

Financial Statements of

**CONSERVATION HALTON**

Year ended December 31, 2020

# CONSERVATION HALTON

Financial Statements

Year ended December 31, 2020

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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, 2020
- 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, 2020, 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 27, 2021

# CONSERVATION HALTON

## Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
<b>Financial assets:</b>		
Cash	\$ 633,504	\$ 1,073,262
Investments (note 2)	17,781,423	12,443,202
Investment - Water Management System (note 3)	11,961,907	11,531,387
Accounts receivable (note 4)	2,080,042	4,375,445
	<u>32,456,876</u>	<u>29,423,296</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued charges	2,436,147	3,541,331
Deferred revenue (note 5)	7,458,676	6,481,712
Deferred revenue - capital and major projects (note 6)	936,414	950,530
Deferred revenue - Water Management System (note 3)	11,961,907	11,531,387
Long-term liabilities (note 7)	5,091,697	4,413,948
	<u>27,884,841</u>	<u>26,918,908</u>
Net financial assets	4,572,035	2,504,388
<b>Non-financial assets:</b>		
Tangible capital assets (note 8)	72,112,103	71,820,749
Prepaid expenses	369,033	592,598
Inventory	126,177	103,876
	<u>72,607,313</u>	<u>72,517,223</u>
Contingencies (note 11)		
Commitments (note 12)		
Implications due to COVID-19 (note 15)		
Accumulated surplus (note 9)	<u>\$ 77,179,348</u>	<u>\$ 75,021,611</u>

See accompanying notes to financial statements.

On behalf of the Board:



Chair Gerry Smallegange



Vice-Chair Moya Johnson

# CONSERVATION HALTON

## Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget (Note 10)	2020 Actual	2019 Actual
<b>Revenue (note 15):</b>			
Municipal grants	\$ 9,660,318	\$ 9,660,318	\$ 9,330,984
Ministry of Natural Resources and Forestry	155,034	155,034	155,034
Corporate services	113,549	296,071	204,337
Flood forecasting and operations	4,000	1,831	–
Planning and watershed management	3,297,648	3,510,020	2,690,995
Science and partnerships	392,211	395,648	431,638
Project management office	208,484	171,677	101,337
Watershed management and support service operations	320,000	270,140	330,924
Conservation areas	13,682,089	11,389,754	14,449,105
Partnership projects	905,554	705,694	727,267
Major projects	2,280,214	2,766,189	5,650,817
<b>Total revenue</b>	<b>31,019,101</b>	<b>29,322,376</b>	<b>34,072,438</b>
<b>Expenses (note 15):</b>			
Corporate services	4,673,137	4,315,126	4,128,771
Corporate compliance	704,615	714,648	597,651
Flood forecasting and operations	1,063,797	986,802	982,308
Planning and watershed management	4,838,339	4,309,739	4,129,326
Science and partnerships	1,404,848	1,166,653	1,264,482
Project management office	976,413	1,041,886	796,944
Watershed management and support service operations	1,500,696	1,274,611	1,271,059
Conservation areas	12,860,678	10,665,672	14,075,842
Partnership projects	905,554	705,694	727,267
Major projects	862,243	1,819,556	1,902,189
Debt financing charges	237,623	164,252	144,786
<b>Total expenses</b>	<b>30,027,943</b>	<b>27,164,639</b>	<b>30,020,625</b>
<b>Annual surplus (note 9)</b>	<b>991,158</b>	<b>2,157,737</b>	<b>4,051,813</b>
Accumulated surplus, beginning of year		75,021,611	70,969,798
<b>Accumulated surplus, end of year</b>		<b>\$ 77,179,348</b>	<b>\$ 75,021,611</b>

See accompanying notes to financial statements.

# CONSERVATION HALTON

## Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget (Note 10)	2020 Actual	2019 Actual
Annual surplus	\$ 991,158	\$ 2,157,737	\$ 4,051,813
Acquisition of tangible capital assets	(2,962,138)	(2,267,140)	(8,059,728)
Amortization of tangible capital assets	1,946,000	1,946,029	2,035,742
Proceeds on disposal of tangible capital assets	–	95,618	42,592
Loss on disposal of tangible capital assets	–	(65,861)	230,220
	(24,980)	1,866,383	(1,699,361)
Change in prepaid expenses		223,565	(305,553)
Change in inventories		(22,301)	79,405
Net change in net financial assets		2,067,647	(1,925,509)
Net financial assets, beginning of year		2,504,388	4,429,897
Net financial assets, end of year		\$ 4,572,035	\$ 2,504,388

See accompanying notes to financial statements.



