

Conservation Halton Finance & Audit Committee Meeting - 01 21

ZOOM Meeting:

<https://us02web.zoom.us/j/85777179467?pwd=TzY3Wmtjb2NVQU9DdFpvc09KRnhPQT09> / Passcode:  
012824



Start: Thursday, April 8, 2021 - 9:30am

End: Thursday, April 8, 2021 - 11:00am

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1. Roll Call

2. Disclosure of Pecuniary Interest for Finance & Audit Committee Members

3. Consent Items

4. Action Items

4.1. 2020 Audited Financial Statements (FA 01 21 01)



2020 Audited Financial Statements - Finance & Audit Committee Report (FA 01 21 01)



2020-12-31 Conservation Halton FS DRAFT (Appendix A)



Conservation Halton Audit Findings Report Dec 2020 KPMG. (Appendix B)

4.2. Appointment of Auditor 2021 (FA 01 21 02)



Appointment of Auditor for 2021 year end (FA 01 21 01)

5. IN CAMERA - Q & A with the Auditor

6. Other Business

7. Adjournment

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**REPORT TO:** Finance & Audit Committee

**REPORT NO: #** FA 01 21 01

**FROM:** Marnie Piggot, Director, Finance

**DATE:** April 8, 2021

**SUBJECT:** 2020 Audited Financial Statements

### Recommendation

THAT the Finance & Audit Committee **recommends to the Conservation Halton Board of Directors the audited financial statements for the year ended December 31, 2020, as attached, be approved.**

### Executive Summary

The annual audit of Conservation Halton's financial transactions for the year ended December 31, 2020 has been completed by KPMG LLP. The attached draft 2020 financial statements (Appendix A) have been prepared by Conservation Halton staff.

The KPMG Auditors' Report which is included in the financial statements is a standard audit report without qualifications and it is their opinion that the statements are presented fairly and in accordance with public sector accounting standards. KPMG has also provided the attached 2020 Audit Findings Report ((Appendix B). KPMG staff will be available at the meeting to present their report.

### Report

The Statement of Financial Position for Conservation Halton reports Accumulated Surplus at December 31, 2020 of \$77 million. This is an overall increase of 2.9% over the 2019 Accumulated Surplus of almost \$75 million.

<b>Statement of Financial Position Summary</b>	<b>2020 Actual</b>	<b>2019 Actual</b>
Financial assets	\$ 32,456,876	\$ 29,423,296
Non-financial assets	72,607,313	72,517,223
Total Assets	\$ 105,064,189	\$ 101,940,519
Less: Financial liabilities	\$ (27,884,841)	\$ (26,918,908)
<b>Accumulated surplus</b>	<b>\$ 77,179,348</b>	<b>\$ 75,021,611</b>

The increase in the Accumulated Surplus is derived from the 2020 Annual Surplus of \$2,157,737 reported on the Statement of Operations. A summary of the Statement of Operations is as follows:

<b>Statement of Operations Summary</b>	<b>2020 Budget</b>	<b>2020 Actual</b>	<b>2019 Actual</b>
Total Revenue	\$ 31,019,101	\$ 29,322,376	\$ 34,072,438
Total Expenses	30,027,943	27,164,639	30,020,625
<b>Annual Surplus</b>	<b>\$ 991,158</b>	<b>\$ 2,157,737</b>	<b>\$ 4,051,813</b>

The audited financial statements were prepared using the amounts in the 2020 year end Budget Variance Report financial appendix (CHBD 02 21 06 – Appendix C) presented at the March 25, 2021 Board meeting with a reported operating surplus of \$2,023,035.

The Conservation Halton annual budget is prepared on a modified accrual basis to ensure there is adequate funding cash flow available for the planned outlay of expenditures. This budget preparation method is consistent with public sector budgeting practices.

Adjustments to the audited financial Statement of Operations amounts include the:

- Addition of amortization of tangible capital assets and
- Removal of tangible capital asset acquisitions, Reserve transfers, municipal debt financing and the principal portion of debt financing charges.

These items are not considered revenue and expenses according to PSAB though they are reported as funding sources and expenditure items that Conservation Halton must budget for.

The PSAB adjustments to the Budget Variance Report financial amounts to arrive at the audited financial statement Annual Surplus are as follows:

	<b>2020</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>
<b>Total Operating Surplus - Budget Variance Report</b>	<b>\$ 2,203,035</b>	<b>\$ 1,438,374</b>
<b>Public Sector Accounting Board (PSAB) Adjustments:</b>		
• Acquisition of tangible capital assets	2,267,140	8,059,728
• Amortization of tangible capital assets expense	(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)
• Transfers to and from reserves	(601,878)	(179,404)
• Municipal Debt Financing	(314,532)	(3,372,598)
• Debt financing charges - Principal portion	579,758	414,267
<b>Total PSAB adjustments</b>	<b>(45,298)</b>	<b>2,613,439</b>
<b>Annual surplus per audited financial statements</b>	<b>\$ 2,157,737</b>	<b>\$ 4,051,813</b>

The 2020 budget amounts shown on the Statement of Operations have also been modified to be consistent with PSAB standards. The adjustments to the 2020 budget are outlined in financial statement note 10.

The Accumulated Surplus of \$77,149,348 is made up largely by Tangible Capital Assets and is detailed in note 9 of the audited financial statements as follows:

Surplus – Tangible Capital Assets	\$72,112,103
Deficit – Current Funds	(5,585,201)
Reserves	<u>10,652,446</u>
<b>Total Accumulated Surplus, December 31, 2020</b>	<b><u>\$77,149,348</u></b>

The reserve transfers approved in the 2020 year end Budget Variance Report have been reflected in the audited financial statements.

The Deficit – Current Funds is attributed for the most part to long-term debt financing of \$5,091,697 at December 31, 2020 and \$314,532 in Halton Region municipal debt financing invoiced in 2021 for debt financed capital project costs incurred in 2020.

Details of significant budget variances reported on the Statement of Operations were provided in the 2020 Budget Variance Report financial appendix (CHBD 02 21 06 Appendix C) at the March 25 Board meeting.

### Impact on Strategic Goals

This report supports the Metamorphosis strategic theme of Striving for service excellence and efficiency. This theme is supported by the objective to provide clear financial data and analysis to

support informed strategic and operational decision-making for budget development and long-term planning.

### Financial Impact

The report provides details on the annual financial results for the year ended December 31, 2020 for Conservation Halton. The audited financial statements to be approved will be provided to various funding partners and stakeholders of Conservation Halton to meet funding agreements and are a source of information on the programs carried out by Conservation Halton.

Signed & respectfully submitted:



Marnie Piggot  
Director, Finance

Approved for circulation:



Hassaan Basit  
President & CEO/Secretary-Treasurer

**FOR QUESTIONS ON CONTENT:**

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