spent. December 31, 2024, life-to-date capital expenses total $8.77 million or approximately 84% of the total capital budget.

The total capital budget on the Capital Project Summary consists of the 2024 budget amounts, amounts carried over from prior budgets, and project budget increases approved in 2024 associated with grants and other funding received after budget approval. Funding sources for the respective capital projects are also detailed in the summary. Capital projects completed in 2024 and recommended to be closed are within the respective budget amounts. The remaining capital projects are in progress and anticipated to be within budget.

The closing of capital projects is reported in accordance with the Conservation Halton 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 on the Capital Project Summary. These projects have been completed or are annual projects, where the capital project amount will be reconsidered during the annual budget process.

Due to an unanticipated change required in design consulting firms, the work related to the Central Works Operations Centre is now planned for 2025-2026, but no additional budget is anticipated.

The Crawford Lake Boardwalk project has a revised start date of July 2025 as additional studies are required. Completion is still expected well within the grant period window of March 2027.

Reserves

The operating surplus of $3,086,850 is recommended to be allocated as follows:

Table 4: Operating Surplus Allocation	
Reserve	**Allocation**
WMSS Stabilization	$ 114,873
Stewardship & Restoration	147,000
Vehicle & Equipment	100,000
Land Securement	93,000
Parks Capital	2,524,977
Parks Stabilization	107,000
Total Surplus Allocation	**$ 3,086,850**

After the recommended reserve transfers, total reserves as of December 31, 2024, are $18,925,841.

The Conservation Areas Revenue Stabilization Reserve balance for December 31, 2024, is $1,377,000 which meets the Budget Principles target of 7.5% for Parks program revenue (2025 budget of $18,358,400).

The WMSS Stabilization Reserve balance for December 31, 2024, is $1,941,375, which more than exceeds the target balance of $500,000, which is based on 12.5% (midpoint) of WMSS program revenues (2025 budget totalling over $4.0 million).

Impact on Strategic Priorities

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

Financial Impact

This report, along with the financial appendix, summarizes the variances that have contributed to the 2024 operating surplus of $3,086,850 and recommends distribution of the surplus to reserves. The variances that have occurred during the year will inform the management of the approved 2025 Budget and preparation of the 2026 Budget.

Signed & respectfully submitted:

Winston Young
Chief Financial Officer

Approved for circulation:

Chandra Sharma
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Justin Wei, Acting Director, Finance
jwei@hrca.on.ca, 905-336-1158 x 2300

PREPARED BY: Justin Wei, Acting Director, Finance

Attachments:

Attachment 1: Conservation Halton Budget Variance Report Financial Appendix

Attachment 2: Conservation Halton Capital Project Financial Appendix as at December 31, 2024

Conservation Halton
Budget Variance Report Financial Appendix

Service Area	Note	2024 Actual	2024 Budget	Variance	% Variance
Watershed Management and Support Services (WMSS)					
Corporate Administration & Operations		$ 5,285,042	$ 5,070,037	$ 215,005	4%
Natural Hazards & Watershed Management		(2,523,811)	(2,709,579)	185,768	-7%
Permitting & Planning	1	(1,410,441)	(1,218,899)	(191,542)	16%
Conservation Lands - Forestry & Land Management	2	(895,918)	(1,141,559)	245,641	-22%
Total WMSS		**$ 454,873**	**$ -**	**$ 454,873**	**-**
Conservation Lands - Parks & Recreation	3	**$ 2,631,977**	**$ 1,299,162**	**$ 1,332,815**	**103%**
Total Operating Budget		**$ 3,086,850**	**$ 1,299,162**	**$ 1,787,688**	**138%**

Notes:

1. Permitting & Planning revenues were lower in year by ($851K) due to external market conditions and the 2024 fee freeze in accordance with the direction received from the Minister of Natural Resources in December 2023, after finalization of the 2024 Budget. This amount is primarily offset by staffing vacancies totaling $667K in year.

2. Forestry and Land Management operating budget was favourable in year due to slightly increased revenues related to the Carlisle project revenues totalling $85K and savings in salaries and benefits of $140K.

3. Park revenues were higher in year due to the opening of Kelso/Glen Eden in December 2024, resulting in program revenues being higher than budgeted by $2.4M combined with higher than expected investment income of nearly $230K. This was partially offset by higher than expected staffing costs of ($1.3M) to accommodate early opening and seasonal compensation review impacts.

CONSERVATION HALTON
CAPITAL PROJECT FINANCIAL APPENDIX
AS AT DECEMBER 31, 2024

Capital Project Description	Total Capital Budget	Prior Years Capital Costs	2024 Capital Costs	Capital Costs to Date	Total Unspent	Project to be Closed	Capital Project Funding
	= A			= B	= A - B		
Watershed Management & Support Services (WMSS)							
Kelso Dam - Lift Gates & Hoists; Low Flow Engineering	50,000	34,669		34,669	15,331	CLOSED	50% Provincial; 50% Reserve
Mountsberg Dam - Building and Sluice Gate Refurbishment	125,000	43,829	10,909	54,737	70,263	CLOSED	50% Provincial; 50% Reserve
Hilton Falls Dam - Low Flow Actuator Refurbishment	50,000	5,726	34,411	40,137	9,863	CLOSED	50% Provincial; 50% Reserve
Scotch Block Dam – Intake and Gate Refurbishment Study	55,000	14,159	32,206	46,366	8,634	CLOSED	50% Provincial; 50% Reserve
Multi-Structure - Emergency Preparedness	60,000	1,997	63,687	65,684	(5,684)	CLOSED	50% Provincial; 50% Reserve
Channels - Channel Repair, Design and Engineering	88,000	12,977	67,279	80,257	7,743	CLOSED	50% Provincial; 50% Reserve
Hilton Falls - Dam Crest and Guiderail Upgrades	246,000	-	325,538	325,538	(79,538)		Provincial; Reserve
Scotch Block - Intake & Gate Refurbishment	250,000	-	7,175	7,175	242,825		Provincial; Reserve
Kelso Dam Emergency Overflow	254,341		254,341	254,341	(0)	CLOSE	Provincial; Reserve (Parks)
Channels - Channel Repair, Design and Engineering	125,000	-	-	-	125,000		Provincial; Reserve
Emerald Ash Borer **	868,204	-	868,204	868,204	(0)		Other Municipal Halton Region
Flood Forecasting & Warning **	301,869	-	52,914	52,914	248,955		Municipal
Flood Hazard Mapping - General	2,281,548	110,041	473,393	583,435	1,698,113		Other Municipal & Benefitting Levy Halton Region
Watershed Planning **	107,290	-	-	-	107,290	CLOSE	Reserve
WMSS Facility & Admin. Office Renovations - non SOGR **	68,962	-	24,149	24,149	44,813		Reserve - Building
WMSS Facility & Admin. Office-State of Good Repair (SOGR) **	292,569	-	130,649	130,649	161,920		Reserve - Building SOGR
Central Works Operations Centre - Design & Construction	3,100,000	51,446	36,399	87,844	3,012,156		Reserve - Building $600K; Debt Financing
Information Technology **	163,526	-	61,971	61,971	101,555		Municipal
Digital Transformation	501,047	50,033	59,257	109,290	391,757	CLOSE $100K	Municipal; Reserve $200K;
Asset Management Plan **	72,645	-	35,893	35,893	36,752		Reserve
Financial system upgrade	75,000	21,885	32,721	54,606	20,394		Municipal
Property Management **	220,224	-	46,423	46,423	173,801		Municipal; Reserve $100,000
Conservation Areas Facility & Infrastructure:							
Feasibility Studies DCR projects; Kelso & Crawford Lake Facilities	1,297,500	320,620	324,918	645,538	651,962		Developer Contribution Reserve (DCR) funds
Crawford Lake Boardwalk	3,480,000	110,790	309,247	420,037	3,059,963		ICIP Grant; DCR funds
Kelso/Glen Eden - Ski Capital **	897,582	-	746,816	746,816	150,766		Reserve
Area 8 (formerly Kelso Quarry Park) **	50,000		10,598	10,598	39,402		Reserve & CH Foundation
Facility and Infrastructure Major Maintenance	2,385,659		2,368,078	2,368,078	17,581	CLOSE	Reserve; EAF Grants
Enhancing Trail Systems and Park Infrastructure	1,041,500	974,759	85,367	1,060,126	(18,626)	CLOSE	ICIP Grant
Foundation Funded Capital Projects	100,000	-		-	100,000	CLOSE	CH Foundation
Information Technology **	155,750	-	108,549	108,549	47,201		Reserve
Fleet Vehicle and Equipment replacements **	497,182	-	445,675	445,675	51,507		Reserve; Vehicle Sales
Total Capital Projects	**$19,261,398**	**$1,752,932**	**$7,016,769**	**$8,769,701**	**$10,491,697**		

**Capital Project Budget Carryforward

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

REPORT NO: # FA 01 25 02

FROM: Winston Young, Chief Financial Officer

DATE: April 3, 2025

SUBJECT: **2024 Investments and Investment Revenue**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board the allocation of investment revenue of $2,040,644 as noted in the report be approved.**

Report

In 2024, Conservation Halton (CH) earned total investment revenue of $2,040,644 on total investments of $37,800,856 compared to total 2023 investment revenue of $1,764,086 on total investments of $36,850,192

Total investment revenue has been allocated in the 2024 financial statements as follows:

Capital reserve funds	$ 679,800
Operating funds	$ 802,120
Long-term Water Management System Fund	$ 558,724
Total Investment revenue	**$2,040,644**

