

Financial Statements of

**CONSERVATION HALTON**

Year ended December 31, 2019

# CONSERVATION HALTON

Financial Statements

Year ended December 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Directors of Conservation Halton

### ***Opinion***

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

- the statement of financial position as at December 31, 2019
- the statement of operations and change in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

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

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

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



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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada  
April 23, 2020

# CONSERVATION HALTON

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets:</b>		
Cash	\$ 1,073,262	\$ 1,039,118
Investments (note 2)	12,443,202	14,021,969
Investment - Water Management System (note 3)	11,531,387	11,092,270
Accounts receivable (note 4)	4,375,445	2,588,572
	<u>29,423,296</u>	<u>28,741,929</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued charges	3,541,331	3,601,899
Deferred revenue (note 5)	6,481,712	6,020,228
Deferred revenue - capital and major projects (note 6)	950,530	1,153,174
Deferred revenue - Water Management System (note 3)	11,531,387	11,092,270
Long-term liabilities (note 7)	4,413,948	2,444,461
	<u>26,918,908</u>	<u>24,312,032</u>
Net financial assets	2,504,388	4,429,897
<b>Non-financial assets:</b>		
Tangible capital assets (note 8)	71,820,749	66,069,575
Prepaid expenses	592,598	287,045
Inventory	103,876	183,281
	<u>72,517,223</u>	<u>66,539,901</u>
Contingencies (note 11)		
Commitments (note 12)		
Subsequent event (note 15)		
Accumulated surplus (note 9)	<u>\$ 75,021,611</u>	<u>\$ 70,969,798</u>

See accompanying notes to financial statements.

On behalf of the Board:



Gerry Smallegange \_\_\_\_\_ Chair

Moya Johnsor



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Vice-Chair

# CONSERVATION HALTON

## Statement of Operations and Change in Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (Note 10)	2019 Actual	2018 Actual
Revenue (note 15):			
Municipal grants	\$ 9,330,985	\$ 9,330,984	\$ 8,891,511
Ministry of Natural Resources and Forestry	300,311	155,034	300,311
Corporate services	113,905	204,337	162,701
Engineering flood forecasting and operations	7,000	–	10,177
Planning and watershed management	3,273,531	2,690,994	2,736,077
Science and partnerships	779,116	717,578	783,793
Project management office	433,542	101,337	95,656
Watershed management and support service operations	239,000	212,517	227,179
Conservation areas	12,512,050	14,281,573	14,017,789
Partnership projects	618,225	727,267	791,450
Major projects	2,524,326	5,650,817	2,890,016
Total revenue	30,131,991	34,072,438	30,906,660
Expenses (note 15):			
Corporate services	4,403,434	4,037,200	4,177,830
Corporate compliance	686,652	599,212	437,062
Engineering, flood forecasting and operations	1,460,366	1,349,868	1,246,474
Planning and watershed management	4,344,085	3,795,936	3,853,653
Science and partnerships	2,032,164	1,896,760	1,785,794
Project management office	1,305,099	838,586	777,547
Watershed management and support service operations	1,120,274	932,293	1,117,667
Conservation areas	12,327,850	13,796,528	13,126,176
Partnership projects	618,225	727,267	791,450
Major projects	1,154,000	1,902,189	2,085,982
Debt financing charges	225,651	144,786	83,767
Total expenses	29,677,800	30,020,625	29,483,402
Annual surplus (note 9)	454,191	4,051,813	1,423,258
Accumulated surplus, beginning of year		70,969,798	69,546,540
Accumulated surplus, end of year		\$ 75,021,611	\$ 70,969,798

See accompanying notes to financial statements.

# CONSERVATION HALTON

## Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (Note 10)	2019 Actual	2018 Actual
Annual surplus	\$ 454,191	\$ 4,051,813	\$ 1,423,258
Acquisition of tangible capital assets	(1,772,135)	(8,059,728)	(2,400,114)
Amortization of tangible capital assets	2,035,000	2,035,742	1,785,054
Proceeds on disposal of tangible capital assets	–	42,592	5,828
Loss on disposal of tangible capital assets	–	230,220	28,583
	717,056	(1,699,361)	842,609
Change in prepaid expenses		(305,553)	(18,053)
Change in inventories		79,405	(78,495)
Net change in net financial assets		(1,925,509)	746,061
Net financial assets, beginning of year		4,429,897	3,683,836
Net financial assets, end of year		\$ 2,504,388	\$ 4,429,897

See accompanying notes to financial statements.