# CONSERVATION HALTON

## Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,157,737	\$ 4,051,813
Items not involving cash:		
Amortization	1,946,029	2,035,742
Loss on disposal of tangible capital assets	(65,861)	230,220
	<u>4,037,905</u>	<u>6,317,775</u>
Change in non-cash working capital balances:		
Accounts receivable	2,295,403	(1,786,873)
Prepaid expenses	223,565	(305,553)
Inventory	(22,301)	79,405
Accounts payable and accrued charges	(1,105,184)	(60,568)
Deferred revenue	976,964	461,484
Deferred revenue - capital and major projects	(14,116)	(202,644)
	<u>6,392,236</u>	<u>4,503,026</u>
Capital transactions:		
Acquisition of tangible capital assets	(2,267,140)	(8,059,728)
Proceeds on disposal of tangible capital assets	95,618	42,592
	<u>(2,171,522)</u>	<u>(8,017,136)</u>
Investing activities:		
Net (purchase) sale of investments	(5,338,221)	1,578,767
Investment - Water Management System	(430,520)	(439,117)
	<u>(5,768,741)</u>	<u>1,139,650</u>
Financing transactions:		
Deferred revenue - Water Management System	430,520	439,117
Proceeds from long-term debt	1,257,506	2,360,386
Repayment of long-term debt	(579,757)	(390,899)
	<u>1,108,269</u>	<u>2,408,604</u>
Net change in cash	(439,758)	34,144
Cash, beginning of year	1,073,262	1,039,118
Cash, end of year	<u>\$ 633,504</u>	<u>\$ 1,073,262</u>

See accompanying notes to financial statements.

# CONSERVATION HALTON

## Notes to Financial Statements

Year ended December 31, 2020

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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, 2020

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## 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, 2020

## 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:

	2020	2019
Business investment	\$ 1,555,710	\$ 490,219
Notice plan investment	2,038,278	2,007,687
High interest savings	5,300,053	3,238,345
Guaranteed investment certificates	4,000,000	2,000,000
Pooled fund - Provincial and Corporate bonds	4,357,101	4,206,953
Pooled fund - Equity	530,281	499,998
<b>Total</b>	<b>\$ 17,781,423</b>	<b>\$ 12,443,202</b>

The guaranteed investment certificates have effective rates that range between 0.85% and 2.85% (2019 - 2.34% to 2.85%). Interest is receivable on the date of maturity. Maturity dates range from March 15, 2021 to July 11, 2022. 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 \$18,710,874 (2019 - \$13,127,041).

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2020

### 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:

	2020	2019
Cash	\$ 96	\$ 96
Provincial and provincially regulated agency bonds	8,511,511	10,340,648
Guaranteed investment certificates	3,450,300	1,190,643
<b>Total</b>	<b>\$ 11,961,907</b>	<b>\$ 11,531,387</b>

The Provincial and provincially regulated agency bonds have effective yields of 3.62% to 4.95% (2019 - 2.27% to 5.00%). Interest is receivable on the date of maturity. Maturity dates range from April 17, 2021 to December 1, 2037.

The guaranteed investment certificates have been an effective interest rate of 2.33% and 2.85% (2019 - 2.51%). Interest is receivable on the date of maturity. Maturity dates range from March 8, 2021 to January 13, 2022.

Market value of investments are \$13,542,502 (2019 - \$12,522,755).

### 4. Accounts receivable:

Included in accounts receivable is \$206,634 (2019 - \$112,476) due from Conservation Halton Foundation.

During 2020, the Foundation contributed \$518,095 (2019 - \$349,322) to fund projects carried out by the Conservation Halton.