Investment balances as of December 31, 2024, are detailed by investment, investment revenue, and fair market value as follows:

Table 1: Investment Balances as of December 31, 2024

Investment	Investment Cost Book Value Dec. 31, 2024	Average Rate of Return	2024 YTD Investment Revenue	Investment Fair Market Value Dec. 31, 2024
Business Investment Account	$ 59,414	2.75%	$ 171,719	$ 59,414
Bank 31-Day Notice Plan	5,921,274	3.90%	299,163	5,921,274
Guaranteed Investment Certificates (GICs)	7,000,000	4.03%-5.90%	382,803	7,391,920
One Investment - High Interest Savings	4,484,861	3.78%	258,011	4,484,861

Table 1: Investment Balances as of December 31, 2024				
Investment	**Investment Cost Book Value Dec. 31, 2024**	**Average Rate of Return**	**2024 YTD Investment Revenue**	**Investment Fair Market Value Dec. 31, 2024**
One Investment - Corporate Bond Fund	4,769,135	3.00%	118,975	4,530,764
One Investment - Equity Fund	983,054	20.60%	251,249	1,871,455
Subtotal - Operating and Reserve Funds	23,217,738		1,481,920	24,259,688
Long-term Water Management System Fund	14,583,118	3.94%-4.2%	558,724	14,064,612
Total	**$ 37,800,856**		**$ 2,040,644**	**$ 38,324,300**

2024 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; and
- Provincial bonds.

CH investments achieved an average rate of return for 2024 of 5.2% (2023 – 4.7%) 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 decreased interest rates in 2024 by a total of 1.75% as inflation begins to meet the target level of 2.0% in 2025. Favorable interest rates have benefited CH by allowing the reinvestment of maturing GICs into higher-yield GICs from 2022 to 2024. The Bank of Canada's current interest rate of 2.75% and potential rate cuts will be reviewed at the next announcement on April 16, 2025. Staff will continue to monitor investments and seek reinvestments that maximize investment returns.

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 the Conservation Halton Reserves Policy. Operating investment revenue is allocated to programs on a proportional basis.

Staff have allocated $1,481,920 of investment revenue on the CH reserve balances and operating funds for 2024 as outlined in Table 2 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 5.2% for 2024.

Table 2: Allocation of 2024 Investment Revenue			
Fund or Reserve	**Allocation of 2024 Investment Revenue**	**2024 Budget**	**2023 Investment Revenue**
Operating Fund			
Watershed Management & Support Services	$ 436,420	$ 115,000	$ 447,333
Conservation Areas	365,700	75,000	348,900
Subtotal	802,120	190,000	796,233
Capital Reserves			
Vehicle and Equipment	35,900	-	29,500
Building	66,400	-	34,700
Building - State of Good Repair	30,300	-	24,500
Land Securement	29,500	-	6,100
Property Management	81,800	-	52,800
Water Capital - Municipal	59,900	-	43,300
Water Capital - Self Generated	71,700	-	62,300
Digital Transformation	26,100	-	13,600
Conservation Areas - Capital	278,200	-	186,500
Subtotal	679,800	-	453,300
Total Investment Revenue	**$ 1,481,920**	**$ 190,000**	**$ 1,249,533**

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, 2024, for the One Investments Corporate and Equity pooled funds was $6,402,219, exceeding the book value of $5,752,189.

The WMS fund market value at year-end of $14,064,612 is less than the WMS fund book value of $14,583,118. Higher interest rates have impacted Canadian bond market values with longer term to maturity bond; however, 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.

Impact on Strategic Priorities

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

Financial Impact

Investment revenue for 2024 is allocated to operating and reserve funds and exceeded the 2024 budget amounts. The 2024 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:

Winston Young
Chief Financial Officer

Approved for circulation:

Chandra Sharma
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT: Justin Wei, Acting Director, Finance
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PREPARED BY: Justin Wei, Acting Director, Finance

Conservation Halton

April
2025

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

REPORT NO: # FA 01 25 03

FROM: Winston Young, Chief Financial Officer

DATE: April 3, 2025

SUBJECT: **2024 Audited Financial Statements**

Recommendation

THAT the Conservation Halton Finance & Audit Committee **recommends to the Conservation Halton Board that the audited financial statements for the year ended December 31, 2024, be approved as presented.**

Executive Summary

The annual audit of Conservation Halton's (CH) financial transactions for the year ended December 31, 2024, has been completed by KPMG LLP. The financial statements were prepared by CH staff, and the draft audited statements are attached (Attachment 1).

The KPMG Auditors' Report, which is included in the financial statements, is a standard audit report without qualifications, and it is their opinion that the statements are presented fairly and in accordance with public sector accounting standards. KPMG has also provided the attached 2024 Audit Findings Report (Attachment 2).

Report

The Statement of Financial Position for Conservation Halton reports Accumulated Surplus at December 31, 2024, of $92.76 million. This is an overall increase of 4.3% over the 2023 Accumulated Surplus of $88.96 million.

Table 1: Statement of Financial Position		
Summary	**2024 Actual**	**2023 Actual**
Financial Assets	$ 44,783,425	$ 43,905,398
Non-Financial Assets	78,930,835	76,480,108
Total Assets	123,714,260	120,385,506
Less: Financial liabilities	(30,953,676)	(31,426,875)
Accumulated Surplus	**$ 92,760,584**	**$ 88,958,631**

The increase in the Accumulated Surplus is derived from the 2024 Annual Surplus of $3,801,953 reported on the Statement of Operations.

A summary of the Statement of Operations is as follows:

Table 2: Statement of Operations			
Summary	**2024 Budget**	**2024 Actual**	**2023 Actual**
Total Revenue	$ 42,605,239	$ 43,825,779	$ 42,451,989
Total Expenses	(41,368,810)	(40,023,826)	(37,299,358)
Annual Surplus (Deficit)	**$ 1,236,429**	**$ 3,801,953**	**$ 5,152,631**

The audited financial statements were prepared consistent with the amounts in the 2024 Year End Budget Variance Report financial appendix (Attachment 2), with a reported operating surplus of $3,086,850.

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 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:

Table 3: Budget Variance Report	**2024 Actual**	**2023 Actual**
Total Operating Surplus – Budget Variance Report	**$ 3,086,850**	**$ 5,045,061**
Public Sector Accounting Board (PSAB) Adjustments:		
Addition of:		
Amortization of tangible capital assets expense	(2,219,930)	(1,965,839)
Elimination of:		
Acquisition of tangible capital assets	4,583,007	3,768,677
Proceeds on disposal of tangible capital assets	(34,394)	(36,860)
Gain (loss) on disposal of tangible capital assets	12,060	1,486
Transfers to and (from) reserves	(2,010,033)	(1,723,828)
Municipal Debt Financing	-	(322,884)
Debt financing charges - Principal portion	384,394	386,820

Table 3: Budget Variance Report	2024 Actual	2023 Actual
Total PSAB adjustments	**715,102**	**107,573**
Annual surplus per audited financial statements	**$ 3,801,952**	**$ 5,152,634**

The 2024 budget amounts shown on the Statement of Operations (Attachment 1) have also been modified to be consistent with PSAB standards. The adjustments to the 2024 budget are outlined in note 11 of the audited financial statements (Attachment 1).

The Accumulated Surplus of $92,760,584 is made up largely by Tangible Capital Assets and is detailed in note 9 of the audited financial statements as follows:

Table 4: Tangible Capital Assets	
Surplus - Tangible Capital Assets	$ 78,274,394
Deficit - Current Funds	(4,439,655)
Reserves	18,925,845
Total Accumulated Surplus at December 31, 2024	**$ 92,760,584**

The reserve transfers approved in the 2024 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 $4,439,661 at December 31, 2024.

Details of significant budget variances reported on the Statement of Operations were provided in the 2024 Budget Variance Report financial appendix (Attachment 2).

Impact on Strategic Priorities

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

Financial Impact

The report provides details on the annual financial results for the year ended December 31, 2024, 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:

Winston Young
Chief Financial Officer

Approved for circulation:

Chandra Sharma
President & CEO/Secretary-Treasurer

FOR QUESTIONS ON CONTENT:	Justin Wei, Acting Director, Finance jwei@hrca.on.ca, 905-336-1158 x 2300
PREPARED BY:	Justin Wei, Acting Director, Finance
Attachments:	Attachment 1: Draft Financial Statements of Conservation Halton – Year Ended December 31, 2024 Attachment 2: Conservation Halton Audit Findings Report for the year ended December 31, 2024

Financial Statements of

CONSERVATION HALTON

Year ended December 31, 2024

CONSERVATION HALTON

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Year ended December 31, 2024

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Independent Auditor's Report

Financial Statements:

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, 2024
- 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, 2024, 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.

