

February 12, 2026

The Crowe Valley Conservation Authority
70 Hughes Lane
PO Box 416
Marmora, Ontario
K0K 2M0

Attention: Ms. Janette Loveys Smith

To whom it may concern:

This letter will confirm the terms of engagement covering our audit of the financial statements of The Crowe Valley Conservation Authority ("Authority") for the fiscal year ending December 31, 2025.

Objective and Scope

Our function as auditors of the Authority is to express an opinion on the Authority's annual financial statements. We will conduct our audit in accordance with Canadian generally accepted auditing standards.

The objectives of our audit 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 these financial statements. Unless unanticipated difficulties are encountered, we will submit to you an audit report that will be substantially in the form presented in Appendix A. The form and content of our report may need to be amended in light of our audit findings.

Our Responsibilities

We will conduct our audit in accordance with Canadian generally accepted auditing standards, which require us to comply with ethical requirements. 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:

Our Responsibilities - Cont'd.

- 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. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit;
- 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 Authority'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 Authority to cease to continue as a going concern; and
- 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in or enters the public domain, we will not provide any third party with confidential information concerning the affairs of the entity without the Authority's prior consent, unless required to do so by legal authority, or the rules of professional conduct / code of ethics of the Chartered Professional Accountants of Ontario (CPA Ontario). You acknowledge that you are aware that Welch LLP (the "Firm") acts as auditors and accountants for clients that operate in the same industry and region as your Authority and that these other clients may be your members, suppliers and competitors.

Our Responsibilities - Cont'd.

We will handle your confidential information in accordance with our Firm's privacy policy which can be viewed in its entirety on our website at www.welchllp.com. Specifically, personal information will only be collected, used and disclosed for the intended purpose of the completion of our engagement. Welch LLP will retain confidential records in this matter for 7 to 10 years, as required by CPA Ontario, CRA requirements and as per Welch LLP's policies, at which time they will be securely destroyed.

Welch LLP will provide audit services and the engagement partner referenced in this letter will have the overall responsibility for performing the audit and issuing the related audit report. The engagement partner may assign other partners, managers, accountants or students to work on your file and these individuals will form part of the audit engagement team. Members of the engagement team may be employees of Welch LLP or subcontractors hired by Welch LLP. All members of the engagement team are required to comply with the privacy and confidentiality requirements referenced in this communication.

In accordance with professional regulations, our client files must periodically be reviewed by practice inspectors and by other Firm personnel to ensure that we are adhering to professional and Firm standards. These file reviewers are required to maintain confidentiality of client information.

We will communicate in writing the relationships between us and the Authority (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence.

Canadian Auditing Standards require us to communicate matters identified during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed. However, if we identify any of the following matters, they will be communicated to the appropriate level of management:

- (a) Misstatements, resulting from error, other than trivial errors;
- (b) Fraud or any information obtained that indicates that a fraud may exist;
- (c) Any evidence obtained that indicates that an illegal or possibly illegal act, other than one considered inconsequential, has occurred;
- (d) Significant deficiencies in the design or implementation of internal control to prevent and detect fraud or error; and
- (e) Related party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

Management's Responsibilities

Management is responsible for:

Financial statements

- (a) The preparation and fair presentation of the Authority's financial statements in accordance with Canadian public sector accounting standards.

Completeness of information

- (a) Providing us with and making available complete financial records and related data, and copies of all minutes of meetings of directors and committees of directors and all other information of which management is aware that is relevant to the preparation of financial statements;
- (b) Providing us with information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
- (c) Providing us with information relating to any illegal or possibly illegal acts, and all facts related thereto;
- (d) Providing us with information regarding all related parties and related party transactions;
- (e) Providing us with additional information we may request for the purpose of the audit; and
- (f) Providing us with unrestricted access to persons within the Authority from whom we determine it necessary to obtain audit evidence.

Fraud and error

- (a) Determining internal controls necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error;
- (b) Assessing the risk that the financial statements may be materially misstated as a result of fraud;
- (c) Providing us with information relating to any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others;
- (d) Communicating its belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole; and
- (e) Providing us with information relating to fraud or suspected fraud affecting the entity involving:
 - i) management;
 - ii) employees who have significant roles in internal control; or
 - iii) others, where the fraud could have a non-trivial effect on the financial statements.

Management's Responsibilities - Cont'd.

Recognition, measurement and disclosure

- (a) Providing us with its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
- (b) Providing us with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
- (c) Providing us with information relating to the measurement and disclosure of transactions with related parties;
- (d) Providing us with an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with the financial reporting framework selected;
- (e) Providing us with information relating to claims and possible claims, whether or not they have been discussed with the Authority's legal counsel;
- (f) Providing us with information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the Authority is contingently liable;
- (g) Providing us with information on whether the Authority has satisfactory title to assets, liens or encumbrances on assets exist, or assets are pledged as collateral;
- (h) Providing us with information relating to compliance with aspects of contractual agreements that may affect the financial statements; and
- (i) Providing us with information concerning subsequent events.

