

Financial Statements of

**CONSERVATION HALTON**

Year ended December 31, 2018

# CONSERVATION HALTON

## Financial Statements

Year ended December 31, 2018

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### Independent Auditors' Report

Statement of Financial Position.....	1
Statement of Operations and Change in Accumulated Surplus.....	2
Statement of Changes in Net Financial Assets.....	3
Statement of Cash Flows .....	4
Notes to Financial Statements .....	5-17



KPMG LLP  
115 King Street South  
2nd Floor  
Waterloo ON N2J 5A3  
Canada  
Tel 519-747-8800  
Fax 519-747-8830

## 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, 2018
- the statement of operations and change in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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 25, 2019

# CONSERVATION HALTON

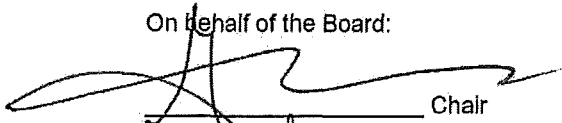
## Statement of Financial Position

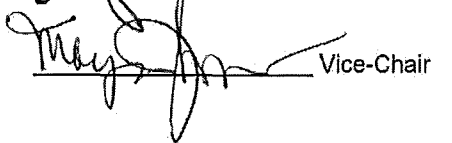
December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets:</b>		
Cash	\$ 1,039,118	\$ 1,432,504
Investments (note 2)	14,021,969	11,934,983
Investment - Water Management System (note 3)	11,092,270	10,684,542
Accounts receivable (note 4)	2,588,572	1,571,838
	<u>28,741,929</u>	<u>25,623,867</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued charges	3,417,306	2,323,344
Vacation pay and accumulated time entitlements	184,593	166,890
Deferred revenue (note 5)	6,020,228	5,624,765
Deferred revenue - capital and major projects (note 6)	1,153,174	974,700
Deferred revenue - Water Management System (note 3)	11,092,270	10,684,542
Long-term liabilities (note 7)	2,444,461	2,165,790
	<u>24,312,032</u>	<u>21,940,031</u>
<b>Net financial assets</b>	<b>4,429,897</b>	<b>3,683,836</b>
<b>Non-financial assets:</b>		
Tangible capital assets (note 8)	66,069,575	65,488,926
Prepaid expenses	287,045	268,992
Inventory	183,281	104,786
	<u>66,539,901</u>	<u>65,862,704</u>
<b>Commitments (note 12)</b>		
<b>Accumulated surplus (note 9)</b>	<b>\$ 70,969,798</b>	<b>\$ 69,546,540</b>

See accompanying notes to financial statements.

On behalf of the Board:

  
Chair

  
Vice-Chair

# CONSERVATION HALTON

## Statement of Operations and Change in Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (Note 13)	2018 Actual	2017 Actual
<b>Revenue (note 15):</b>			
Municipal grants	\$ 8,891,511	\$ 8,891,511	\$ 8,596,587
Ministry of Natural Resources, transfer payments	300,311	300,311	300,311
Corporate services	97,750	153,048	374,777
People, culture and creative	15,000	22,233	449
Engineering flood forecasting and operations	116,626	156,035	58,301
Planning and watershed management	3,175,921	2,736,077	3,133,262
Science and partnerships	826,177	916,208	1,042,690
Project management office	216,106	97,392	78,685
Watershed Management & Support			
Service operations	326,500	331,915	249,154
Conservation areas	11,421,550	14,041,889	12,251,996
Partnership projects	899,404	791,450	893,935
Major projects	2,609,276	2,890,017	1,556,698
<b>Total revenue</b>	<b>28,896,132</b>	<b>31,328,086</b>	<b>28,536,845</b>
<b>Expenses (note 15):</b>			
Corporate services	3,125,895	2,799,558	2,337,338
People, culture and creative	1,606,605	1,611,086	1,299,446
Engineering, flood forecasting and operations	1,315,614	1,246,474	1,255,768
Planning and watershed management	4,237,925	3,853,653	3,839,078
Science and partnerships	1,832,133	1,785,794	1,780,541
Project management office	1,259,581	877,575	2,051,605
Watershed Management & Support			
Service operations	1,260,995	1,245,986	1,367,118
Conservation areas	11,293,724	13,126,176	10,730,229
Partnership projects	899,404	791,450	894,102
Major projects	1,154,000	2,483,309	646,293
Debt financing charges	168,955	83,767	85,474
<b>Total expenses</b>	<b>28,154,831</b>	<b>29,904,828</b>	<b>26,286,992</b>
<b>Annual surplus (note 9)</b>	<b>741,301</b>	<b>1,423,258</b>	<b>2,249,853</b>
Accumulated surplus, beginning of year		69,546,540	67,296,687
<b>Accumulated surplus, end of year</b>		<b>\$ 70,969,798</b>	<b>\$ 69,546,540</b>