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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

[DATE]

CONSERVATION HALTON

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial assets:		
Cash	$ 3,828,935	$ 2,761,162
Short-term investments (note 3)	23,217,738	23,282,402
Investment - Water Management Systems (note 4)	14,583,118	13,567,791
Accounts receivable (note 5)	3,153,634	4,294,043
	44,783,425	43,905,398
Financial liabilities:		
Accounts payable and accrued liabilities	3,182,429	3,104,512
Deferred revenue (note 6)	7,816,035	9,190,877
Deferred revenue - capital and major projects (note 7)	732,458	862,549
Deferred revenue - Water Management Systems (note 4)	14,583,118	13,567,791
Long-term liabilities (note 8)	4,439,661	4,501,171
Asset retirement obligations (notes 2 and 10)	199,975	199,975
	30,953,676	31,426,875
Net financial assets	13,829,749	12,478,523
Non-financial assets:		
Tangible capital assets (note 9)	78,274,394	75,933,650
Prepaid expenses	511,478	435,835
Inventory	144,963	110,624
	78,930,835	76,480,109
Contingencies (note 13)		
Commitments (note 14)		
Accumulated surplus (note 12)	$ 92,760,584	$ 88,958,632

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, 2024, with comparative information for 2023

	2024 Budget (Note 11)	2024 Actual	2023 Actual
Revenue (note 17):			
Municipal grants	$ 11,629,197	$ 11,629,198	$ 10,916,835
Ministry of Natural Resources and Forestry	155,034	155,034	155,034
Corporate services	488,700	1,532,391	698,778
Natural hazards and watershed management	4,718,228	3,784,621	3,985,037
Permitting and planning	3,761,650	2,775,332	4,112,165
Conservation lands management	335,000	509,061	482,122
Conservation lands recreation	17,181,430	19,713,624	18,362,530
Major projects	4,336,000	3,726,518	3,740,590
Total revenue	42,605,239	43,825,779	42,453,091
Expenses (note 17):			
Corporate services	7,030,458	7,106,687	6,136,712
Natural hazards and watershed management	8,116,919	6,920,536	6,407,650
Permitting and planning	5,025,549	4,185,773	5,094,105
Conservation lands management	2,356,401	2,052,894	1,767,427
Conservation lands recreation	15,745,673	16,894,313	15,219,383
Major projects	2,907,000	2,713,236	2,521,995
Debt financing charges	186,810	150,388	153,187
Total expenses	41,368,810	40,023,827	37,300,459
Annual surplus	1,236,429	3,801,952	5,152,632
Accumulated surplus, beginning of year	88,958,632	88,958,632	83,806,000
Accumulated surplus, end of year	$ 90,195,061	$ 92,760,584	$ 88,958,632

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Changes in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget (Note 11)	2024 Actual	2023 Actual
Annual surplus	$ 1,236,429	$ 3,801,952	$ 5,152,632
Acquisition of tangible capital assets	(6,498,927)	(4,583,008)	(3,768,677)
Amortization of tangible capital assets	2,217,000	2,217,741	1,963,651
Amortization of asset retirement obligations	–	2,189	2,189
Proceeds on disposal of tangible capital assets	–	34,394	36,860
Gain on disposal of tangible capital assets	–	(12,060)	(1,486)
	(3,045,498)	1,461,208	3,385,169
Change in prepaid expenses	–	(75,643)	(39,807)
Change in inventories	–	(34,339)	36,259
Net change in net financial assets	(3,045,498)	1,351,226	3,381,621
Net financial assets, beginning of the year,	9,296,877	12,478,523	9,096,902
Net financial assets, end of year	$ 6,251,379	$ 13,829,749	$ 12,478,523

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities		
Annual surplus	$ 3,801,952	$ 5,152,632
Items not involving cash:		
Amortization of tangible capital assets	2,217,741	1,963,651
Amortization of asset retirement obligations	2,189	2,189
Gain on disposal of tangible capital assets	(12,060)	(1,486)
	6,009,822	7,116,986
Change in non-cash working capital balances:		
Accounts receivable	1,140,409	(1,281,475)
Prepaid expenses	(75,643)	(39,807)
Inventory	(34,339)	36,259
Accounts payable and accrued liabilities	77,917	(408,811)
Deferred revenue	(1,374,842)	(898,072)
Deferred revenue - capital and major projects	(130,091)	(58,913)
	5,613,233	4,466,167
Capital transactions:		
Acquisition of tangible capital assets	(4,583,008)	(3,768,677)
Proceeds on disposal of tangible capital assets	34,394	36,860
	(4,548,614)	(3,731,817)
Investing activities:		
Purchase of investments	(4,370,224)	(7,179,678)
Sale of investments	5,000,000	7,000,000
Investment - Water Management System	(1,015,327)	(835,831)
	(385,551)	(1,015,509)
Financing transactions:		
Deferred revenue - Water Management System	1,015,327	835,831
Advance of long-term debt	322,884	95,825
Repayment of long-term debt	(384,394)	(386,820)
	953,817	544,836
Net change in cash and cash equivalents	1,632,885	263,677
Cash and cash equivalents, beginning of year	12,661,599	12,397,922
Cash and cash equivalents, end of year	$ 14,294,484	$ 12,661,599
Cash and cash equivalents:		
Cash	$ 3,828,935	$ 2,761,162
Cash in short-term investments (note 3)	59,414	56,362
Notice plan investment (note 3)	5,921,274	5,622,111
Pooled fund - High interest savings (note 3)	4,484,861	4,221,964
	$ 14,294,484	$ 12,661,599

See accompanying notes to financial statements.

CONSERVATION HALTON

Notes to Financial Statements

Year ended December 31, 2024

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:

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) Revenue recognition:

(i) Government transfers:

Government transfers, which include municipal grants, provincial transfer payments and major project funding, are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

(ii) Other revenue:

Other revenues from transactions with performance obligations, such as program fees, revenue for permitting and planning, conservation lands management, conservation lands recreation fees and major projects of goods or rendering of services, are recognized as the Conservation Halton satisfies a performance obligation by providing the promised goods or services to the payor. Other revenue from transactions with no performance obligations are recognized when the Conservation Halton has the authority to claim or retain an inflow of economic resources and when a past transaction or event is an asset.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash and cash equivalents	Cost
Accounts receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Long-term liabilities	Amortized cost

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.

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.

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.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(d) 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.

(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.

(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 and performance obligation has been met.

(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.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(h) 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.

(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.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

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1. Significant accounting policies (continued):

(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. 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.

(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.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Adoption of new accounting standards:

Conservation Halton adopted the following accounting standards beginning January 1, 2024, retroactively, with no impact on the financial statements:

I. PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. For exchange transactions, revenue is recognized when a performance obligation is satisfied. For non-exchange transactions, revenue is recognized when there is authority to retain an inflow of economic resources and a past event that gave rise to an asset has occurred.

II. PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

III. PS 3160 *Public Private Partnerships* (P3s) provides specific guidance on the accounting and reporting for P3s between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

3. Short-term investments:

	Level	2024	2023
Cash	1	$ 59,414	$ 56,362
Notice plan investment	1	5,921,274	5,622,111
Guaranteed investment certificates	1	7,000,000	8,000,000
Pooled fund – High interest savings	1	4,484,861	4,221,964
Pooled fund – Corporate bonds	2	4,769,135	4,650,160
Pooled fund – Equities	2	983,054	731,805
Total		$ 23,217,738	$ 23,282,402

The guaranteed investment certificates have effective rates that range between 4.03% and 5.90% (2023 - 4.85% and 6.01%). Interest is receivable on the date of maturity. Maturity dates range from March 19, 2025 to October 30, 2026.

The notice plan investment has accrued interest rate of 3.90% that is tied to bank reference rates that are subject to change and withdrawals require 31 days' notice.

Fair value of short-term investments is $24,259,688 (2023 - $24,123,461).

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

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

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	2024	2023
Cash	1	$ 13,110	$ 337,494
Provincial and provincially regulated agency bonds	2	14,570,008	13,230,297
Total		$ 14,583,118	$ 13,567,791

The provincial and provincially regulated agency bonds have effective yields of 3.11% to 4.22% (2023 - 3.11% to 4.22%). Interest is receivable on the date of maturity. Maturity dates range from July 16, 2027 to March 5, 2052.

Fair value of investments is $14,064,612 (2023 - $13,160,589).

5. Accounts receivable:

Included in accounts receivable is $722,595 (2023 - $539,736) due from Conservation Halton Foundation.

During 2024, the Foundation contributed $1,592,827 (2023 - $980,150) to fund projects carried out by Conservation Halton.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

6. Deferred revenue:

Deferred revenue includes the following amounts:

	Balance at December 31, 2024	Additions	Revenue recognized	Balance at December 31, 2023
Watershed management	$ 1,549,192	$ 12,000,311	$ 12,001,388	$ 1,550,269
Partnership projects	1,359,000	600,423	386,998	1,145,575
Source water protection	30,427	240,182	340,219	130,464
Conservation areas	4,877,416	7,743,049	9,230,202	6,364,569
	$ 7,816,035	$ 20,583,965	$ 21,958,807	$ 9,190,877

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.