# CONSERVATION HALTON

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 4,051,813	\$ 1,423,258
Items not involving cash:		
Amortization	2,035,742	1,785,054
Loss on disposal of tangible capital assets	230,220	28,583
	<u>6,317,775</u>	<u>3,236,895</u>
Change in non-cash working capital balances:		
Accounts receivable	(1,786,873)	(1,016,734)
Prepaid expenses	(305,553)	(18,053)
Inventory	79,405	(78,495)
Accounts payable and accrued charges	(60,568)	1,111,665
Deferred revenue	461,484	395,463
Deferred revenue - capital and major projects	(202,644)	178,474
	<u>4,503,026</u>	<u>3,809,215</u>
Capital transactions:		
Acquisition of tangible capital assets	(8,059,728)	(2,400,114)
Proceeds on disposal of tangible capital assets	42,592	5,828
	<u>(8,017,136)</u>	<u>(2,394,286)</u>
Investing activities:		
Net (purchase) sale of investments	1,578,767	(2,086,986)
Investment - Water Management System	(439,117)	(407,728)
	<u>1,139,650</u>	<u>(2,494,714)</u>
Financing transactions:		
Deferred revenue - Water Management System	439,117	407,728
Proceeds from long-term debt	2,360,386	686,664
Repayment of long-term debt	(390,899)	(407,993)
	<u>2,408,604</u>	<u>686,399</u>
Net change in cash	34,144	(393,386)
Cash, beginning of year	1,039,118	1,432,504
Cash, end of year	<u>\$ 1,073,262</u>	<u>\$ 1,039,118</u>

See accompanying notes to financial statements.

# CONSERVATION HALTON

## Notes to Financial Statements

Year ended December 31, 2019

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### **Purpose of Organization:**

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

Conservation Halton's mission is to protect and enhance the natural environment from lake to escarpment for present and future generations.

### **1. Significant accounting policies:**

#### **(a) Basis of accounting:**

The financial statements of Conservation Halton are prepared by management in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

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

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

#### **(b) Investments:**

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

#### **(c) Tangible capital assets:**

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are 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 assets. 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.

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

### (c) Tangible capital assets (continued):

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	4 to 10 years

### (d) 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.

### (e) Deferred revenue - Capital and Major Projects:

Conservation Halton receives 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.

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

### (g) Revenue recognition:

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

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

### (h) Use of estimates:

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

## 2. Short-term investments:

	2019	2018
Business investment	\$ 490,219	\$ 796,729
Notice plan investment	2,007,687	–
High interest savings	3,238,345	4,116,896
Guaranteed investment certificates	2,000,000	4,500,000
Pooled fund – Provincial and Corporate bonds	4,206,953	4,108,346
Pooled fund – Equity	499,998	499,998
<b>Total</b>	<b>\$ 12,443,202</b>	<b>\$ 14,021,969</b>

The guaranteed investment certificates have effective rates that range between 2.34% and 2.85% (2018 - 2.10% to 2.23%). Interest is receivable on the date of maturity. Maturity dates range from July 18, 2020 to March 14, 2021. The business investment and pooled funds (which include money market, bond and equity funds) earn interest at variable rates which is paid monthly.

The notice plan investment has accrued interest rate of 2.5% that is tied to bank reference rates that are subject to change and withdrawals require 31 days' notice.

Market value of investments are \$13,127,041 (2018 - \$14,462,153).

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2019

### 3. Investment/Deferred revenue - Water Management System:

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

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

The funds are invested as follows:

	2019	2018
Cash	\$ 96	\$ 209
Provincial and provincially regulated agency bonds	10,340,648	9,945,933
Guaranteed investment certificates	1,190,643	1,146,128
<b>Total</b>	<b>\$ 11,531,387</b>	<b>\$ 11,092,270</b>

The Provincial and provincially regulated agency bonds have effective yields of 2.27% to 5.00% (2018 – 2.27% to 5.00%). Interest is receivable on the date of maturity. Maturity dates range from January 13, 2020 to December 1, 2037.