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2020

## 5. Deferred revenue:

	Balance at December 31, 2020	Additions	Revenue recognized	Balance at December 31, 2019
Watershed Management	\$ 2,788,391	\$ 1,323,949	\$ 494,409	\$ 1,958,851
Partnership Projects	1,304,914	10,516,826	9,902,216	690,304
Source Water Protection	15,063	173,049	255,545	97,559
Conservation Areas	3,350,307	4,843,644	5,228,335	3,734,998
	<u>\$ 7,458,675</u>	<u>\$ 16,857,468</u>	<u>\$ 15,880,505</u>	<u>\$ 6,481,712</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, 2020	Contributions received	Revenue recognized	Balance at December 31, 2019
Capital - Ministry of Natural Resources	\$ 241,336	\$ 382,824	\$ 479,930	\$ 338,442
Capital - Municipal	695,075	464,000	358,503	589,578
Capital - Other Municipal funding	–	110,629	133,139	22,510
	<u>\$ 936,411</u>	<u>\$ 957,453</u>	<u>\$ 971,572</u>	<u>\$ 950,530</u>

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2020

## 7. Long-term liabilities:

	2020	2019
5 year term loan at 2.95% interest compounded annually, with a registered collateral mortgage covering 54.36 acres of land, due November 2025	\$ 212,369	\$ –
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
Municipal debt financing and interest payments due annually at variable current interest rates of 3.0% to 3.2% (2019 - 3.0% to 3.2%), annual principal repayments, due December 2027 to December 2049	4,879,328	4,004,312
	<u>\$ 5,091,697</u>	<u>\$ 4,413,948</u>

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

2021	\$ 397,613
2022	390,971
2023	360,820
2024	344,240
2025	267,662
Thereafter	3,330,391
	<u>\$ 5,091,697</u>

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

## 8. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals	Transfers	Balance at December 31, 2020
Land	\$ 35,759,541	\$ 488,411	\$ –	\$ –	\$ 36,247,952
Land Improvements	564,806	–	–	–	564,806
Buildings and building improvements	15,916,896	134,458	(11,136)	–	16,040,218
Machinery and equipment	8,280,655	457,892	(179,140)	–	8,559,407
Furniture and fixtures	504,214	21,213	(33,230)	–	492,197
Infrastructure	34,167,096	482,172	–	–	34,649,268
Vehicles	2,592,526	370,226	(188,530)	–	2,774,222
Computer hardware and software	1,435,294	115,566	(109,030)	–	1,441,830
Assets under construction	99,269	197,202	–	–	296,471
	\$ 99,320,297	\$ 2,267,140	\$ (521,066)	\$ –	\$ 101,066,371

Accumulated Amortization	Balance at December 31, 2019	Amortization	Disposals	Transfers	Balance at December 31, 2020
Land	\$ –	\$ –	\$ –	\$ –	\$ –
Land Improvements	330,995	11,467	–	–	342,462
Buildings and building improvements	5,778,502	433,644	(6,957)	–	6,205,189
Machinery and equipment	4,543,045	369,141	(176,200)	–	4,735,986
Furniture and fixtures	240,188	21,975	(33,230)	–	228,933
Infrastructure	13,736,823	721,987	–	–	14,458,810
Vehicles	1,891,589	224,107	(168,249)	–	1,947,447
Computer hardware and software	978,406	163,708	(106,673)	–	1,035,441
Assets under construction	–	–	–	–	–
	\$ 27,499,548	\$ 1,946,029	\$ (491,309)	\$ –	\$ 28,954,268

	Net book value, Balance at December 31, 2019	Net book value Balance at December 31, 2020
Land	\$ 35,759,541	\$ 36,247,952
Land Improvements	233,811	222,344
Buildings and building improvements	10,138,394	9,835,029
Machinery and equipment	3,737,610	3,823,421
Furniture and fixtures	264,026	263,264
Infrastructure	20,430,273	20,190,458
Vehicles	700,937	826,775
Computer hardware and software	456,888	406,389
Assets under construction	99,269	296,471
	\$ 71,820,749	\$ 72,112,103



# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

## 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	–	–	330,995
Buildings and building improvements	5,182,042	598,516	(2,056)	–	5,778,502
Machinery and equipment	4,333,196	374,686	(164,837)	–	4,543,045
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	233,811
Buildings and building improvements	10,316,489	10,138,394
Machinery and equipment	3,912,257	3,737,610
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, 2020