7. Deferred revenue - Capital and Major Projects:

	Balance at December 31, 2024	Contributions received	Revenue recognized	Balance at December 31, 2023
Capital - Ministry of Natural Resources and Forestry	$ 120,451	$ 308,587	$ 351,569	$ 163,433
Capital - Municipal	612,007	294,001	381,110	699,116
	$ 732,458	$ 602,588	$ 732,679	$ 862,549

CONSERVATION HALTON
Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Long-term liabilities:

	2024	2023
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	$ 29,236	$ 77,058
Municipal debt financing and interest payments due annually at variable current interest rates of 3.0% to 3.2% annual principal repayments, due December 2025 to December 2050	4,410,425	4,424,113
	$ 4,439,661	$ 4,501,171

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

2025	$ 310,505
2026	213,204
2027	194,407
2028	193,902
2029	193,902
Thereafter	3,333,741
	$ 4,439,661

CONSERVATION HALTON
Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions	Disposals	Transfers	Balance at December 31, 2024
Land	$ 38,083,447	$ –	$ –	$ –	$ 38,083,447
Land improvements	1,702,701	–	–	–	1,702,701
Buildings and building improvements	17,115,151	842,587	–	–	17,957,738
Machinery and equipment	9,303,602	1,225,660	(146,863)	17,477	10,399,876
Furniture and fixtures	486,184	14,901	–	–	501,085
Infrastructure	37,807,741	1,762,560	(95,203)	463,061	39,938,159
Vehicles	2,915,238	544,895	(105,584)	–	3,354,549
Computer hardware and software	1,565,290	113,436	(8,485)	–	1,670,241
Assets under construction	494,991	78,969	–	(480,538)	93,422
Asset retirement obligations (note 10)	199,975	–	–	–	199,975
	$ 109,674,320	$ 4,583,008	$ (356,135)	$ –	$ 113,901,193

Accumulated amortization	Balance at December 31, 2023	Additions	Disposals	Transfers	Balance at December 31, 2024
Land	$ –	$ –	$ –	$ –	$ –
Land improvements	390,103	47,201	–	–	437,304
Buildings and building improvements	7,476,143	465,595	–	–	7,941,738
Machinery and equipment	5,492,933	444,236	(141,166)	–	5,796,003
Furniture and fixtures	281,389	20,677	–	–	302,066
Infrastructure	16,497,909	866,900	(87,508)	–	17,277,301
Vehicles	2,187,662	256,899	(98,454)	–	2,346,107
Computer hardware and software	1,261,375	116,233	(6,673)	–	1,370,935
Assets under construction	–	–	–	–	–
Asset retirement obligations	153,156	2,189	–	–	155,345
	$ 33,740,670	$ 2,219,930	$ (333,801)	$ –	$ 35,626,799

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Tangible capital assets (continued):

	Net book value balance at December 31, 2023	Net book value balance at December 31, 2024
Land	$ 38,083,447	$ 38,083,447
Land improvements	1,312,598	1,265,397
Buildings and building improvements	9,639,008	10,016,000
Machinery and equipment	3,810,669	4,603,873
Furniture and fixtures	204,795	199,019
Infrastructure	21,309,832	22,660,858
Vehicles	727,576	1,008,442
Computer hardware and software	303,915	299,306
Assets under construction	494,991	93,422
Asset retirement obligations	46,819	44,630
	$ 75,933,650	$ 78,274,394

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Tangible capital assets (continued):

Cost	Balance at December 31, 2022	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 10)	199,975	–	–	–	199,975
	$ 106,502,087	$ 3,768,677	$ (596,444)	$ –	$ 109,674,320

Accumulated amortization	Balance at December 31, 2022	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	150,967	2,189	–	–	153,156
	$ 32,335,900	$ 1,965,840	$ (561,070)	$ –	$ 33,740,670

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Tangible capital assets (continued):

	Net book value, Balance at December 31, 2022	Net book value Balance at December 31, 2023
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	221,787	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	999,712	494,991
Asset retirement obligations	49,008	46,819
	$ 74,166,189	$ 75,933,650

10. Asset retirement 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 (2023 - $104,225). 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 (2023 - $95,750).

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

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

	2024	2023
Balance, beginning of the year	$ 199,975	$ 199,975
Less: obligations settled during the year	–	–
Balance, end of the year	$ 199,975	$ 199,975

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Budget amounts:

The 2024 budget amounts approved by Conservation Halton on October 19, 2023 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. In addition, the budget expensed all tangible capital expenses rather than including amortization expenses. As a result, the budget figure presented in the statements of operations and changes in net financial assets represent the budget adopted by Conservation Halton on October 19, 2023 with adjustments as follows:

	2024
Budget deficit for the year	$ (1,990,264)
Less: Amortization of tangible capital assets	(2,217,000)
Less: Municipal debt financing	(1,500,000)
Add: Acquisition of tangible capital assets	6,498,927
Add: Debt financing charges - principal portion	444,766
Budget surplus per Statement of Operations	$ 1,236,429

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Accumulated surplus:

Accumulated surplus consists of operating surplus and reserves as follows:

	Balance at December 31, 2024	Annual surplus (deficit)	Transfers (to) from reserves	Balance at December 31, 2023
Surplus - investment in tangible capital assets	$ 78,274,394	$ (2,242,264)	$ 4,583,008	$ 75,933,650
Surplus (deficit) - current funds	(4,439,652)	6,044,216	(5,659,822)	(4,824,046)
Total surplus	73,834,742	3,801,952	(1,076,814)	71,109,604
Reserves:				
Conservation areas capital	5,247,685	–	(543,387)	5,791,072
Conservation areas stabilization	1,377,000	–	107,000	1,270,000
Vehicle and equipment	769,899	–	16,263	753,636
Building	1,306,699	–	5,852	1,300,847
Building - state of good repair	619,293	–	47,658	571,635
Watershed management capital - municipal funds	1,250,339	–	156,993	1,093,346
Watershed management capital - self generated funds	603,109	–	71,700	531,409
Watershed management and support services stabilization	1,941,375	–	114,873	1,826,502
Digital transformation	525,400	–	26,100	499,300
Debt financing charges capital	656,058	–	97,794	558,264
Legal - planning and watershed management	941,995	–	–	941,995
Legal - corporate	300,000	–	–	300,000
Water festival	131,191	–	–	131,191
Property management	1,647,242	–	81,800	1,565,442
Land securement	1,003,506	–	756,167	247,339
Stewardship and restoration	605,051	–	138,001	467,050
Total reserves	18,925,842	–	1,076,814	17,849,028
Accumulated surplus	$ 92,760,584	$ 3,801,952	$ –	$ 88,958,632

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 $3,556,274 (2023 - $3,385,382) as at December 31, 2024. No deposit to the trust account by the funder is required to be made by March 31, 2024 (2023 - $nil) based on extraction in 2024. 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 Parks, various dam studies and repairs, and leases for office equipment and vehicles. Commitments outstanding on these contracts to be paid beyond December 31, 2024 are as follows:

2025	$ 3,025,864
2026	52,196
	$ 3,078,060

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.

CONSERVATION HALTON
Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Pension agreements (continued):

The latest available report for the OMERS plan was December 31, 2024. At that time the plan reported a $2.9 billion actuarial deficit (2023 - $4.2 billion actuarial deficit), based on actuarial liabilities of $140.8 billion (2023 - $134.6 billion) and actuarial assets $137.9 billion (2023 - $130.4 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2024 employer portion of OMERS pension contributions was $1,689,996 (2023 - $1,587,433).

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, 2024 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 $105,938 (2023 - $nil).

There have been no significant changes to the credit risk exposure from 2023.

(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.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

16. Financial risks (continued):

(c) 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 2023.

CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2024

17. Revenue and expenses by program:

2024	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	$ 4,957,999	$ 2,514,319	$ 1,310,439	$ 1,245,279	$ 369,986	$ –	$ 631,576	$ 599,600	$ 11,629,198
Municipal funding - major projects	–	–	–	–	–	247,610	–	–	247,610
Provincial transfer payments	–	155,034	–	–	–	–	–	–	155,034
Program fees and other	1,532,391	3,784,621	2,775,332	509,061	19,713,624	3,478,908	–	–	31,793,937
	6,490,390	6,453,974	4,085,771	1,754,340	20,083,610	3,726,518	631,576	599,600	43,825,779
Expenses:									
Salaries, wages and benefits	5,066,146	4,525,671	3,931,784	1,465,697	10,574,038	484,089	–	–	26,047,425
Members per diems and expenses	30,485	–	–	–	–	–	–	–	30,485
Materials and supplies	174,994	305,219	1,495	209,667	1,918,169	1,587,836	–	–	4,197,380
Property taxes	–	–	–	75,890	–	–	–	–	75,890
Purchased services	1,420,092	1,487,517	10,373	136,104	2,699,642	641,311	–	–	6,395,039
Legal	12,699	7,714	242,121	51,806	9,514	–	–		323,854
Finance and rent	150,224	3,563	–	5,505	436,204	–	–	–	595,496
Debt financing charges	–	–	–	–	–	–	150,388	–	150,388
Amortization of tangible capital assets and ARO	250,368	590,852	–	126,009	1,252,701	–	–	–	2,219,930
Loss (gain) on disposal of tangible capital assets	1,679	–	–	(17,784)	4,045	–	–	–	(12,060)
	7,106,687	6,920,536	4,185,773	2,052,894	16,894,313	2,713,236	150,388	–	40,023,827
Annual surplus (deficit)	$ (616,297)	$ (466,562)	$ (100,002)	$ (298,554)	$ 3,189,297	$ 1,013,282	$ 481,188	$ 599,600	$ 3,801,952

CONSERVATION HALTON

Notes to Financial Statements (continued)