See accompanying notes to financial statements.

# CONSERVATION HALTON

## Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
Annual surplus	\$ 741,301	\$ 1,423,258	\$ 2,249,853
Acquisition of tangible capital assets	(3,034,321)	(2,400,114)	(3,117,908)
Amortization of tangible capital assets	1,785,000	1,785,054	1,684,449
Proceeds on disposal of tangible capital assets	-	5,828	64,813
Loss (gain) on disposal of tangible capital assets	-	28,583	(1,770)
	(508,020)	842,609	879,437
Change in prepaid expenses	-	(18,053)	41,914
Change in inventories	-	(78,495)	24,910
Net change in net financial assets	(508,020)	746,061	946,261
Net financial assets, beginning of year		3,683,836	2,737,575
Net financial assets, end of year		\$ 4,429,897	\$ 3,683,836

See accompanying notes to financial statements.



# CONSERVATION HALTON

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,423,258	\$ 2,249,853
Items not involving cash:		
Amortization	1,785,054	1,684,449
Loss (gain) on disposal of tangible capital assets	28,583	(1,770)
	<u>3,236,895</u>	<u>3,932,532</u>
Change in non-cash working capital balances:		
Accounts receivable	(1,016,734)	(888,828)
Prepaid expenses	(18,053)	41,914
Inventory	(78,495)	24,910
Accounts payable and accrued charges	1,093,962	328,966
Vacation pay and accumulated time entitlements	17,703	23,452
Deferred revenue	395,463	(153,994)
Deferred revenue - capital and major projects	178,474	396,369
	<u>3,809,215</u>	<u>3,705,321</u>
Capital transactions:		
Acquisition of tangible capital assets	(2,400,114)	(3,117,908)
Proceeds on disposal of tangible capital assets	5,828	64,813
	<u>(2,394,286)</u>	<u>(3,053,095)</u>
Investing activities:		
Investments	(2,086,986)	(51,592)
Investment - Water Management System	-	(1,104,498)
	<u>(2,086,986)</u>	<u>(1,156,090)</u>
Financing transactions:		
Deferred revenue - Water Management System	-	1,104,498
Proceeds from long-term debt	686,664	24,231
Repayment of long-term debt	(407,993)	(567,547)
	<u>278,671</u>	<u>561,182</u>
Net change in cash	<u>(393,386)</u>	<u>57,318</u>
Cash, beginning of year	1,432,504	1,375,186
Cash, end of year	<u>\$ 1,039,118</u>	<u>\$ 1,432,504</u>

See accompanying notes to financial statements.

# CONSERVATION HALTON

Notes to Financial Statements

Year ended December 31, 2018

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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, 2018

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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	5 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 is receiving 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, 2018

## 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:

	2018	2017
Business investment account	\$ 796,729	\$ 432,426
High interest savings account	4,116,896	-
Guaranteed investment certificates	4,500,000	4,000,000
Pooled fund – Provincial and Corporate bonds	4,108,346	7,002,559
Pooled fund – Equity	499,998	499,998
<b>Total</b>	<b>\$ 14,021,969</b>	<b>\$ 11,934,983</b>

The guaranteed investment certificates have effective rates that range between 2.10% and 2.23% (2017 - 1.20% to 2.00%). Interest is receivable on the date of maturity. Maturity dates range from March 7, 2019 to November 9, 2019. The business investment account and pooled funds earn interest at variable rates which is paid monthly.