Written confirmation of significant representations

- (a) Providing us with written confirmation concerning representations made to us in connection with the audit including matters that are:
 - i) directly related to items that are material, either individually or in the aggregate, to the financial statements;
 - ii) not directly related to items that are material to the financial statements but are significant, either individually or in the aggregate, to the engagement; and
 - iii) relevant to your judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

Also, we will ask that your personnel, to the extent possible, prepare various schedules and analyses, and make various invoices and other documents available to our staff. This assistance will facilitate our work and minimize our costs to you. If for any reason your personnel are unable to provide this assistance we will discuss with you any fee revisions necessary to reflect the additional services we are required to undertake.

Other Matters

All working papers, files, and other materials, created, developed or performed by our Firm during the course of the audit are the property of our Firm and will be retained by us in accordance with our Firm policies and procedures.

In conducting an audit, our objective is to render an opinion as to whether or not the Authority's financial statements are free from material misstatement. Accordingly, the audit process may not detect situations where the Authority is incorrectly collecting or charging HST and payroll taxes or claiming input tax credits incorrectly. Determining the requirements of the Underused Housing Tax (UHT) filings and the filing obligation related thereto are not considered part of the audit engagement. Only upon your written request will we consider undertaking a separate special engagement to perform detailed work in these areas.

If reproduction or publication of our report, including electronic filings or postings of the report on a website, is planned, a copy of that material should be submitted to us in sufficient time for our review before the printing process or posting process begins.

The examination of the financial statements and the issuance of our audit opinion are solely for the use of the Authority and those to whom our report is specifically addressed by us. We make no representation of any kind to any third party in respect of these financial statements and we accept no responsibility for the use by any third party.

Unless we are advised to the contrary, our services may be conducted and obligations performed by the use of electronic transmission of information of documents and data, including confidential and sensitive information by Internet, e-mail, phone or video-conference, and your data may be stored using cloud based third party applications. If the communication relates to a matter of significance and there are concerns about possible effects of electronic transmissions, a hard copy of such transmissions should be sent to us or requested from us. We will not record any calls or videos with you or your staff, without prior consent from you. We will attempt to leverage the security features embedded within any technology used; however, we ultimately cannot guarantee that these features will be adequate relative to the information which may be discussed.

We ask that our name be used only with our consent and that any information to which we have attached a communication be issued with the communication unless otherwise agreed to by us.

The Crowe Valley Conservation Authority hereby agrees to release and indemnify Welch LLP and its partners and employees, and hold them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of The Crowe Valley Conservation Authority's management regardless of whether the person was acting in the Authority's interest. This release and indemnification will survive termination of this engagement letter.

Other Matters - Cont'd.

You (and any others for whom our services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, aggregate damages in excess of the greater of (i) the total fees paid to us for the services provided and (ii) \$500,000. This limitation will not apply to losses caused by our fraud or willful misconduct or to the extent prohibited by applicable law or professional regulations. In no event shall we be liable for any damages relating to or arising out of any loss of profit, data or goodwill or any other consequential, incidental, indirect, punitive or special damages in connection with claims arising out of this agreement. Our liability under this agreement shall be several and not joint and several, solidary or in solidum, with such others, and shall be limited to our share based on our relative contribution to the loss. Any claim shall be made no later than one year after you become aware (or ought reasonably to become aware) of the facts giving rise to a claim and no later than two years after the completion of the services contemplated under this agreement.

Our charges to the Authority for our services will be made at our regular rates plus out-of-pocket expenses. Bills will be rendered on a regular (or periodic) basis with payment to be made upon presentation. All invoices shall be due when issued. Interest shall be charged at a rate of 1.5% per month (the equivalent of 18% per annum).

This engagement letter is subject to and governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The province of Ontario will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate form, or to claim that those courts do not have jurisdiction.

The terms of engagement as outlined in this letter will continue in effect from year to year unless changed by us in writing. We believe the foregoing correctly sets forth our understanding, but if you have any questions, please let us know. If you find the terms acceptable to you, please acknowledge your agreement to the understanding by signing in the space provided and returning it to us. We appreciate the opportunity of continuing to be of service to your Authority.

Yours very truly,

WELCH LLP



DANIEL J.W. COLEMAN, CPA, CA
Partner

The services and terms set out are as agreed.

THE CROWE VALLEY CONSERVATION AUTHORITY

Per



Janette Loveys Smith

Welch LLP[®]

An Independent Member of BKR International

INDEPENDENT AUDITOR'S REPORT

To the members of

THE CROWE VALLEY CONSERVATION AUTHORITY

Opinion

We have audited the financial statements of The Crowe Valley Conservation Authority (the Authority), which comprise the statement of financial position as at December 31, 2025, and the statements of surplus, changes in net financial assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 these 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 Authority'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 Authority'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 Authority 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.

We 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.

Welch LLP
Chartered Professional Accountants
Licensed Public Accountants

City _____
Date _____