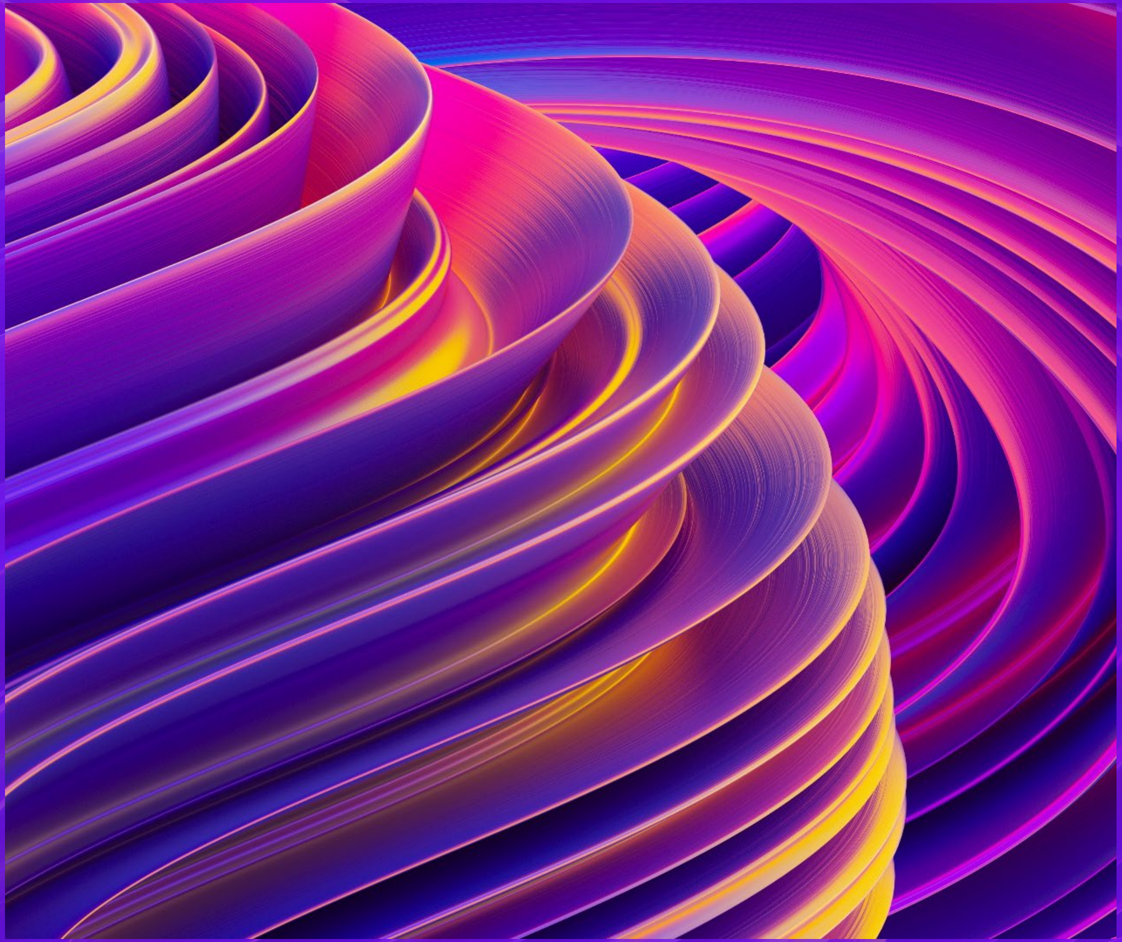
Year ended December 31, 2024

17. Revenue and expenses by program (continued):

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	1,775,932	1,575,678	–	–	4,044,494
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	–	–	–	–	–	–	153,187	–	153,187
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	15,219,383	2,521,995	153,187	–	37,300,459
Annual surplus (deficit)	$ (441,719)	$ (302,958)	$ 302,747	$ (129,105)	$ 3,513,133	$ 1,218,595	$ 426,939	$ 565,000	$ 5,152,632

KPMG

Conservation Halton



Audit Findings Report
for the year ended December 31, 2024

KPMG LLP

Licenced Public Accountants

Prepared as of March 24, 2025 for presentation to the Audit Committee on April 3, 2025

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement

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Table of contents

Digital use information

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

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

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

Audit highlights

No matters to report

Matters to report – see link for details

Scope

Our audit of the financial statements of Conservation Halton (“the Organization”) as of and for the year ending December 31, 2024, will be performed in accordance with Canadian generally accepted auditing standards.

Engagement letter

Status

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Audit strategy

Materiality $1,100,000

Involvement of others

Risks and results & Significant unusual transactions

Significant risks

Other risks of material misstatement

Going concern matters

Significant unusual transactions

Policies and practices & Specific topics

Accounting policies and practices

Other financial reporting matters

Specific topics

Misstatements - uncorrected

Uncorrected misstatements

Misstatements - Corrected

Corrected misstatements

Control deficiencies

Significant deficiencies

Audit Quality

Learn more about how we deliver audit quality

Independence

Annual Statement of Compliance

Status

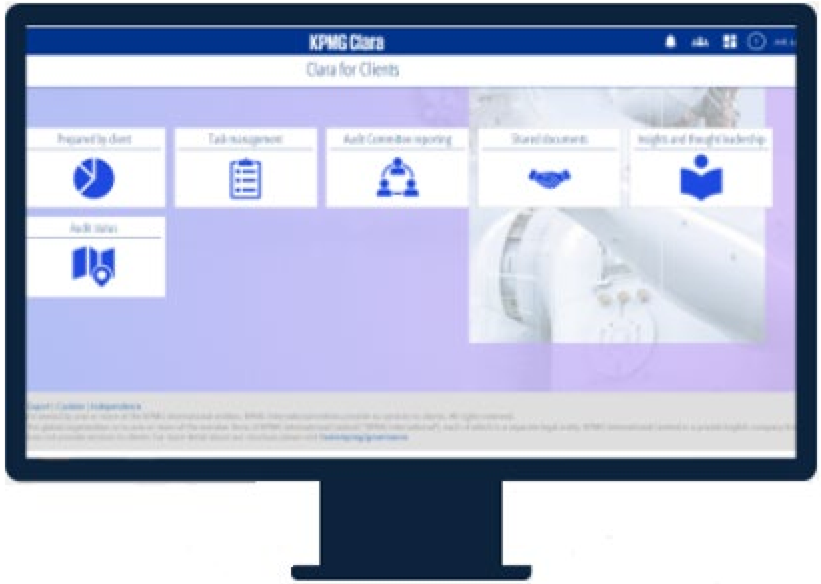
As of March 24, 2025, the date of preparation of Audit Findings Report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completion of investment price testing;
- 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.

KPMG Clara for Clients (KCc)



Real-time collaboration and transparency

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

On our audit we used KCc to coordinate requests with management.

Learn more

Updates to our prior year audit plan

Other significant changes

Newly effective accounting standards

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

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

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

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

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

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

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

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

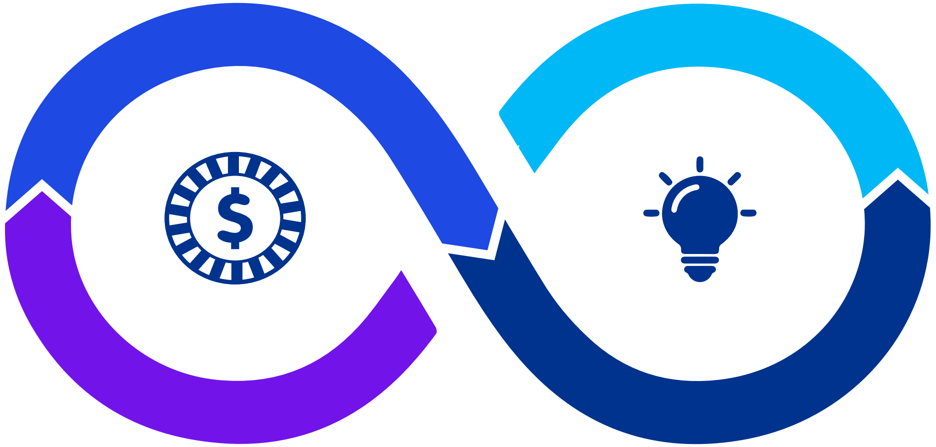
Newly effective accounting standards

Newly effective auditing standards

There are no new auditing standards impacting the current year audit

Future changes to auditing standards

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.

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

Plan and perform the audit

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

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

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

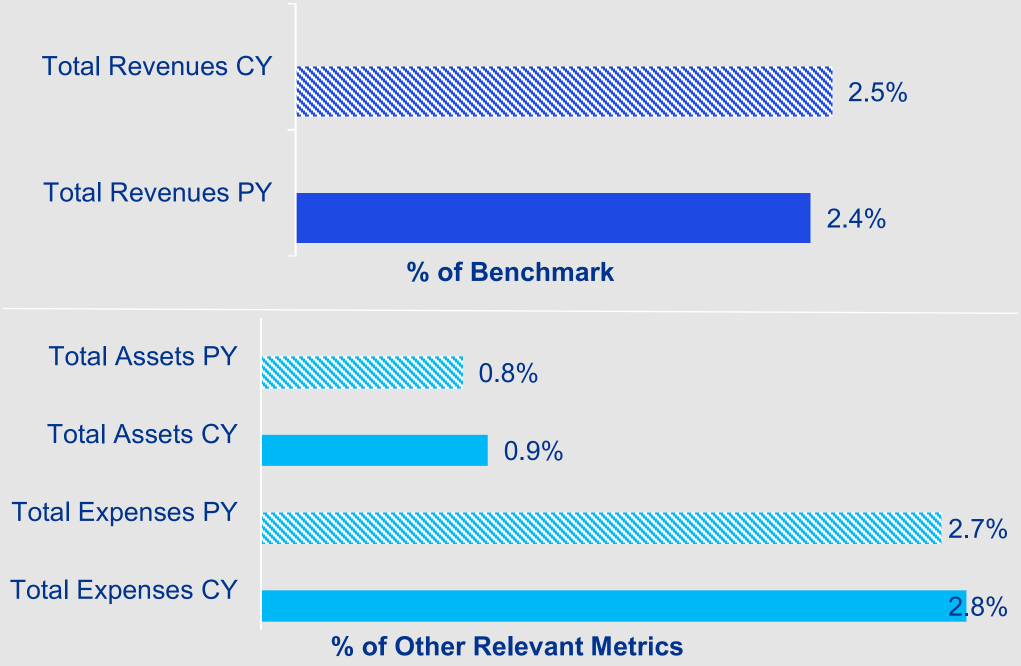
Evaluate the effect of misstatements

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

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

Materiality

Materiality
$1,100,000
(2023: $1,000,000)



Total Revenues
$43,831,630
(2023: $42,453,091)

Total Expenses
$39,918,507
(2023: $37,300,460)

Total Assets
$123,820,198
(2023: $120,385,507)

KPMG Clara AI Transaction Scoring – OPEX

We have utilized our new KPMG Clara AI Transaction Scoring tool to enhance the quality and effectiveness of the audit. AI Transaction Scoring simultaneously tested each [revenue/operating expense] transaction through a mix of rules-based, machine learning algorithms, and advanced statistical scenarios to assign a risk score and categorize the entire relevant population by risk. This allowed our team to focus primarily on transactions with the highest risk, while giving you positive assurance over the remaining population.

