Financial Statements of

CONSERVATION HALTON

Year ended December 31, 2023

CONSERVATION HALTON

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Year ended December 31, 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Members 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, 2023
- 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, 2023, and its results of operations, its changes in accumulated surplus, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Emphasis of Matter – Change in Accounting Policy

We draw attention to Note 2 to the financial statements which indicate that Conservation Halton has changed its accounting policy for Asset Retirement Obligations, as a result of the adoption of PS 3280, Asset Retirement Obligations, and has applied that change using the modified retroactive method, with prior period restatement.

Our opinion is not modified in respect to this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor’s report thereon, included in Annual Report document.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor’s report thereon, included in Annual Report document as at the date of this auditor’s report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 19, 2024

CONSERVATION HALTON

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated)
Financial assets:		
Cash	$ 2,761,162	$ 7,024,283
Short-term investments (note 3)	23,282,402	18,575,926
Investment - Water Management Systems (note 4)	13,567,791	12,731,960
Accounts receivable (note 5)	4,294,043	3,012,568
	43,905,398	41,344,737
Financial liabilities:		
Accounts payable and accrued charges	3,104,512	3,513,322
Deferred revenue (note 6)	9,190,877	10,088,949
Deferred revenue - capital and major projects (note 7)	862,549	921,462
Deferred revenue - Water Management Systems (note 4)	13,567,791	12,731,960
Long-term liabilities (note 8)	4,501,171	4,792,167
Asset retirement obligations (notes 2 and 10)	199,975	199,975
	31,426,875	32,247,835
Net financial assets	12,478,523	9,096,902
Non-financial assets:		
Tangible capital assets (note 9)	75,933,650	74,166,187
Prepaid expenses	435,835	396,028
Inventory	110,624	146,883
	76,480,109	74,709,098
Contingencies (note 13)		
Commitments (note 14)		
Accumulated surplus (note 12)	$ 88,958,632	$ 83,806,000

See accompanying notes to financial statements.

On behalf of the Board:

_______________________ Chair Gerry Smallegange

_______________________ Vice-Chair

Cathy Duddeck

Date: April 18, 2024

CONSERVATION HALTON

Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(Note 11)		(Restated)
Revenue (note 18):			
Municipal grants	$ 10,916,835	$ 10,916,835	$ 10,533,636
Ministry of Natural Resources and Forestry	155,034	155,034	155,034
Corporate services	383,900	698,778	464,488
Natural hazards and watershed management	4,142,136	3,985,037	3,107,352
Permitting and planning	4,018,167	4,112,165	4,443,400
Conservation lands management	355,000	482,122	354,616
Conservation lands recreation	15,169,680	18,362,530	16,407,384
Major projects	2,017,000	3,740,590	4,400,374
Total revenue	37,157,752	42,453,091	39,866,284
Expenses (note 18):			
Corporate services (note 6(b))	6,938,363	6,136,712	7,026,238
Natural hazards and watershed management	7,178,071	6,407,650	5,726,867
Permitting and planning	5,322,854	5,094,105	5,082,614
Conservation lands management	2,044,150	1,767,427	1,646,344
Conservation lands recreation	14,606,718	15,219,383	13,136,513
Major projects	1,957,000	2,521,995	1,350,825
Debt financing charges	167,682	153,187	162,918
Total expenses	38,214,838	37,300,459	34,132,319
Annual surplus (deficit) (note 12)	(1,057,086)	5,152,632	5,733,965
Accumulated surplus, beginning of year as previously reported		83,806,000	78,220,813
Change in accounting policy (note 2)		–	(148,778)
Accumulated surplus, beginning of year, as restated		83,806,000	78,072,035
Accumulated surplus, end of year		$ 88,958,632	$ 83,806,000

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
	(Note 11)		(Restated)
Annual surplus (deficit)	$ (1,057,086)	$ 5,152,632	$ 5,733,965
Acquisition of tangible capital assets	(2,913,431)	(3,768,677)	(3,914,802)
Amortization of tangible capital assets	1,964,000	1,963,651	1,918,384
Amortization of asset retirement obligations	–	2,189	2,189
Proceeds on disposal of tangible capital assets	–	36,860	19,786
Loss (gain) on disposal of tangible capital assets	–	(1,486)	34,647
	(2,006,517)	3,385,169	3,794,169
Change in prepaid expenses	–	(39,807)	44,578
Change in inventories	–	36,259	(30,461)
Net change in net financial assets	(2,006,517)	3,381,621	3,808,286
Net financial assets, beginning of year, as previously reported		9,096,902	5,488,591
Change in accounting policy (note 2)		–	(199,975)
Net financial assets, beginning of the year, as restated		9,096,902	5,288,616
Net financial assets, end of year		$ 12,478,523	$ 9,096,902

See accompanying notes to financial statements.

