



March 12, 2026

Baker Tilly REO LLP
 475 Main Street
 P.O. Box 390
 Winchester Ontario K0C 2K0

Dear Sir / Madam:

This representation letter is provided in connection with your audit of the financial statements of South Nation River Conservation Authority for the year ended December 31, 2025 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards (PSAS).

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

Financial Statements

We have fulfilled our responsibilities as set out in the terms of the audit engagement dated November 3, 2025 for:

- a. Preparing and fairly presenting the financial statements in accordance with PSAS;
- b. Providing you with:
 - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
 - A. Accounting records, supporting data and other relevant documentation,
 - B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
 - C. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;





- ii. Additional information that you have requested from us for the purpose of the audit; and
- iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- c. Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d. Designing and implementing 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 have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

Fraud and Non Compliance

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
 - i. Management;
 - ii. Employees who have significant roles in internal control; or
 - iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the financial statements.



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Related Parties

We have disclosed to you the identity of all of the Authority's related-party relationships and transactions of which we are aware. All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of PSAS.

Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with PSAS. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the methods, significant assumptions and the data used by us in making accounting estimates and related financial statement disclosures, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with PSAS.

Subsequent Events

All events subsequent to the date of the financial statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed.

Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

Adjustments

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

Misstatements

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.



Accounting policies

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

Contractual compliance

We have complied with the terms and conditions of all contractual agreements that could have a material effect, in the event of non-compliance, on the financial statements.

Fair values

We confirm that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

Journal entries

We have approved all journal entries and other adjustments proposed by you, and they have been included in our financial statements.

Liabilities and contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

Material measurement uncertainties

The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

Property, plant and equipment

Property, plant and equipment are recorded at cost. We have good and valid title to all items of property and equipment reflected in the accounts relating thereto, and there are no liens or encumbrances on our assets. During the period ended December 31, 2025, no material amounts relating to additions or improvements of property, plant and equipment were charged to expense. The provision for amortization is based on the cost and expected economic useful lives of the property using the straight-line method.



The property, leasehold improvement and equipment accounts, and the related allowances for amortization have been adjusted for all important items of such assets that were idle, obsolete, sold, dismantled, abandoned or otherwise disposed of for the period ended December 31, 2025 and for all prior periods.

Receivables

The accounts receivable reflected in the accounts constitute valid claims against customers and other debtors. They do not include amounts for goods shipped on consignment, approval or under repurchase commitments, or for goods shipped after December 31, 2025.

No abnormal returns have been made by customers since December 31, 2025 or are expected in respect of merchandise shipped prior to the close of business on December 31, 2025.

Receivables known to be uncollectible have been written off, and adequate provision has been made for anticipated adjustments or losses in connection with the collection of receivables.

Revenue recognition

We have recorded all revenue that met the following criteria:

- a. Persuasive evidence of an arrangement exists;
- b. Delivery has occurred, or services have been rendered;
- c. Price is fixed or determinable; and
- d. Collectability is reasonably assured.

Acknowledged and agreed on behalf of South Nation River Conservation Authority by:

,Chair

Johanna Barkley, Director of Finance

Date signed

Date signed

**South Nation River Conservation Authority
Schedule of Likely Aggregate Misstatements
December 31, 2025**

H25 - 1

Preparer MK1 3-2-2026	Reviewer ALS 3-2-2026	Partner BSM 3-2-2026
FQR	-	-

Overall Materiality

<u>Preliminary overall:</u>	<u>\$540,000</u>
<u>Preliminary performance:</u>	<u>\$459,000</u>
<u>Dollar threshold for clearly trivial errors</u>	<u>\$27,000</u>
<u>Final performance:</u>	<u>\$459,000</u>
Dollar threshold for clearly trivial errors	<u>\$-</u>

Specific Materiality

Select from available options below:
N/A

Description of Misstatement	File Ref.	Proposed Adjustments Dr (Cr)							Type	Corrected?
		Identified Misstatements	Likely Misstatements	Statement of Income		Balance Sheet				
				Assets	Liabilities	Opening Equity				
C.2 2024 receivable from Natural Resources Canada recorded, however, the amount was changed after information received subsequent to year end. In 2025, client reversed the receivable (debit) and credited revenue.	<u>H25.1</u>	(370,352)	(370,352)	-	-	370,352			CY	N