The visualization below is a snapshot of our AI Transaction Scoring tool displaying the results of the analysis performed over operating expenses (existence and accuracy).

Total # of entries	% of value - high risk	% of value - medium risk	% of value - low risk
10,894	0.0%	13.3%	86.7%

- The tool scored 86.7% of the operating expense population as low risk, 13.3% as medium risk and 0.0% as high risk. KPMG performed further testing over items identified as medium and high risk and did not identify any audit differences.
- We noted the majority of the medium risk population related to entries for reallocations between expense accounts and accruals at high dollar values.

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 Conservation Halton's accounting practices

No significant qualitative aspects to note.

Other risks of material misstatements and results

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

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 confirmations of funding received by the Conservation Halton from local municipalities and reconciled to cash received and revenue reported for the fiscal year.
- We performed statistical sampling over the accounts receivable subledger and obtained confirmation of receivable balances.
- We have performed statistical sampling over contributions received 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 misstatements and results

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

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 revenues. The items selected were agreed to supporting documentation, assessed whether accurately recorded in the proper year.
- We performed cut-off testing for revenues to assess whether they were 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 misstatements and results

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

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 performed substantive analytical procedures over amortization by developing an expectation and comparing to amount expensed.
- 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 misstatements and results

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

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 substantive analytical procedures and substantive test of details over non-payroll expenses with AI Transaction Scoring, powered by Mindbridge.
- We performed statistical sampling over accounts payable subledger. The items selected were agreed to supporting documentation, assessed whether accurately recorded in the proper year.
- We performed specific item testing over accrued expenses. The items selected were agreed to supporting documentation, assessed whether accurately recorded in the proper year.
- We performed a search for unrecorded liabilities to assess the completeness and accuracy of year-end accruals.
- We performed cut-off testing for expenses to assess whether they were accurately recorded in the proper year.
- For payroll expenses, we performed substantive analytical procedures comparing the average year-over-year payroll expense by headcount while including the effects of any non-union and union approved wage increases.
- We performed test of details over the headcount listing, vouching source documents to employee data and payroll amounts.
- No issues noted.

Significant qualitative aspects of the Conservation Halton's accounting practices

No significant qualitative aspects to note.

Required inquiries of the audit committee

Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee's views about fraud risks, including management override of controls, in the Organization? And have you taken any actions to respond to any identified fraud risks?
- Is the Audit Committee aware of, or has the Audit Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
  - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Audit Committee exercise oversight of the Organization's fraud risks and the establishment of controls to address fraud risks?

Inquiries regarding Organization processes

- Is the Audit Committee aware of tips or complaints regarding the Organization's financial reporting (including those received through the Audit Committee's internal whistleblower program, if such programs exist)? If so, the Audit Committee's responses to such tips and complaints?

Inquires regarding related parties and significant unusual transactions

- Is the Audit Committee aware of any instances where the Organization entered into any significant unusual transactions?
- What is the Audit Committee's understanding of the Organization's relationships and transactions with related parties that are significant to the Organization?
- Is the Audit Committee concerned about those relationships or transactions with related parties? If so, the substance of those concerns?

Accounting policies and practices

Initial selection of significant accounting policies and practices

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

- PS 3400 - Revenue
- PS 3160 – Public Private Partnerships
- PSG-8 – Purchased Intangibles

Description of new or revised significant accounting policies and practices

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	The revised Concepts Underlying Financial Performance is effective for fiscal years beginning on or after April 1, 2026. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. 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.
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 (identified or suspected)	No matter to report
Other information in documents containing the audited financial statements	No matter to report
Significant difficulties encountered during the audit	No matter to report
Difficult or contentious matters for which the auditor consulted	No matter to report
Management's consultation with other accountants	No matter to report
Disagreements with management	No matter to report
Related parties	No matter to report
Significant issues in connection with our appointment or retention	No matter to report
Other matters that are relevant matters of governance interest	No matter to report
Significant matters subject to correspondence with management	No matter to report
Issues with sending external confirmation requests	No matter to report

Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements. This includes misstatements identified in opening balances that have been corrected.

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Impact of corrected misstatements

- We have identified an immaterial disclosure misstatement related to the 2023 prior fiscal year Accounts receivable note. The Organization has recorded a trade receivable amount of $316,737 related to funding designated flowed through the Foundation. While it was correctly included in accounts receivable balance, it was not included in the disclosure of accounts receivable from the Foundation.

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 Conservation Halton 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 throughout the audit.

Audit quality - How do we deliver audit quality?

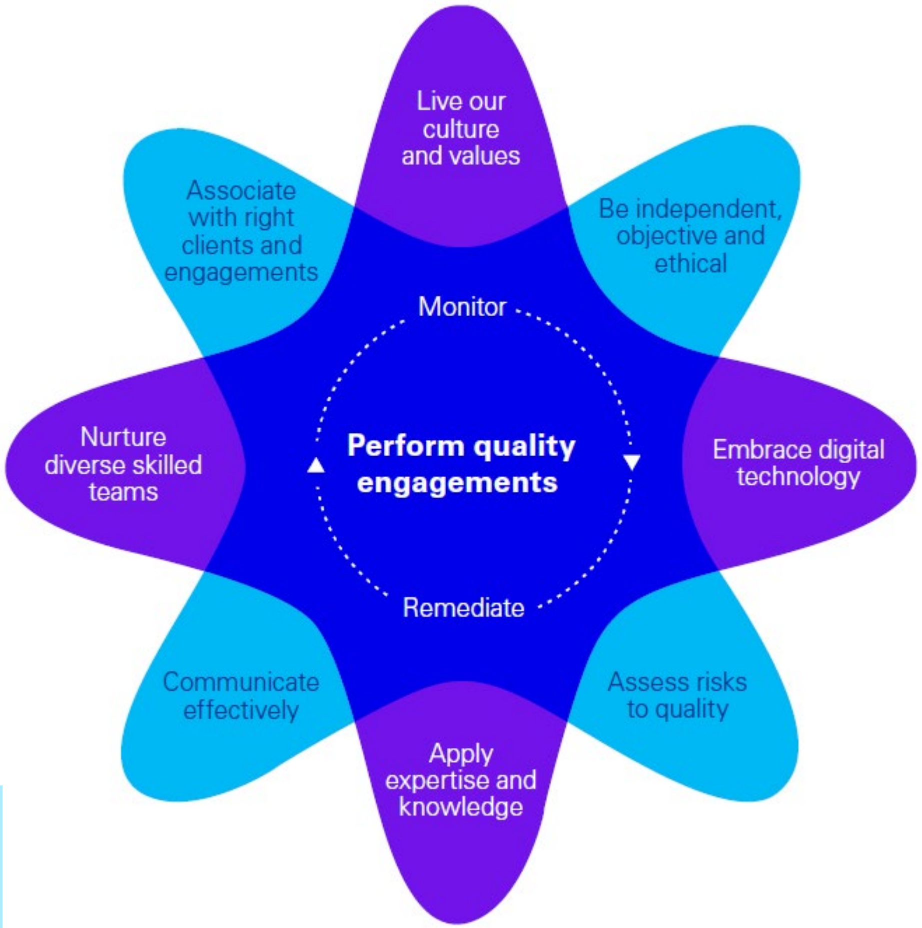
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

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

- KPMG Canada Transparency Report
- Statement on the effectiveness of the System of Quality Management of KPMG LLP as at September 30, 2024

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.

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

- Our team members have relevant industry experience to carry out the audit

Technology in the audit

Implementation of Technology in the Audit

- We have a number of technologies implemented in the audit including:
  - **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
  - **KPMG Clara Analytics – AI Transaction Scoring** - AI tool that applies advanced statistical, machine learning, and rules-based analytics technology to analyze transactions on a more granular level and deliver an even higher quality audit.

Timing of prepared by client (PBC) items

Timeliness of PBC items

- We requested 64 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

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 the Conservation Halton in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

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

Independence: Services - Additional detail

Audit services

Detailed description of service	Potential effects of the proposed service on independence
Audit of financial statements for the year ended December 31, 2024 accordance with Canadian accounting standards for 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.

All other services

Detailed description of service	Potential effects of the proposed service on independence
Assistance with the word processing and preparation of the Conservation Halton financial statements for the year ended December 31, 2024.	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.