CONSERVATION HALTON

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated)
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 5,152,632	$ 5,733,965
Items not involving cash:		
Amortization of tangible capital assets	1,963,651	1,918,384
Amortization of asset retirement obligations	2,189	2,189
Loss (gain) on disposal of tangible capital assets	(1,486)	34,647
	7,116,986	7,689,185
Change in non-cash working capital balances:		
Accounts receivable	(1,281,475)	(586,752)
Prepaid expenses	(39,807)	44,578
Inventory	36,259	(30,461)
Accounts payable and accrued charges	(408,811)	986,276
Deferred revenue	(898,072)	(6,373,109)
Deferred revenue - capital and major projects	(58,913)	108,926
	4,466,167	1,838,643
Capital transactions:		
Acquisition of tangible capital assets	(3,768,677)	(3,914,802)
Proceeds on disposal of tangible capital assets	36,860	19,786
	(3,731,817)	(3,895,016)
Investing activities:		
Purchase of investments	(7,179,678)	(8,144,306)
Sale of investments	7,000,000	5,000,000
Investment - Water Management System	(835,831)	(380,343)
	(1,015,509)	(3,524,649)
Financing transactions:		
Deferred revenue - Water Management System	835,831	380,343
Proceeds from long-term debt	95,825	203,436
Repayment of long-term debt	(386,820)	(411,082)
	544,836	172,697
Net change in cash and cash equivalents	263,677	(5,408,325)
Cash and cash equivalents, beginning of year	12,397,922	17,806,247
Cash and cash equivalents, end of year	$ 12,661,599	$ 12,397,922
Cash and cash equivalents:		
Cash	$ 2,761,162	$ 7,024,283
Cash in short-term investments (note 3)	56,362	14,361
Notice plan investment (note 3)	5,622,111	5,327,616
Pooled fund - High interest savings (note 3)	4,221,964	31,662
	$ 12,661,599	$ 12,397,922

See accompanying notes to financial statements.

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 is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

Conservations Halton's purpose is to protect people from natural hazards, conserve nature and provide opportunities for outdoor recreation and education across the watershed.

1. Significant accounting policies:

The financial statements of Conservation Halton are prepared by management in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook for local government. The significant accounting policies are as follows:

(a) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable 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) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Conservation Halton has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments are measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

1. Significant accounting policies (continued):

(b) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term cash commitments which are highly liquid with original maturities of three months or less from acquisition.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) 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.

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(ii) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all costs 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 asset. 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. 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	5 to 10 years

Asset retirement obligations are amortized using the same basis and useful life as the buildings and infrastructure.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(e) Deferred revenue - Capital and Major Projects:

Conservation Halton received 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.

1. Significant accounting policies (continued):

(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.

(g) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(h) 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.

(i) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

(i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset and other contract obligations;

(ii) The past transactions or events giving rise to the liability has occurred;

(iii) It is expected that future economic benefits will be given up; and

(iv) A reasonable estimate of the amount can be made.

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation.

A liability has been recognized based on estimated future expenses on retirement of the tangible capital assets. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of the adoption of the standard. Assumptions used in the subsequent calculations are revised yearly. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation occurs.

1. Significant accounting policies (continued):

(j) Employee future benefits:

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(k) 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 revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include accrued liabilities, contaminated site liabilities, contingencies, asset retirement obligations and tangible capital assets. Actual results could differ from estimates.