The guaranteed investment certificates have been an effective interest rate of 2.51% (2018 – 2.15%). Interest is receivable on the date of maturity. Maturity date is January 13, 2020.

Market value of investments are \$12,522,755 (2018 - \$11,732,413).

### 4. Accounts receivable:

Included in accounts receivable is \$112,476 (2018 - \$58,723) due from Conservation Halton Foundation.

During 2019, the Foundation contributed \$349,322 (2018 - \$441,116) to fund projects carried out by the Conservation Halton.

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2019

## 5. Deferred revenue:

	Balance at December 31, 2019	Additions	Revenue recognized	Balance at December 31, 2018
Watershed Management	\$ 1,958,851	\$ 143,437	\$ 145,849	\$ 1,961,263
Partnership Projects	698,578	379,998	434,309	752,889
Source Water Protection	89,285	329,572	257,111	16,824
Conservation Areas	3,734,998	8,807,507	8,361,761	3,289,252
	<u>\$ 6,481,712</u>	<u>\$ 9,660,514</u>	<u>\$ 9,199,030</u>	<u>\$ 6,020,228</u>

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.

## 6. Deferred revenue - capital and major projects:

	Balance at December 31, 2019	Contributions received	Revenue recognized	Balance at December 31, 2018
Capital - Ministry of Natural Resources	\$ 338,442	\$ 1,635,594	\$ 1,889,448	\$ 592,296
Capital - Municipal	589,578	647,013	618,313	560,878
Capital – Other Municipal funding	22,510	145,307	122,797	–
	<u>\$ 950,530</u>	<u>\$ 2,427,914</u>	<u>\$ 2,630,558</u>	<u>\$ 1,153,174</u>

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2019

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## 7. Long-term liabilities:

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	2019	2018
5 year term loan at 3.5%, interest only payable during the first 36 months with a registered collateral mortgage covering 54.36 acres of land, due December 2020	\$ 409,636	\$ 433,000
Municipal debt financing and interest payments due annually at variable current interest rates of 3.0% to 3.2% (2018 - 3.0% to 3.2%), annual principal repayments, due December 2049	4,004,312	2,011,461
	<hr/> \$ 4,413,948	<hr/> \$ 2,444,461

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

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2020	\$ 753,703
2021	311,915
2022	303,863
2023	272,564
2024	254,502
Thereafter	2,517,401
	<hr/> \$ 4,413,948

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# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 8. Tangible capital assets (continued):

Cost	Balance at December 31, 2018	Additions	Disposals	Transfers	Balance at December 31, 2019
Land	\$ 35,932,065	–	(172,524)	–	\$ 35,759,541
Land Improvements	564,806	–	–	–	564,806
Buildings and building improvements	15,498,531	423,699	(5,334)	–	15,916,896
Machinery and equipment	8,245,453	260,722	(225,520)	–	8,280,655
Furniture and fixtures	476,330	27,884	–	–	504,214
Infrastructure	26,105,097	6,861,074	–	1,200,925	34,167,096
Vehicles	2,468,589	319,743	(195,806)	–	2,592,526
Computer hardware and software	1,438,085	111,823	(114,614)	–	1,435,294
Assets under construction	1,245,411	54,783	–	(1,200,925)	99,269
	\$ 91,974,367	8,059,728	(713,798)	–	\$ 99,320,297

Accumulated Amortization	Balance at December 31, 2018	Amortization	Disposals	Transfers	Balance at December 31, 2019
Land	\$ –	–	–	–	\$ –
Land Improvements	319,528	11,467	(2,056)	–	328,939
Buildings and building improvements	5,182,042	598,516	(164,837)	–	5,615,721
Machinery and equipment	4,333,196	374,686	–	–	4,707,882
Furniture and fixtures	218,351	21,837	–	–	240,188
Infrastructure	13,072,202	664,621	–	–	13,736,823
Vehicles	1,865,755	194,947	(169,113)	–	1,891,589
Computer hardware and software	913,718	169,668	(104,980)	–	978,406
Assets under construction	–	–	–	–	–
	\$ 25,904,792	2,035,742	(440,986)	–	\$ 27,499,548