Independence: Services - 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 the 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 include: (1) various tax matters as they arise, on an ongoing basis. Indirect tax recovery services in relation to expenses being reviewed for ITC eligibility; (2) support regarding the Client's eligibility for purposes of the CEWS (Canada Employment Wage Subsidy) and any related queries from the CRA regarding same. Income tax advisory support related to client queries as they arise; (3) to advise the Conservation Halton on the implementation of new PSAS accounting standard - Asset Retirement Obligations related to year ended December 31, 2023..	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.

Appendices

- Required communications
- Engagement letter
- Management representation letter
- Future auditing standards
- Future accounting standards
- Insights
- Technology and continuous evolution

Appendix: Other required communications

Engagement terms

A copy of the engagement letter is included in the 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: 2022 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2023 Interim Inspections Results
- CPAB Regulatory Oversight Report: 2023 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2024 Interim Inspections Results

Appendix: Engagement letter

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

PRIVATE & CONFIDENTIAL

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

December 5, 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, 2024.

This letter supersedes our previous letter to the Entity dated March 21, 2024.

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.

Conservation Halton
December 5, 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".

KPMG

Conservation Halton
December 5, 2024

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

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

KPMG

Conservation Halton
December 5, 2024

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 $33,200.

The adoption of the new accounting standards relating to revenue recognition, and any significant changes to the presentation of the financial statements due to the adoption of the new conservation act will be billed based on hours incurred 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 (included in the above 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.

Conservation Halton
December 5, 2024

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

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)

06/ December/ 2024

Date (DD/MM/YY)

Conservation Halton
December 5, 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.

Conservation Halton
December 5, 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
December 5, 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, 2024
- 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, 2024, 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
December 5, 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.

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 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.

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, 2024.

GENERAL:

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

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

RESPONSIBILITIES:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated December 5, 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.

OTHER INFORMATION:

11) 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:

12) We approve the corrected misstatements identified by you during the audit described in Attachment II.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

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

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

OTHER:

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

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: Chandra Sharma, President and CEO

____

By: Justin Wei, Acting Director, Finance

cc: Audit Committee

Attachment I – Definitions

MATERIALITY

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

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

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

FRAUD & ERROR

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

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

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

Attachment II – Summary of Audit Misstatements Schedule(s)

Summary of Corrected Audit Misstatements

1	Identification of an immaterial disclosure misstatement related to the 2023 prior fiscal year Accounts receivable note. The Organization has recorded a trade receivable amount of $316,737 related to funding designated flowed through the Foundation. While it is correctly included in accounts receivable balance, it was not included in the disclosure of accounts receivable from the Foundation	Corrected	Factual

Appendix: Upcoming changes to 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, 2024 (Year ending December 31, 2025)

ISA 260/CAS 260

Communications with those charged with governance

ISA 700/CAS 700

Forming an opinion and reporting on the financial statements

Appendix: Possible changes to accounting standards

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 – Exposure draft	• 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 : Possible changes to accounting standards (continued)

Standard	Summary and implications
Employee benefits – Exposure Draft	The Public Sector Accounting Board has initiated a review of sections PS 3250 Retirement benefits and PS 3255 Post-employment benefits, compensated absences and termination benefits and in 2021 issued an Exposure Draft, was open for comments in Fall 2021. At this time, the Public Sector Accounting Standards Board is currently deliberating the Exposure Draft comments. Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. The proposed requires a public sector entity that participates in a multi-employer defined benefit plan to account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plans, if there is sufficient information to do so. The proposed section PS 3251 Employee benefits will replace the current sections PS 3250 Retirement benefits and PS 3255 Post-employment benefits, compensated absences and termination benefits. It will apply to fiscal years beginning on or after April 1, 2026.

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

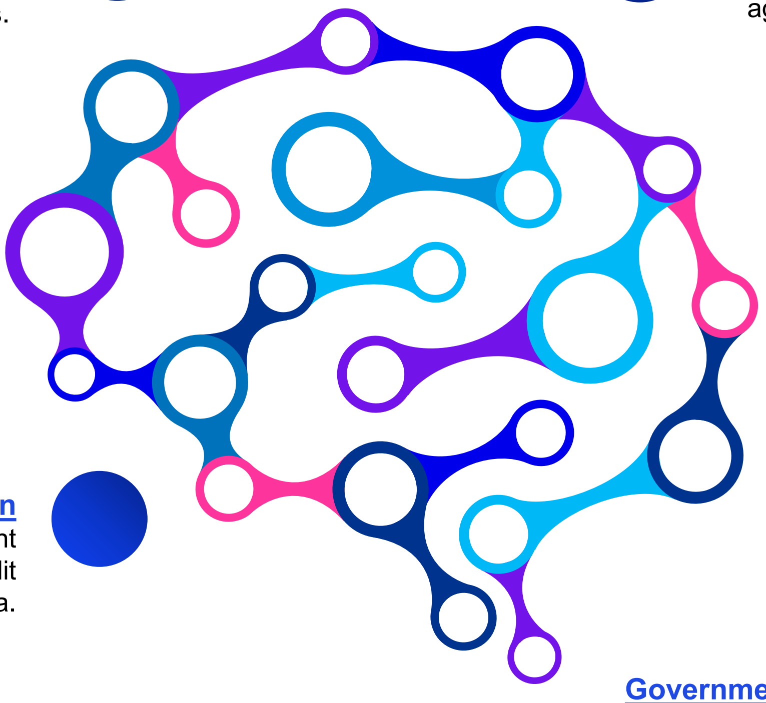
Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2025

The key issues driving the audit committee agenda in 2025.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

Insights - KPMG Canada

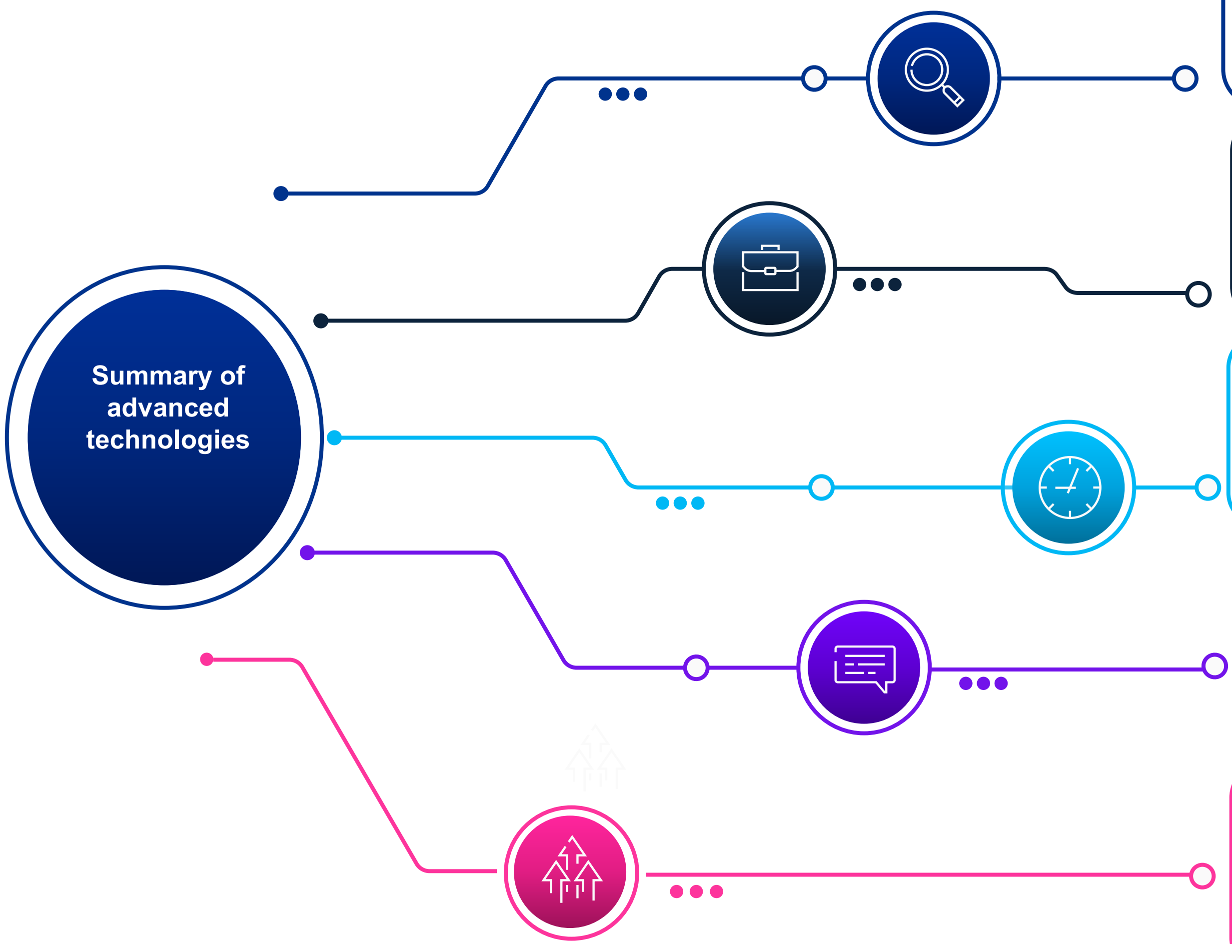
The latest insights, trends and resources to support and inform your organization's financial, operational and strategic objectives

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.

Appendix: Technology highlights

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



KPMG Clara Analytics

Using the latest technologies to analyze data, KPMG Clara allows us to visualize the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures. The engagement team primarily use this tool to prepare trend analytics (planning and final) during the audit.