2. Adoption of new accounting standards:

(a) Conservation Halton adopted the following accounting standards beginning January 1, 2023, with no impact on the financial statements:

(i) PS 1201 *Financial Statement Presentation* replaces *PS 1200 Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS *3450 Financial Instruments*, and PS *3041 Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

(ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

(iii) PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

2. Adoption of new accounting standards (continued):

(a) Conservation Halton adopted the following accounting standards beginning January 1, 2023, with no impact on the financial statements (continued):

(iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

(b) Conservation Halton adopted the following accounting standard beginning January 1, 2023:

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in building controlled by public sector entities. An ARO liability can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis.

In the past, Conservation Halton has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Conservation Halton's buildings. Conservation Halton reports liabilities related to the legal obligations where Conservation Halton is obligated to incur costs to retire a tangible capital asset.

2. Adoption of new accounting standards (continued):

(b) Conservation Halton adopted the following accounting standard beginning January 1, 2023 (continued):

Conservation Halton's ongoing efforts to assess the extent to which designated substances exist in Conservation Halton's assets, and new information obtained through regular maintenance and renewal of Conservation Halton's assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to in the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in adjustment to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis.

In addition, Conservation Halton recognized an additional asset retirement obligation related to underground wells, as Conservation Halton has a legal obligation to remove or cap the well and remediate the site. The wells expected useful life estimate has not been changed since purchase.

A summary of the impact of the adjustments are as follows:

	December 31, 2022, as previously reported	Adjustment	December 31, 2022, as restated
Statement of financial position:			
Tangible capital assets	$ 74,117,179	$ 49,008	$ 74,166,187
Asset retirement obligations	–	199,975	199,975
Accumulated surplus	83,956,967	(150,967)	83,806,000
Statement of operations:			
Amortization of asset retirement obligations	–	2,189	2,189
Excess of revenue over expenses	5,736,154	(2,189)	5,733,965
Accumulated surplus, beginning of year	78,220,813	(148,778)	78,072,035
Cash flows:			
Amortization of asset retirement obligations	–	2,189	2,189

3. Short-term investments:

	Level	2023	2022
Cash	1	$ 56,362	$ 14,361
Notice plan investment	1	5,622,111	5,327,616
Guaranteed investment certificates	1	8,000,000	8,000,000
Pooled fund – High interest savings	1	4,221,964	31,662
Pooled fund – Corporate bonds	2	4,650,160	4,537,113
Pooled fund – Equities	2	731,805	665,174
Total		$ 23,282,402	$ 18,575,926

The guaranteed investment certificates have effective rates that range between 4.85% and 6.01% (2022 - 0.75% and 5.00%). Interest is receivable on the date of maturity. Maturity dates range from February 2, 2024 to October 30, 2026.

The notice plan investment has accrued interest rate of 5.65% that is tied to bank reference rates that are subject to change and withdrawals require 31 days' notice.

Fair value of short-term investments are $24,123,461 (2022 - $18,877,502).

There were no transfers between Level 1, 2, and 3 for the year.

4. Investment/Deferred revenue - Water Management Systems:

Conservation Halton entered into an agreements for the transfer of Water Management Systems and their long-term operation with an estimated timeline of 2063. The agreements are based on the principle that the net costs associated with ongoing operation, maintenance and performance of the Water Management Systems 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 systems, Conservation Halton received amounts as part of the agreements. 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 agreements. At the time of transfer Conservation Halton will be able to draw on the funds only to facilitate the management of the water systems.

4. Investment/Deferred revenue - Water Management Systems (continued):

The funds are invested as follows:

	Level	2023	2022
Cash	1	$ 337,494	$ 205
Provincial and provincially regulated agency bonds	2	13,230,297	10,431,382
Guaranteed investment certificates	1	–	2,300,373
Total		$ 13,567,791	$ 12,731,960

The provincial and provincially regulated agency bonds have effective yields of 3.11% to 4.22% (2022 - 3.11% to 4.22%). Interest is receivable on the date of maturity. Maturity dates range from July 16, 2027 to October 17, 2050.

The guaranteed investment certificate that matured on January 13, 2023 which had an effective interest rate of 0.95%.

Fair value of investments are $13,160,589 (2022 - $12,069,035).

5. Accounts receivable:

Included in accounts receivable is $223,000 (2022 - $192,629) due from Conservation Halton Foundation.

During 2023, the Foundation contributed $980,150 (2022 - $711,347) to fund projects carried out by Conservation Halton.