	Net book value, Balance at December 31, 2018	Net book value Balance at December 31, 2019
Land	\$ 35,932,065	\$ 35,759,541
Land Improvements	245,278	235,867
Buildings and building improvements	10,316,489	10,301,175
Machinery and equipment	3,912,257	3,572,773
Furniture and fixtures	257,979	264,026
Infrastructure	13,032,895	20,430,273
Vehicles	602,834	700,937
Computer hardware and software	524,367	456,888
Assets under construction	1,245,411	99,269
	\$ 66,069,575	\$ 71,820,749



# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 8. Tangible capital assets (continued):

Cost	Balance at December 31, 2017	Additions	Disposals	Transfers	Balance at December 31, 2018
Land	\$ 35,523,205	408,860	–	–	\$ 35,932,065
Land Improvements	564,806	–	–	–	564,806
Buildings and building improvements	14,633,455	535,880	(11,501)	340,697	15,498,531
Machinery and equipment	8,053,376	356,405	(164,328)	–	8,245,453
Furniture and fixtures	450,560	25,771	–	–	476,331
Infrastructure	25,849,613	277,762	(22,279)	–	26,105,096
Vehicles	2,407,209	96,381	(35,001)	–	2,468,589
Computer hardware and software	1,345,273	209,537	(116,725)	–	1,438,085
Assets under construction	1,096,590	489,518	–	(340,697)	1,245,411
	\$ 89,924,087	2,400,114	(349,834)	–	\$ 91,974,367

Accumulated Amortization	Balance at December 31, 2017	Amortization	Disposals	Transfers	Balance at December 31, 2018
Land	\$ –	–	–	–	\$ –
Land Improvements	308,061	11,467	–	–	319,528
Buildings and building improvements	4,783,270	401,532	(2,760)	–	5,182,042
Machinery and equipment	4,111,869	378,602	(157,275)	–	4,333,196
Furniture and fixtures	196,766	21,586	–	–	218,352
Infrastructure	12,483,440	605,840	(17,079)	–	13,072,201
Vehicles	1,697,099	200,157	(31,501)	–	1,865,755
Computer hardware and software	854,656	165,870	(106,808)	–	913,718
Assets under construction	–	–	–	–	–
	\$ 24,435,161	1,785,054	(315,423)	–	\$ 25,904,792

	Net book value, Balance at December 31, 2017	Net book value Balance at December 31, 2018
Land	\$ 35,523,205	\$ 35,932,065
Land Improvements	256,745	245,278
Buildings and building improvements	9,850,185	10,316,489
Machinery and equipment	3,941,507	3,912,257
Furniture and fixtures	253,794	257,979
Infrastructure	13,366,173	13,032,895
Vehicles	710,110	602,834
Computer hardware and software	490,617	524,367
Assets under construction	1,096,590	1,245,411
	\$ 65,488,926	\$ 66,069,575

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 9. Accumulated surplus:

Accumulated surplus consists of operating surplus and reserves as follows:

	Balance at December 31, 2019	Excess of Revenue over expenses	Transfers (to) from reserves	Balance at December 31, 2018
Surplus - investment in tangible capital assets	\$ 71,820,749	\$ (2,308,552)	\$ 8,059,728	\$ 66,069,573
Surplus (deficit) - current funds	(5,850,427)	6,360,365	(9,318,702)	(2,892,090)
Total surplus	65,970,322	4,051,813	(1,258,974)	63,177,483
Reserves				
Conservation areas capital	2,715,883	–	311,990	2,403,893
Conservation areas stabilization	1,000,568	–	64,000	936,568
Vehicle and equipment	914,422	–	(126,706)	1,041,128
Building	480,128	–	37,820	442,308
Building – state of good repair	264,293	–	264,293	–
Watershed management capital				
- municipal funds	601,333	–	212,105	389,228
Watershed management capital				
- self generated funds	390,909	–	34,600	356,309
Watershed management stabilization	793,193	–	62,780	730,413
Digital transformation	250,000	–	250,000	–
Debt financing charges	472,670	–	137,589	335,081
Legal - planning and watershed management	258,891	–	2	258,889
Legal - corporate	200,000	–	–	200,000
Water Festival	188,911	–	–	188,911
Property management	95,040	–	–	95,040
Land securement	34,537	–	25,501	9,036
Stewardship and restoration	390,511	–	(15,000)	405,511
Total reserves	9,051,289	–	1,258,974	7,792,315
Accumulated surplus	\$ 75,021,611	\$ 4,051,813	\$ –	\$ 70,969,798