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.

KPMG Clara Analytics – AI Transaction Scoring, powered by MindBridge

MindBridge is a tool that applies advanced statistical, machine learning, and rules-based analytics technology to analyze transactions on a more granular level and deliver an even higher quality audit. The engagement team primarily use this tool to perform testing over non-salary expenses during the audit.

Appendix: Continuous evolution

Our investment:
We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model
Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience
Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.

Standardization
+
Automation
+
Centralization

Methodology and Approach

Data and tech enablement + Center for Audit Solutions + Next-gen auditor

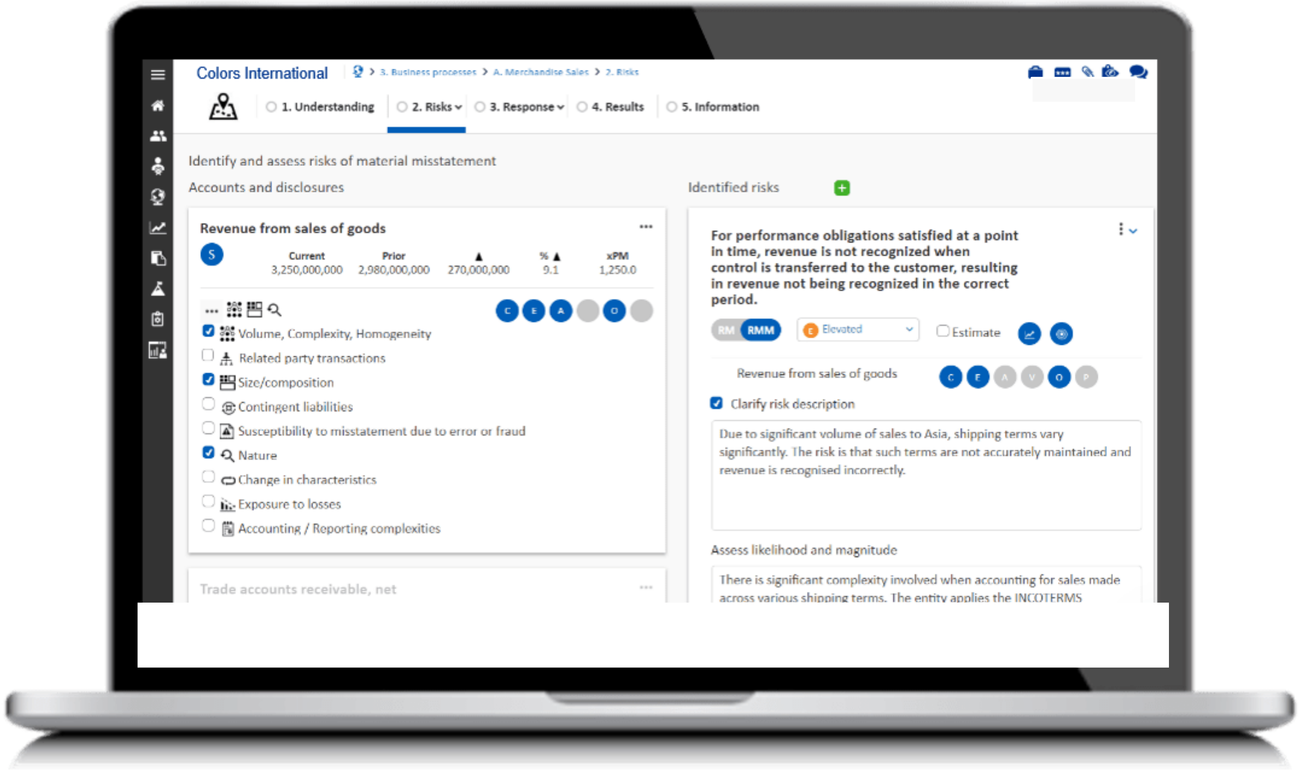
Quality Management System

Enhanced audit quality
+
Increased efficiency
+
Exceptional experiences

FA 01 25 03 – Attachment 2

Appendix: KPMG Clara Generative AI

With our global alliance partner Microsoft, we have embarked on a journey to embed Generative AI into our smart audit platform—KPMG Clara. This will make our auditors more productive and give them the tools to provide quicker feedback, make more insightful connections, and deliver a better audit experience.



AI done right

Although early adoption is key, we are focused on avoiding reliance on a 'black box' so we're building 'explainability' and 'traceability' at the core.

Bolstered productivity

Focused on removing time-consuming low value tasks, we'll apply our skills in other, more judgmental areas or in order to give insights to you.

Quality at our fingertips

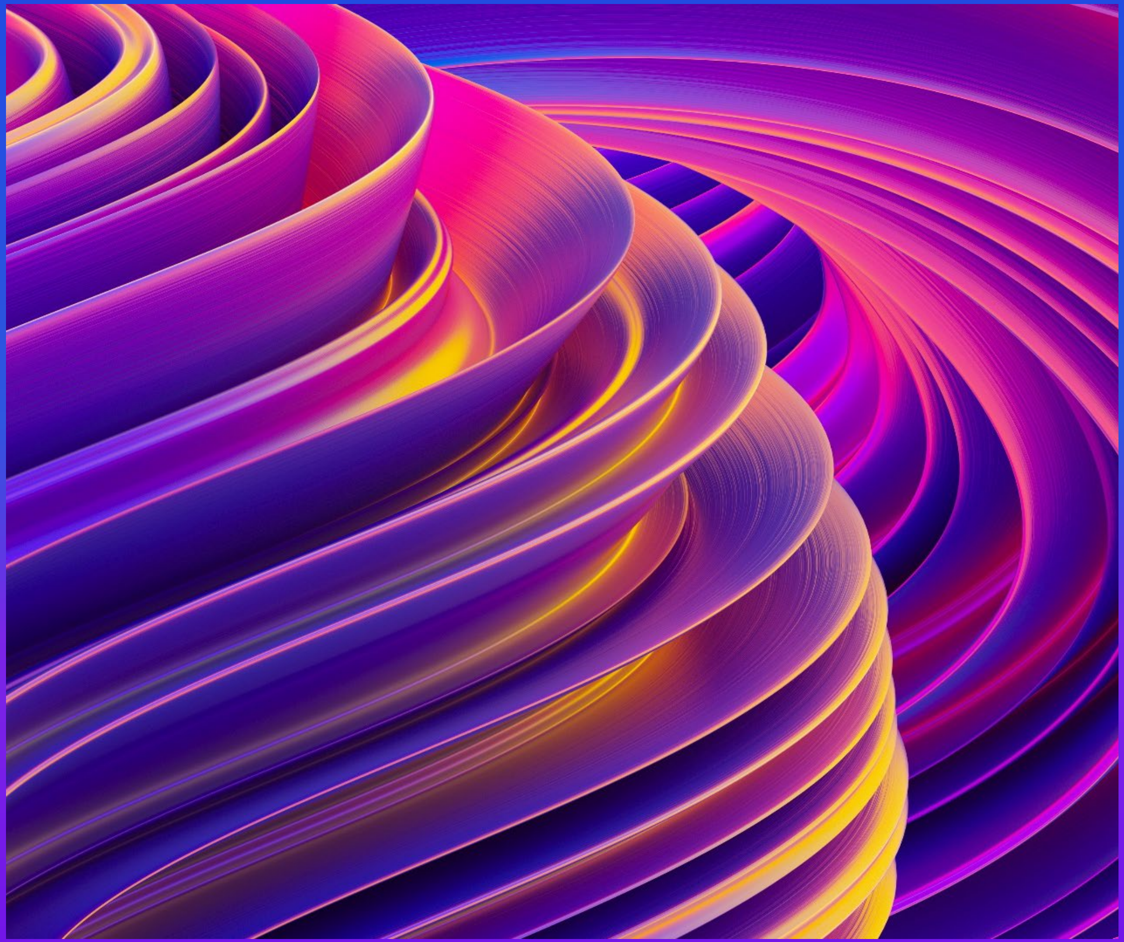
We are teaching our model with our knowledge databases to capture our vast experience. This means quality information accessible in seconds.

Secure integration

KPMG Clara has been built on a solid and secure Azure Cloud backbone, allowing us to easily integrate Generative AI in partnership with Microsoft.

KPMG

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



Conservation Halton

April 2025

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

REPORT NO: # FA 01 25 04

FROM: Winston Young, Chief Financial Officer

DATE: April 3, 2025

SUBJECT: **Appointment of Auditor for 2025**

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 2025 fiscal year.**

Report

As per The Halton Region Conservation Authority General Membership By-law, No. 2018-01, Section C.4, Annual Meeting agenda items includes the appointment of the auditor for the coming year. Section 38 of the *Conservation Authorities Act* also references the appointment of an independent auditor.

Conservation Halton (CH) staff recommends the reappointment of KPMG LLP as auditor for 2025 based on the services provided to date.

Audit fees were approved in June 2022 by the CH Board for the five-year term 2022 to 2026 and are subject to the annual reappointment of KPMG as auditor (Resolution No. CHBD 05 12).

Impact on Strategic Priorities

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

Financial Impact

The 2025 audit fee of $34,150 (plus applicable taxes) is included in the CH 2025 budget.

Signed & respectfully submitted:

Winston Young
Chief Financial Officer

Approved for circulation:

Chandra Sharma
President & CEO/Secretary-Treasurer

Conservation Halton

April
2025

FOR QUESTIONS ON CONTENT: Justin Wei, Acting Director, Finance
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