Market value of investments are \$14,462,153 (2017 - \$12,278,498).

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2018

### 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:

	2018	2017
Cash	\$ 209	\$ 13
Provincial and provincially regulated agency bonds	9,945,933	8,447,844
Guaranteed investment certificates	1,146,128	2,236,685
<b>Total</b>	<b>\$ 11,092,270</b>	<b>\$ 10,684,542</b>

The Provincial and provincially regulated agency bonds have effective yields of 2.27% to 5.0% (2017 - 3.62% to 5.00%). Interest is receivable on the date of maturity. Maturity dates range from January 13, 2020 to June 2, 2037.

The guaranteed investment certificates have been an effective interest rate of 2.15% (2017 - 1.29% and 1.75%). Interest is receivable on the date of maturity. Maturity dates is March 5, 2019.

Market value of investments are \$11,732,413 (2017 - \$11,515,027).

### 4. Accounts receivable:

Included in accounts receivable is \$58,723 (2017 - \$649,896) due from Conservation Halton Foundation.

During 2018, the Foundation contributed \$441,116 (2017 - \$1,094,653) to fund projects carried out by the Conservation Halton.

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2018

## 5. Deferred revenue:

	Balance at December 31, 2018	Additions	Revenue recognized	Balance at December 31, 2017
Watershed Management	\$ 1,961,263	\$ 280,337	\$ 68,411	\$ 1,749,337
Partnership Projects	752,889	1,507,675	1,438,093	683,307
Source Water Protection	16,824	-	3,214	20,038
Conservation Areas	3,289,252	6,632,343	6,515,174	3,172,083
	<u>\$ 6,020,228</u>	<u>\$ 8,420,355</u>	<u>\$ 8,024,892</u>	<u>\$ 5,624,765</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, 2018	Contributions received	Revenue recognized	Balance at December 31, 2017
Capital - Ministry of Natural Resources	\$ 592,296	\$ 520,577	\$ 335,854	\$ 407,573
Capital - Municipal	560,878	656,813	663,062	567,127
	<u>\$ 1,153,174</u>	<u>\$ 1,177,390</u>	<u>\$ 998,916</u>	<u>\$ 974,700</u>

# CONSERVATION HALTON

Notes to Financial Statements, continued

Year ended December 31, 2018

## 7. Long-term liabilities:

	2018	2017
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 November 2020	\$ 433,000	\$ 483,000
Municipal debt financing and interest payments due annually at variable current interest rates ranging from 3.0% to 3.2% (2017 - 3.2%), annual principal repayments, due from December 2019 to December 2047	2,011,461	1,682,790
	<u>\$ 2,444,461</u>	<u>\$ 2,165,790</u>

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

2019	\$ 353,472
2020	674,171
2021	232,170
2022	224,118
2023	192,819
Thereafter	767,711
	<u>\$ 2,444,461</u>

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 8. Tangible capital assets:

2018	Land	Land Improvements	Buildings and building improvements	Machinery and equipment	Furniture and fixtures	Infrastructure	Vehicles	Computer hardware and software	Assets under construction	Total
Cost, beginning of year	\$ 35,523,205	\$ 564,806	\$ 14,633,457	\$ 8,053,376	\$ 450,559	\$ 25,849,614	\$ 2,407,208	\$ 1,345,273	\$ 1,096,590	\$ 89,924,088
Additions	408,860	-	535,880	356,405	25,771	277,762	96,381	209,537	489,518	2,400,114
Disposals	-	-	(11,501)	(164,328)	-	(22,279)	(35,001)	(116,725)	-	(349,834)
Transfers	-	-	340,697	-	-	-	-	-	(340,697)	-
Cost, end of year	35,932,065	564,806	15,498,533	8,245,453	476,330	26,105,097	2,468,588	1,438,085	1,245,411	91,974,368
Accumulated amortization, beginning of year	-	308,061	4,783,271	4,111,869	196,766	12,483,440	1,697,099	854,656	-	24,435,162
Amortization	-	11,467	401,533	378,602	21,586	605,840	200,157	165,869	-	1,785,054
Disposals	-	-	(2,760)	(157,275)	-	(17,079)	(31,501)	(106,808)	-	(315,423)
Accumulated amortization, end of year	-	319,528	5,182,044	4,333,196	218,352	13,072,201	1,865,755	913,717	-	25,904,793
Net carrying amount end of year	\$ 35,932,065	\$ 245,278	\$ 10,316,489	\$ 3,912,257	\$ 257,978	\$ 13,032,896	\$ 602,833	\$ 524,368	\$ 1,245,411	\$ 66,069,575



# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 8. Tangible capital assets (continued):

2017	Land	Land Improvements	Buildings and building improvements	Machinery and equipment	Furniture and fixtures	Infrastructure	Vehicles	Computer hardware and software	Assets under construction	Total
Cost, beginning of year	\$ 35,523,205	\$ 564,806	\$ 14,189,717	\$ 7,994,942	\$ 446,176	\$ 24,707,933	\$ 2,439,759	\$ 1,199,137	\$ 354,291	\$ 87,419,966
Adjustment	-	-	55,000	-	-	-	-	-	-	55,000
Additions	-	-	375,243	213,946	33,270	980,220	358,345	230,007	926,877	3,117,908
Disposals	-	-	-	(155,512)	(28,887)	(9,620)	(390,896)	(83,871)	-	(668,786)
Transfers	-	-	13,497	-	-	171,081	-	-	(184,578)	-
Cost, end of year	35,523,205	564,806	14,633,457	8,053,376	450,559	25,849,614	2,407,208	1,345,273	1,096,590	89,924,088
Accumulated amortization, beginning of year	-	296,594	4,358,509	3,889,853	194,710	11,918,555	1,855,256	787,979	-	23,301,456
Adjustment	-	-	55,000	-	-	-	-	-	-	55,000
Amortization	-	11,467	369,762	368,805	20,832	574,505	193,121	145,957	-	1,684,449
Disposals	-	-	-	(146,789)	(18,776)	(9,620)	(351,278)	(79,280)	-	(605,743)
Accumulated amortization, end of year	-	308,061	4,783,271	4,111,869	196,766	12,483,440	1,697,099	854,656	-	24,435,162
Net carrying amount, end of year	\$ 35,523,205	\$ 256,745	\$ 9,850,186	\$ 3,941,507	\$ 253,793	\$ 13,366,174	\$ 710,109	\$ 490,617	\$ 1,096,590	\$ 65,488,926

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 9. Accumulated surplus:

Accumulated surplus consists of operating surplus and reserves as follows:

	Balance at December 31, 2018	Excess of Revenue over expenses	Transfers (to) from reserves	Balance at December 31, 2017
Surplus - investment in tangible capital assets	\$ 66,069,575	\$ (1,819,465)	\$ 2,400,114	\$ 65,488,926
Surplus (deficit) - current funds	(2,892,089)	3,242,723	(3,103,388)	(3,031,424)
<b>Total surplus</b>	<b>63,177,486</b>	<b>1,423,258</b>	<b>(703,274)</b>	<b>62,457,502</b>
<b>Reserves</b>				
Conservation areas capital projects	2,403,892	-	(29,764)	2,433,656
Conservation areas stabilization	936,568	-	82,000	854,568
Vehicle, equipment and building	1,483,436	-	271,322	1,212,114
Watershed management capital projects - municipal funds	389,228	-	214,653	174,575
Watershed management capital projects - self generated funds	356,309	-	15,700	340,609
Watershed management stabilization	730,413	-	(5,000)	735,413
Capital Projects - debt financing charges	335,081	-	93,514	241,567
Legal - planning and watershed management	258,891	-	2	258,889
Legal - corporate	199,998	-	199,998	-
Water Festival	188,911	-	(20,000)	208,911
Property management	95,040	-	(133,860)	228,900
Land securement	9,036	-	(99,300)	108,336
Stewardship and restoration	405,509	-	114,009	291,500
<b>Total reserves</b>	<b>7,792,312</b>	<b>-</b>	<b>703,274</b>	<b>7,089,038</b>
<b>Accumulated surplus</b>	<b>\$ 70,969,798</b>	<b>\$ 1,423,258</b>	<b>\$ -</b>	<b>\$ 69,546,540</b>