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 10. Budget amounts:

The 2019 budget amounts approved by Conservation Halton on November 22, 2018 were not prepared on a basis consistent with that used to report actual results under Public Sector Accounting Standards. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenses rather than including amortization expenses. As a result, the budget figure presented in the statements of operations and changes in net financial assets represent the budget adopted by Conservation Halton on November 22, 2018, with adjustments as follows:

	2019 Actual	2018 Actual
Budget surplus (deficit) for the year	\$ 246,068	\$ (949,651)
Less: Amortization of tangible capital assets	(2,035,000)	(1,785,000)
Add: Acquisition of tangible capital assets	1,772,135	3,034,321
Add: Debt financing charges - principal portion	470,988	441,631
<b>Budget surplus per Statement of Operations</b>	<b>\$ 454,191</b>	<b>\$ 741,301</b>

## 11. Contingencies:

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

Conservation Halton has entered into an agreement to ensure implementation of a monitoring and mitigation plan for the future rehabilitation of lands adjacent to a Provincially Significant Wetland. The agreement requires a Trust account to be established by the funder to ensure there are funds available for the rehabilitation plan implementation. Conservation Halton is a member of the Investment Committee that will oversee management of the Trust account with a balance of \$1,346,118 at December 31, 2019. A deposit to the Trust account by the funder is required to be made by March 31, 2020 for \$583,633 which was completed. Conservation Halton will release their interest in the Trust account when the implementation plan is completed.

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 12. Commitments:

Conservation Halton has entered into contracts related to projects at Glen Eden, various dam studies and repairs, and leases for office equipment and vehicles. Commitments outstanding on these contracts to be paid beyond December 31, 2019 are as follows:

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2020	\$ 1,251,377
2021	78,403
2022	12,335
2023	6,866
	<hr/>
	\$ 1,348,981

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## 13. Pension agreements:

Conservation Halton belongs to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. This plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The cost of the plan is the employer's contribution to the plan.

The 2019 employer portion of OMERS pension contributions was \$1,135,862 (2018 - \$1,113,805).

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

The latest available report for the OMERS plan was December 31, 2019. At that time the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion actuarial deficit), based on actuarial liabilities of \$106.4 billion (2018 - \$99.1 billion) and actuarial assets of \$103.0 billion (2018 - \$94.9 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 14. Comparative information:

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

## 15. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced temporary declines in the fair value of investments and investment income
- Closure of all non-essential facilities from March 24, 2020 to the date of the auditors' report based on public health recommendations
- Mandatory working from home requirements for those able to do so

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

# CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 15. Revenue and expenses by program:

2019	Corporate Services	Corporate Compliance	Engineering, Flood Forecasting & Operations	Planning & Watershed Management	Science & Partnerships	Project Management Office	Watershed Management & Support Service Operations	Conservation Areas	Partnership Projects	Major Projects	Debt Financing Charges	Reserve Funding	Total
<b>Revenue:</b>													
Municipal funding	\$ 3,421,328	\$ 445,952	\$ 466,652	\$ 1,065,554	\$ 1,103,428	\$ 697,557	\$ 729,674	\$ 240,000	\$ -	\$ -	\$ 696,639	\$ 464,200	\$ 9,330,984
Provincial transfer payments	-	-	155,034	-	-	-	-	-	-	-	-	-	155,034
Program fees and other	204,337	-	-	2,690,994	717,578	101,337	212,517	14,281,573	727,267	5,650,817	-	-	24,586,420
	3,625,665	445,952	621,686	3,756,548	1,821,006	798,894	942,191	14,521,573	727,267	5,650,817	696,639	464,200	34,072,438
<b>Expenses:</b>													
Salaries, wages and benefits	2,901,895	467,588	734,585	3,508,150	1,553,024	510,472	675,251	7,706,662	207,044	-	-	-	18,264,671
Members per diems and expenses	21,047	-	-	-	-	-	-	-	-	-	-	-	21,047
Materials and supplies	122,421	4,806	14,588	16,904	186,648	85,853	78,535	1,793,579	52,243	739,953	-	-	3,095,530
Property taxes	-	49,421	-	-	-	-	-	5,671	-	-	-	-	55,092
Purchased services	563,132	18,959	161,262	31,118	157,088	180,133	46,639	2,671,381	467,980	1,162,236	-	-	5,459,928
Legal	7,843	58,438	-	229,500	-	-	-	64,026	-	-	-	-	359,807
Finance and rent	64,756	-	(24,229)	3,128	-	(10,987)	10,814	310,320	-	-	-	-	353,802
Debt financing charges	-	-	-	-	-	-	-	-	-	-	144,786	-	144,786
Amortization of tangible capital assets	256,214	-	463,662	5,775	-	73,115	64,175	1,172,801	-	-	-	-	2,035,742
Loss on disposal of tangible capital assets	99,892	-	-	1,361	-	-	56,879	72,088	-	-	-	-	230,220
	4,037,200	599,212	1,349,868	3,795,936	1,896,760	838,586	932,293	13,796,528	727,267	1,902,189	144,786	-	30,020,625
Excess (deficiency) of revenues over expenses, for the year	\$ (411,535)	\$ (153,260)	\$ (728,182)	\$ (39,388)	\$ (75,754)	\$ (39,692)	\$ 9,898	\$ 725,045	\$ -	\$ 3,748,628	\$ 551,853	\$ 464,200	\$ 4,051,813

# CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 15. Revenue and expenses by program:

2018	Corporate Services	Corporate Compliance	Engineering, Flood Forecasting & Operations	Planning & Watershed Management	Science & Partnerships	Project Management Office	Watershed Management & Support Service Operations	Conservation Areas	Partnership Projects	Major Projects	Debt Financing Charges	Reserve Funding	Total
<b>Revenue:</b>													
Municipal funding	\$ 3,600,550	\$ –	\$ 497,677	\$ 1,056,004	\$ 978,956	\$ 810,989	\$ 783,395	\$ 192,354	\$ –	\$ –	\$ 610,586	\$ 361,000	\$ 8,891,511
Provincial transfer payments	–	–	300,311	–	–	–	–	–	–	–	–	–	300,311
Program fees and other	162,701	–	10,176	2,736,077	783,793	95,656	227,179	14,017,789	791,450	2,890,017	–	–	21,714,838
	3,763,251	–	808,164	3,792,081	1,762,749	906,645	1,010,574	14,210,143	791,450	2,890,017	610,586	361,000	30,906,660
<b>Expenses:</b>													
Salaries, wages and benefits	2,864,773	330,326	665,954	3,422,884	1,391,785	518,419	743,787	7,558,241	158,389	25,000	–	–	17,679,558
Members per diems and expenses	24,548	–	–	–	–	–	–	–	–	–	–	–	24,548
Materials and supplies	339,404	2,516	26,135	27,605	218,406	73,379	121,949	1,505,593	67,302	1,864,456	–	–	4,246,745
Property taxes	–	40,743	–	–	–	–	–	5,756	–	–	–	–	46,499
Purchased services	602,906	54,196	152,914	40,397	175,603	161,396	188,741	2,647,096	565,759	196,526	–	–	4,785,534
Legal	14,229	9,281	–	354,957	–	–	–	53,586	–	–	–	–	432,053
Finance and rent	62,549	–	–	2,118	–	–	12,342	294,052	–	–	–	–	371,061
Debt financing charges	–	–	–	–	–	–	–	–	–	–	83,767	–	83,767
Amortization of tangible capital assets	255,038	–	401,471	5,692	–	24,353	52,719	1,045,781	–	–	–	–	1,785,054
Loss (gain) on disposal of tangible capital assets	14,383	–	–	–	–	–	(1,871)	16,071	–	–	–	–	28,583
	4,177,830	437,062	1,246,474	3,853,653	1,785,794	777,547	1,117,667	13,126,176	791,450	2,085,982	83,767	–	29,483,402
Excess (deficiency) of revenues over expenses, for the year	\$ (414,579)	\$ (437,062)	\$ (438,310)	\$ (61,572)	\$ (23,045)	\$ 129,098	\$ (107,093)	\$ 1,083,967	\$ –	\$ 804,035	\$ 526,819	\$ 361,000	\$ 1,423,258