6. Deferred revenue:

(a) Deferred revenue includes the following amounts:

	Balance at December 31, 2023	Additions	Revenue recognized	Balance at December 31, 2022
Watershed management	$ 1,550,269	$ 11,322,002	$ 12,648,291	$ 2,876,558
Partnership projects	1,145,575	520,878	294,733	919,430
Source water protection	130,464	411,223	319,559	38,800
Conservation areas	6,364,569	6,907,725	6,797,317	6,254,161
	$ 9,190,877	$ 19,161,828	$ 20,059,900	$ 10,088,949

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.

(b) Conservation Halton applied for funding through the Canada Emergency Wage Subsidy (CEWS) program. In 2021, Conservation Halton received funding totaling $7,437,811 and the amount was recorded as deferred revenue until the year ended December 31, 2021. The Canada Revenue Agency (CRA) through an audit determined that the Conservation Halton was not eligible for this subsidy. The subsidy was refunded to the CRA during 2022 in the full amount of $7,437,811. The assessment resulted in interest owing of $702,544 and was expensed in Corporate Services on the statement of operations in 2022. The interest assessment was reversed by CRA in 2023 resulting in a reduction of Corporate Services expenses in 2023. Conservation Halton is appealing the CEWS eligibility assessment. A final decision by the CRA is pending as at December 31, 2023.

7. Deferred revenue - Capital and Major Projects:

	Balance at December 31, 2023	Contributions received	Revenue recognized	Balance at December 31, 2022
Capital - Ministry of Natural Resources and Forestry	$ 163,433	$ 196,436	$ 137,885	$ 104,882
Capital - Municipal	699,116	520,761	638,226	816,580
	$ 862,549	$ 717,197	$ 776,111	$ 921,462

8. Long-term liabilities:

	2023	2022
5 year term loan at 2.95% interest compounded annually, with a registered collateral mortgage covering 54.36 acres of land, due November 30, 2025	$ 77,058	$ 123,498
Municipal debt financing and interest payments due annually at variable current interest rates of 3.0% to 3.2% annual principal repayments, due December 2023 to December 2050	4,424,113	4,668,669
	$ 4,501,171	$ 4,792,167

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

2024	$ 370,940
2025	294,361
2026	197,060
2027	178,263
2028	177,758
Thereafter	3,282,789
	$ 4,501,171

9. Tangible capital assets:

Cost	Balance at December 31, 2022 (Restated)	Additions	Disposals	Transfers	Balance at December 31, 2023
Land	$ 38,083,447	$ –	$ –	$ –	$ 38,083,447
Land improvements	692,615	632,089	(4,978)	382,975	1,702,701
Buildings and building improvements	16,364,640	524,284	–	226,227	17,115,151
Machinery and equipment	9,100,554	417,944	(214,896)	–	9,303,602
Furniture and fixtures	480,711	5,473	–	–	486,184
Infrastructure	36,442,886	1,196,296	(207,497)	376,056	37,807,741
Vehicles	2,562,699	398,899	(46,360)	–	2,915,238
Computer hardware and software	1,574,849	113,154	(122,713)	–	1,565,290
Assets under construction	999,711	480,538	–	(985,258)	494,991
Asset retirement obligations (note 2)	199,975	–	–	–	199,975
	$ 106,502,087	$ 3,768,677	$ (596,444)	$ -	$ 109,674,320

Accumulated amortization	Balance at December 31, 2022 (Restated)	Additions	Disposals	Transfers	Balance at December 31, 2023
Land	$ –	$ –	$ –	$ –	$ –
Land improvements	364,473	30,609	(4,979)	–	390,103
Buildings and building improvements	7,047,585	428,558	–	–	7,476,143
Machinery and equipment	5,313,828	387,843	(208,738)	–	5,492,933
Furniture and fixtures	258,925	22,464	–	–	281,389
Infrastructure	15,893,713	789,106	(184,910)	–	16,497,909
Vehicles	2,046,176	183,210	(41,724)	–	2,187,662
Computer hardware and software	1,260,233	121,861	(120,719)	–	1,261,375
Assets under construction	–	–	–	–	–
Asset retirement obligations (note 2)	150,967	2,189	–	–	153,156
	$ 32,335,900	$ 1,965,840	$ (561,070)	$ –	$ 33,740,670