# CONSERVATION HALTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

## 10. Budget amounts:

The 2018 budget amounts approved by Conservation Halton on November 23, 2017 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 23, 2017, with adjustments as follows:

	2018 Actual	2017 Actual
Budget deficit for the year	\$ (949,651)	\$ (177,109)
Less: Amortization of tangible capital assets	(1,785,000)	(1,684,000)
Add: Acquisition of tangible capital assets	3,034,321	6,998,000
Add: Debt financing charges - principal portion	441,631	404,664
Less: Municipal debt financing	-	(2,632,500)
Budget surplus per Statement of Operations	\$ 741,301	\$ 2,909,055

## 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 will be a member of the Investment Committee that will oversee management of the Trust account. A deposit to the Trust account by the funder is required to be made by March 31, 2019 for \$574,861 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, 2018

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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, 2018 are as follows:

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2019	\$ 7,301,910
2020	52,709
2021	41,748
2022	3,180
	<hr/>
	\$ 7,399,547

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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. 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, 2018. At that time the plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion deficit), based on actuarial liabilities of \$99.1 billion (2017 - \$93.6 billion) and actuarial assets of \$94.9 billion (2017 - \$88.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The 2018 employer portion of OMERS pension contributions was \$1,113,805 (2017 - \$1,072,634).

## 14. Comparative figures:

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

# CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 15. Revenue and expenses by program:

2018	Corporate & Strategic Initiatives	People Culture & Creative	Engineering, Flood Forecasting & Operations	Planning & Watershed Management	Science & Partnerships	Innovation & Project Management Office	Watershed Management & Support Service Operations	Conservation Areas	Partnership Projects	Major Projects	Debt Financing	Reserve Funding	Total
<b>Revenue:</b>													
Municipal funding	\$ 2,326,545	\$ 1,274,005	\$ 497,677	\$ 1,056,004	\$ 978,956	\$ 810,989	\$ 783,395	\$ 192,354	\$ -	\$ -	\$ 610,586	\$ 361,000	\$ 8,891,511
Provincial transfer payments	-	-	300,311	-	-	-	-	-	-	-	-	-	300,311
Program fees and other	153,048	22,233	156,035	2,736,077	916,208	97,392	331,915	14,041,889	791,450	2,890,017	-	-	22,136,264
	2,479,593	1,296,238	954,023	3,792,081	1,895,164	908,381	1,115,310	14,234,243	791,450	2,890,017	610,586	361,000	31,328,086
<b>Expenses:</b>													
Salaries, wages and benefits	2,001,835	1,093,237	665,954	3,422,884	1,391,785	618,447	767,887	7,558,241	158,389	422,325	-	-	18,100,984
Members per diems and expenses	24,547	-	-	-	-	-	-	-	-	-	-	-	24,547
Materials and supplies	182,847	161,598	26,135	23,446	218,406	83,090	121,949	1,536,541	69,979	1,892,558	-	-	4,316,549
Property taxes	-	-	-	-	-	-	40,743	-	-	-	-	-	40,743
Purchased services	292,026	310,879	152,914	44,557	175,603	176,440	242,936	2,741,777	563,082	2,411,399	-	-	7,111,613
Legal	8,260	5,970	-	354,956	-	-	9,281	53,586	-	-	-	-	432,053
Finance and rent	20,622	39,402	-	2,118	-	(24,755)	12,342	174,179	-	(2,242,973)	-	-	(2,019,065)
Debt financing charges	-	-	-	-	-	-	-	-	-	-	83,767	-	83,767
Amortization of tangible capital assets	255,038	-	401,471	5,692	-	24,353	52,719	1,045,781	-	-	-	-	1,785,054
Loss (gain) on disposal of tangible capital assets	14,383	-	-	-	-	-	(1,871)	16,071	-	-	-	-	28,583
	2,799,558	1,611,086	1,246,474	3,853,653	1,785,794	877,575	1,245,986	13,126,176	791,450	2,483,309	83,767	-	29,904,828
<b>Excess (deficiency) of revenues over expenses, for the year</b>	<b>\$ (319,965)</b>	<b>\$ (314,848)</b>	<b>\$ (292,451)</b>	<b>\$ (61,572)</b>	<b>\$ 109,370</b>	<b>\$ 30,806</b>	<b>\$ (130,676)</b>	<b>\$ 1,108,067</b>	<b>\$ -</b>	<b>\$ 406,708</b>	<b>\$ 526,819</b>	<b>\$ 361,000</b>	<b>\$ 1,423,258</b>