**South Nation River Conservation Authority
Schedule of Likely Aggregate Misstatements
December 31, 2025**

H25 - 2

Preparer	Reviewer	Partner
MK1 3-2-2026	ALS 3-2-2026	BSM 3-2-2026
FQR	-	-

a) Totals	(370,352)	-	-	370,352
b) Misstatements corrected by management	-	-	-	-
c) Likely aggregate misstatements net of corrections (a - b)	(370,352)	-	-	370,352
d) Effect of unadjusted misstatements from previous year's reversing errors	-	-	-	-
e) Aggregate likely misstatements (c + d)	(370,352)	-	-	370,352
f) Final overall <u>materiality</u>	540,000	540,000	540,000	540,000
g) Amount remaining for further possible misstatement (f - e)	169,648	540,000	540,000	169,648
h) Total of reversing errors (to be carried forward to next year)	-	-	-	-

South Nation River Conservation Authority
 Schedule of Likely Aggregate Misstatements
 December 31, 2025

H25 - 3

Preparer	Reviewer	Partner
MK1 3-2-2026	ALS 3-2-2026	BSM 3-2-2026
FQR	-	-

Summary of Classification Errors

Description of Misstatement	File Ref	Error Amount	Effect On				Rev
			Working Capital	Working Capital Ratio	Income Statement	Other (describe)	
Classification error in Deferred revenue testing - should have been set up as a liability as refunding UCPR funds received.	KK.1 A	25,000	-			25,000 from deferred to accounts payable. Given PSAS, we don't show current vs. long term but rather financial vs. non-financial. Both AP and deferred are classified as financial liabilities, therefore no issues.	

Summary of Omissions and Other Errors in Presentation and Disclosure

Description of Error or Omission	Ref	Description of Proposed Correction and Impact on F/S if Not Corrected	Corrected?
Possible contingent gain from lawsuit	TT.1.2	Missing disclosure on the nature of the possible contingent gain. Management deems this information to be privileged due to the ongoing legal matter.	

Evaluation of Misstatements

	Initials	Date	Comments
1. Update overall and performance materiality for any revisions required during the audit <u>P75</u>	MK'	3-2-26	No changes required

**South Nation River Conservation Authority
Schedule of Likely Aggregate Misstatements**

December 31, 2025

H25 - 4

Preparer	Reviewer	Partner
MK1 3-2-2026	ALS 3-2-2026	BSM 3-2-2026
FQR	-	-

- | | | | |
|--|-----|--------|--|
| 2. Consider specific materiality, where applicable, in evaluation of misstatements. | MK' | 3-2-26 | NA - no specific materiality needed in this case |
| 3. Ask management to correct all identified misstatements and summarize management's reasoning as to why any misstatements have not been corrected. | MK' | 3-2-26 | The 2024 AR adjustment was provided by management to Baker Tilly as they don't want to restate previous years. Client will approve the above schedule with the Mgmt Representation letter |
| 4. Describe any patterns in the misstatements that might indicate possible management bias or possible fraud. | MK' | 3-2-26 | No indication of management bias or fraud - 370k of PY was changed after audit due to election being called and NRC changing their stance of paying out further funds for the 2B tree projects in 2024 - shifted those funds to be paid in 2025. |
| 5. Where individual material misstatements that have not been corrected exist, explain why the offset by other misstatements are appropriate. | MK' | 3-2-26 | No other material misstatements |
| 6. Describe the effect of any classification misstatements on areas such as debt or other contractual covenants, individual line items or subtotals, and key ratios. | MK' | 3-2-26 | 1 classification error found in deferred revenue where SNC is to refund a Municipality 25k of unspent funds - should have been a payable instead of sitting in deferred. That said, no impact on F/S as both accounts are considered financial liabilities |
| 7. Describe any additional work required when uncorrected misstatements are close to exceeding materiality. | MK' | 3-2-26 | None are close to exceeding materiality |

Conclusion: The financial statements are not materially misstated.

South Nation River Conservation Authority

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Year End: December 31, 2025

Client Adjusting Journal Entries

Date: 1/1/2025 To 12/31/2025

Number	Date	Name	Account No	Debit	Credit
1	12/31/2025	Reserves - Surplus (Deficit)	380000		28,695.39
1	12/31/2025	Transfer To(From) Reserves	493100 - CSAD0-ADAD002-00	28,695.39	
To record transfer of prior year surplus to reserves that was recorded in PY.					
CLE1	12/31/2025	Other Receivable	131100		49,587.20
CLE1	12/31/2025	Federal - Natural Resources Canada	447000 - RMLS0-LALF006-03	49,587.20	
To reduce receivable from Natural Resources Canada on 2B Tree Program for 2025 FYE.					
				78,282.59	78,282.59
			Net Income (Loss)	684,971.76	

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