9. Tangible capital assets (continued):

	Net book value balance at December 31, 2022	Net book value balance at December 31, 2023
	(Restated)	
Land	$ 38,083,447	$ 38,083,447
Land improvements	328,142	1,312,598
Buildings and building improvements	9,317,055	9,639,008
Machinery and equipment	3,786,726	3,810,669
Furniture and fixtures	221,786	204,795
Infrastructure	20,549,173	21,309,832
Vehicles	516,523	727,576
Computer hardware and software	314,616	303,915
Assets under construction	999,711	494,991
Asset retirement obligations (note 2)	49,008	46,819
	$ 74,166,187	$ 75,933,650

9. Tangible capital assets (continued):

Cost	Balance at December 31, 2021	Additions	Disposals	Transfers	Balance at December 31, 2022
	(Restated)				(Restated)
Land	$ 36,465,678	$ 1,617,769	$ –	$ –	$ 38,083,447
Land improvements	564,806	97,030	–	30,779	692,615
Buildings and building improvements	16,071,563	279,803	–	13,274	16,364,640
Machinery and equipment	8,898,400	276,267	(74,113)	v	9,100,554
Furniture and fixtures	480,621	4,283	(4,193)	–	480,711
Infrastructure	35,870,066	523,029	–	49,791	36,442,886
Vehicles	2,613,430	55,246	(105,977)	–	2,562,699
Computer hardware and software	1,538,494	79,335	(42,980)	–	1,574,849
Assets under construction	148,669	982,040	(37,154)	(93,844)	999,711
Asset retirement obligations (note 2)	199,975	–	–	–	199,975
	$ 102,851,702	$ 3,914,802	$ (264,417)	$ –	$ 106,502,087

Accumulated amortization	Balance at December 31, 2021	Additions	Disposals	Transfers	Balance at December 31, 2022
	(Restated)				(Restated)
Land	$ –	$ –	$ –	$ –	$ –
Land improvements	352,911	11,562	–	–	364,473
Buildings and building improvements	6,620,774	426,811	–	–	7,047,585
Machinery and equipment	5,014,070	367,609	(67,851)	–	5,313,828
Furniture and fixtures	240,386	22,313	(3,774)	–	258,925
Infrastructure	15,138,262	755,451	–	–	15,893,713
Vehicles	1,949,095	192,460	(95,379)	–	2,046,176
Computer hardware and software	1,161,035	142,178	(42,980)	–	1,260,233
Assets under construction	–	–	–	–	–
Asset retirement obligations (note 2)	148,778	2,189	–	–	150,967
	$ 30,625,311	$ 1,920,573	$ (209,984)	$ -	$ 32,335,900

9. Tangible capital assets (continued):

	Net book value, Balance at December 31, 2021	Net book value Balance at December 31, 2022
	(Restated)	(Restated)
Land	$ 36,465,678	$ 38,083,447
Land improvements	211,895	328,142
Buildings and building improvements	9,450,789	9,317,055
Machinery and equipment	3,884,330	3,786,726
Furniture and fixtures	240,235	221,786
Infrastructure	20,731,804	20,549,173
Vehicles	664,335	516,523
Computer hardware and software	377,459	314,616
Assets under construction	148,669	999,711
Asset retirement obligations (note 2)	51,197	49,008
	$ 72,226,391	$ 74,166,187

10. Asset retirement obligations:

Conservation Halton's asset retirement obligations consist of the following:

(a) Asbestos obligations:

Conservation Halton owns and operates several buildings and structures that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it for $104,225 (2022 - $104,225).

(b) Well obligations:

Conservation Halton has underground wells that will require future remediation and where there is a legal obligation to remove or cap the well and remediate the site for $95,750 (2022 - $95,750).

All liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

10. Asset retirement obligations (continued):

Changes to the asset retirement obligations in the year are as follows:

		2023		2022
Balance, beginning of the year, as restated	$	199,975	$	199,975
Less: obligations settled during the year		–		–
Balance, end of the year	$	199,975	$	199,975

11. Budget amounts:

The 2023 budget amounts approved by Conservation Halton on November 17, 2022 were not prepared on a basis consistent with that used to report actual results under the 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 17, 2022, with adjustments as follows:

		2023		2022
Budget deficit for the year	$	(1,418,961)	$	(1,377,270)
Less: Amortization of tangible capital assets		(1,964,000)		(1,918,000)
Less: Municipal debt financing		(1,000,000)		–
Add: Acquisition of tangible capital assets		2,913,431		5,397,123
Add: Debt financing charges - principal portion		412,444		440,396
Budget surplus (deficit) per Statement of Operations	$	(1,057,086)	$	2,542,249

12. Accumulated surplus:

Accumulated surplus consists of operating surplus and reserves as follows:

	Balance at December 31, 2023	Annual surplus (deficit)	Transfers (to) from reserves	Balance at December 31, 2022 (Restated)
Surplus - investment in tangible capital assets	$ 75,933,650	$ (2,001,214)	$ 3,768,677	$ 74,166,187
Surplus (deficit) - current funds	(4,824,046)	7,153,846	(6,889,933)	(5,087,959)
Total surplus	71,109,604	5,152,632	(3,121,256)	69,078,228
Reserves:				
Conservation areas capital	5,791,072	–	775,338	5,015,734
Conservation areas stabilization	1,270,000	–	123,510	1,146,490
Vehicle and equipment	753,636	–	9,340	744,296
Building	1,300,847	–	789,696	511,151
Building - state of good repair	571,635		86,231	485,404
Watershed management capital - municipal funds	1,093,346	–	320,076	773,270
Watershed management capital - self generated funds	531,409	–	62,300	469,109
Watershed management and support services stabilization	1,826,502	–	37,290	1,789,212
Digital transformation	499,300		213,600	285,700
Debt financing charges capital	558,264	–	40,118	518,146
Legal - planning and watershed management	941,995	–	–	941,995
Legal - corporate	300,000	–	100,000	200,000
Water festival	131,191	–	(48,143)	179,334
Property management	1,565,442	–	452,800	1,112,642
Land securement	247,339	–	131,100	116,239
Stewardship and restoration	467,050	–	28,000	439,050
Total reserves	17,849,028	–	3,121,256	14,727,772
Accumulated surplus	$ 88,958,632	$ 5,152,632	$ –	$ 83,806,000

13. Contingencies:

Conservation Halton has been named as defendant or co-defendant in several lawsuits that have claims outstanding. Conservation Halton anticipated 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 related to the 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 funds are available for the rehabilitation plan implementation. Conservation Halton is a member of the Investment Committee that oversees management of the trust account with a balance of $3,385,382 (2022 - $2,901,595) as at December 31, 2023. No deposit to the trust account by the funder is required to be made by March 31, 2023 (2022 - $322,640) based on extraction in 2023. Conservation Halton will release their interest in the trust account when the implementation plan is completed.

14. 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, 2023 are as follows:

2024	$ 2,275,998
2025	61,670
2026	62,695
	$ 2,400,363

15. 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. 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, 2023. At that time the plan reported a $4.2 billion actuarial deficit (2022 - $6.7 billion actuarial deficit), based on actuarial liabilities of $134.6 billion (2022 - $128.8 billion) and actuarial assets of $130.4 billion (2022 - $122.1 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2023 employer portion of OMERS pension contributions was $1,587,433 (2022 - $1,330,243).

16. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Conservation Halton is exposed to credit risk with respect to the accounts receivable, cash and investments.

Conservation Halton assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of Conservation Halton as at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts is $nil (2022 - $nil).

There have been no significant changes to the credit risk exposure from 2022.

16. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that Conservation Halton will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Conservation Halton manages its liquidity risk by monitoring its operating requirements. Conservation Halton prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets with variable interest rates expose Conservation Halton to cash flow interest rate risk.

Conservation Halton's investments are disclosed in notes 3 and 4.

There has been no change to the interest rate risk exposure from 2022.

17. Comparative information:

Certain comparative information in the statement of cashflows has been reclassified to conform with the financial statement presentation adopted in the current year.