## 9. Accumulated surplus:

Accumulated surplus consists of operating surplus and reserves as follows:

	Balance at December 31, 2020	Excess of Revenue over expenses	Transfers (to) from reserves	Balance at December 31, 2019
Surplus - investment in tangible capital assets	\$ 72,112,103	\$ (1,975,786)	\$ 2,267,140	\$ 71,820,749
Surplus (deficit) - current funds	(5,585,201)	4,133,523	(3,868,297)	(5,850,427)
Total surplus	66,526,902	2,157,737	(1,601,157)	65,970,322
Reserves:				
Conservation areas capital	3,294,218	–	578,335	2,715,883
Conservation areas stabilization	1,000,568	–	–	1,000,568
Vehicle and equipment	723,967	–	(190,455)	914,422
Building	373,137	–	(106,991)	480,128
Building - state of good repair	315,611	–	51,318	264,293
Watershed management capital - municipal funds	783,981	–	182,648	601,333
Watershed management capital - self generated funds	416,909	–	26,000	390,909
Watershed management and support services stabilization	1,789,212	–	996,019	793,193
Digital transformation	254,900	–	4,900	250,000
Debt financing charges capital	425,564	–	(47,106)	472,670
Legal - planning and watershed management	258,891	–	–	258,891
Legal - corporate	200,000	–	–	200,000
Water festival	188,911	–	–	188,911
Property management	145,629	–	50,589	95,040
Land securement	60,437	–	25,900	34,537
Stewardship and restoration	420,511	–	30,000	390,511
Total reserves	10,652,446	–	1,601,157	9,051,289
Accumulated surplus	\$ 77,179,348	\$ 2,157,737	\$ –	\$ 75,021,611

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

## 10. Budget amounts:

The 2020 budget amounts approved by Conservation Halton on November 21, 2019 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 21, 2019, with adjustments as follows:

	2020	2019
Budget surplus (deficit) for the year	\$ (259,938)	\$ 246,068
Less: Amortization of tangible capital assets	(1,946,000)	(2,035,000)
Less: Municipal debt financing	(176,430)	-
Add: Acquisition of tangible capital assets	2,962,138	1,772,135
Add: Debt financing charges - principal portion	411,388	470,988
<b>Budget surplus per Statement of Operations</b>	<b>\$ 991,158</b>	<b>\$ 454,191</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 \$1,960,480 (2019 - \$1,346,118) at December 31, 2020. A deposit to the Trust account by the funder is required to be made by March 31, 2021 for \$351,997 (2020 - \$583,663) 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, 2020

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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, 2020 are as follows:

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2021	\$ 1,002,882
2022	24,455
2023	18,986
2024	6,060
	<hr/>
	\$ 1,052,383

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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 2020 employer portion of OMERS pension contributions was \$1,137,090 (2019 - \$1,135,862).

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, 2020. At that time the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion actuarial deficit), based on actuarial liabilities of \$111.8 billion (2019 - \$106.4 billion) and actuarial assets of \$108.6 billion (2019 - \$103.0 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, 2020

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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. Implications due to COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

During the year, Conservation Halton has experienced the following in relation to the pandemic:

- Reduction in self-generated Conservation Areas revenue;
- Temporary and permanent layoffs; and
- Mandatory working from home requirements for those able to do so.

Conservation Halton has applied for funding through the Canada Emergency Wage Subsidy (CEWS) program. The estimated claims for 2020 total \$4,700,000. Conservation Halton continues to determine if it meets all of the eligibility requirements under the CEWS program, therefore these financial statements have not recorded this potential funding source as revenue in 2020.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on Conservation Halton's operations and financial position is not known at the time. There remains uncertainty for the upcoming year regarding the items mentioned above. These impacts could include a decline in future cash flows, changes to the value of financial assets and liabilities, and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on Conservation Halton is not practicable at this time.

# CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 15. Revenue and expenses by program:

2020	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	\$ 3,431,838	\$ 531,715	\$ 408,063	\$ 1,416,921	\$ 886,228	\$ 664,667	\$ 853,396	\$ 354,909	\$ —	\$ —	\$ 649,011	\$ 464,200	\$ 9,660,318
Provincial transfer payments	—	—	155,034	—	—	—	—	—	—	—	—	—	155,034
Program fees and other	296,071	—	1,831	3,510,020	395,648	171,677	270,140	11,389,754	705,694	2,766,189	—	—	19,507,024
	3,727,909	531,715	564,928	4,926,941	1,281,876	836,344	1,123,536	11,744,663	705,694	2,766,189	649,011	464,200	29,322,376
<b>Expenses:</b>													
Salaries, wages and benefits	3,175,987	528,530	381,466	3,950,504	1,122,178	863,308	986,395	6,400,812	245,172	—	—	—	17,654,352
Members per diems and expenses	23,133	—	—	—	—	—	—	—	—	—	—	—	23,133
Materials and supplies	144,206	6,129	10,214	9,449	9,386	54,260	71,572	979,498	96,904	1,473,804	—	—	2,855,422
Property taxes	—	56,672	—	—	—	—	—	4,961	—	—	—	—	61,633
Purchased services	686,192	87,639	67,870	114,068	35,089	103,134	119,365	1,950,249	363,618	345,752	—	—	3,872,976
Legal	4,807	35,678	—	229,317	—	—	—	16,579	—	—	—	—	286,381
Finance and rent	25,430	—	—	1,751	—	—	16,195	322,946	—	—	—	—	366,322
Debt financing charges	—	—	—	—	—	—	—	—	—	—	164,252	—	164,252
Amortization of tangible capital assets	253,325	—	527,252	4,650	—	20,371	110,265	1,030,167	—	—	—	—	1,946,030
Loss on disposal of tangible capital assets	2,046	—	—	—	—	813	(29,181)	(39,540)	—	—	—	—	(65,862)
	4,315,126	714,648	986,802	4,309,739	1,166,653	1,041,886	1,274,611	10,665,672	705,694	1,819,556	164,252	—	27,164,639
Excess (deficiency) of revenues over expenses, for the year	\$ (587,217)	\$ (182,933)	\$ (421,874)	\$ 616,572	\$ 115,223	\$ (205,542)	\$ (151,075)	\$ 1,078,991	\$ —	\$ 946,633	\$ 484,759	\$ 464,200	\$ 2,157,737

# CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 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	—	—	2,690,995	431,638	101,337	330,924	14,449,105	727,267	5,650,817	—	—	24,586,420
	3,625,665	445,952	621,686	3,756,549	1,535,066	798,894	1,060,598	14,689,105	727,267	5,650,817	696,639	464,200	34,072,438
<b>Expenses:</b>													
Salaries, wages and benefits	2,901,895	467,588	408,191	3,834,543	1,179,347	510,472	891,913	7,863,678	207,044	—	—	—	18,264,671
Members per diems and expenses	21,047	—	—	—	—	—	—	—	—	—	—	—	21,047
Materials and supplies	122,421	4,806	9,138	22,354	20,557	74,866	206,330	1,827,559	52,243	739,953	—	—	3,080,227
Property taxes	—	49,421	—	—	—	—	—	5,671	—	—	—	—	55,092
Purchased services	654,703	63,602	101,317	125,945	64,578	138,491	40,948	2,755,382	467,980	1,162,236	—	—	5,575,182
Legal	7,843	12,234	—	136,220	—	—	—	64,026	—	—	—	—	220,323
Finance and rent	64,756	—	—	3,128	—	—	10,814	314,637	—	—	—	—	393,335
Debt financing charges	—	—	—	—	—	—	—	—	—	—	144,786	—	144,786
Amortization of tangible capital assets	256,214	—	463,662	7,136	—	73,115	64,175	1,172,801	—	—	—	—	2,037,103
Loss on disposal of tangible capital assets	99,892	—	—	—	—	—	56,879	72,088	—	—	—	—	228,859
	4,128,771	597,651	982,308	4,129,326	1,264,482	796,944	1,271,059	14,075,842	727,267	1,902,189	144,786	—	30,020,625
Excess (deficiency) of revenues over expenses, for the year	\$ (503,106)	\$ (151,699)	\$ (360,622)	\$ (372,777)	\$ 270,584	\$ 1,950	\$ (210,461)	\$ 613,263	\$ —	\$ 3,748,628	\$ 551,853	\$ 464,200	\$ 4,051,813