18. Revenue and expenses by program:

2023	Corporate Services	Natural hazards and watershed Management	Permitting and planning	Conservation lands management	Conservation lands recreation	Major projects	Debt financing	Reserve funding	Total
Revenue:									
Municipal funding	$ 4,996,215	$ 1,964,621	$ 1,284,687	$ 1,156,200	$ 369,986	$ -	$ 580,126	$ 565,000	$ 10,916,835
Municipal funding – Major projects	–	–	–	–	–	499,464	–	–	$ 499,464
Provincial transfer payments	–	155,034	–	–	–	–	–	–	155,034
Program fees and other	698,778	3,985,037	4,112,165	482,122	18,362,530	3,241,126	–	–	30,881,758
	5,694,993	6,104,692	5,396,852	1,638,322	18,732,516	3,740,590	580,126	565,000	42,453,091
Expenses:									
Salaries, wages and benefits	5,034,339	3,876,839	4,163,898	1,410,524	9,356,197	436,468	–	–	24,278,265
Members per diems and expenses	35,568	–	–	–	–	–	–	–	35,568
Materials and supplies	151,061	414,638	1,010	126,175	1,775,932	1,575,678	–	–	4,044,494
Property taxes	–	–	–	66,972	5,276		–	–	72,248
Purchased services	1,298,353	1,475,636	4,713	86,146	2,594,886	509,849	–	–	5,969,583
Legal	28,223	64,513	924,484	8,885	(87,601)	–	–	–	938,504
Finance and rent	(672,053)	701		10,812	504,796	–	–	–	(155,744)
Debt financing – charges	–	–	–	–	–	–	153,187	–	153,187
Amortization of tangible capital assets and ARO	255,148	575,323	–	87,227	1,048,142	–	–	–	1,965,840
Loss (gain) on disposal of tangible capital assets	6,073	–	–	(29,314)	21,755	–	–	–	(1,486)
	6,136,712	6,407,650	5,094,105	1,767,427	15,219,383	2,521,995	153,187	–	37,300,459
Annual surplus (deficit)	$ (441,719)	$ (302,958)	$ 302,747	$ (129,105)	$ 3,513,133	$ 1,218,595	$ 426,939	$ 565,000	$ 5,152,632

18. Revenue and expenses by program (continued):

2022	Corporate Services	Natural hazards and watershed management	Permitting and planning	Conservation lands management	Conservation lands recreation	Major projects	Debt financing	Reserve funding	Total
(Restated)									
Revenue:									
Municipal funding	$ 4,159,550	$ 2,179,008	$ 1,614,635	$ 1,114,836	$ 339,556	$ –	$ 620,551	$ 505,500	$ 10,533,636
Municipal funding – Major projects	–	–	–	–	–	173,407	–	–	$ 173,407
Provincial transfer payments	–	155,034	–	–	–	–	–	–	155,034
Program fees and other	464,488	3,107,352	4,443,400	354,616	16,407,384	4,226,967	–	–	29,004,207
	4,624,038	5,441,394	6,058,035	1,469,452	16,746,940	4,400,374	620,551	505,500	39,866,284
Expenses:									
Salaries, wages and benefits	4,777,012	3,665,486	4,462,322	1,279,841	7,751,483	168,168	–	–	22,104,312
Members per diems and expenses	20,425	–	–	–	–	–	–	–	20,425
Materials and supplies	147,793	610,815	45	98,393	1,549,123	728,087	–	–	3,134,256
Property taxes	–	–	–	61,013	5,126	–	–	–	66,139
Purchased services	1,063,716	763,245	24,635	93,676	2,374,288	420,416	–	–	4,739,976
Legal	24,635	124,455	595,612	13,734	12,686	–	–	–	771,122
Finance and rent	726,776	886	–	10,812	439,477	–	–	–	1,177,951
Debt financing charges	–	–	–	–	–	–	162,918	–	162,918
Amortization of tangible capital assets and ARO	265,461	561,980	–	90,185	1,002,947	–	–	–	1,920,573
Loss (gain) on disposal of tangible capital assets	420	–	–	(1,310)	1,383	34,154	–	–	34,647
	7,026,238	5,726,867	5,082,614	1,646,344	13,136,513	1,350,825	162,918	–	34,132,319
Annual surplus (deficit)	$ (2,402,200)	$ (285,473)	$ 975,421	$ (176,892)	$ 3,610,427	$ 3,049,549	$ 457,633	$ 505,500	$ 5,733,965