# CONSERVATION HALTON

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 15. Revenue and expenses by program:

2017	Corporate & Strategic Initiatives	People Culture & Creative	Engineering, Flood Forecasting & Operations	Planning & Watershed Management	Science & Partnerships	Innovation & Project Management Office	Watershed Management & Support Service Operations	Conservation Areas	Partnership Projects	Major Projects	Debt Financing	Reserve Funding	Total
<b>Revenue:</b>													
Municipal funding	\$ 1,615,736	\$ 1,455,654	\$ 478,331	\$ 1,451,371	\$ 856,497	\$ 1,786,043	\$ 165,896	\$ 192,354	\$ -	\$ -	\$ 469,705	\$ 125,000	\$ 8,596,587
Provincial transfer payments	-	-	300,311	-	-	-	-	-	-	-	-	-	300,311
Program fees and other	374,777	449	58,301	3,133,262	1,042,690	78,685	249,154	12,251,996	893,935	1,556,698	-	-	19,639,947
	1,990,513	1,456,103	836,943	4,584,633	1,899,187	1,864,728	415,050	12,444,350	893,935	1,556,698	469,705	125,000	28,536,845
<b>Expenses:</b>													
Salaries, wages and benefits	1,730,010	979,466	756,983	3,281,865	1,238,643	1,670,961	835,318	6,579,092	201,707	52,600	-	-	17,326,645
Members per diems and expenses	25,498	-	-	-	-	-	-	-	-	-	-	-	25,498
Materials and supplies	44,866	82,222	19,694	25,693	317,232	128,386	164,669	1,502,168	234,492	1,164,676	-	-	3,684,098
Property taxes	-	-	7,169	-	-	-	30,899	-	-	-	-	-	38,068
Purchased services	261,455	229,656	103,545	307,591	224,666	220,654	253,887	1,523,885	457,903	2,290,470	-	-	5,873,712
Legal	5,178	11,313	-	216,506	-	-	10,180	68,849	-	-	-	-	312,026
Finance and rent	25,829	(3,211)	(28,098)	1,270	-	7,228	-	117,227	-	(2,861,453)	-	-	(2,741,208)
Debt financing charges	-	-	-	-	-	-	-	-	-	-	85,474	-	85,474
Amortization of tangible capital assets	231,715	-	396,475	6,153	-	24,099	77,587	948,420	-	-	-	-	1,684,449
Loss (gain) on disposal of tangible capital assets	12,787	-	-	-	-	277	(5,422)	(9,412)	-	-	-	-	(1,770)
	2,337,338	1,299,446	1,255,768	3,839,078	1,780,541	2,051,605	1,367,118	10,730,229	894,102	646,293	85,474	-	26,286,992
<b>Excess (deficiency) of revenues over expenses, for the year</b>	\$ (346,825)	\$ 156,657	\$ (418,825)	\$ 745,555	\$ 118,646	\$ (186,877)	\$ (952,068)	\$ 1,714,121	\$ (167)	\$ 910,405	\$ 384,231	\$ 125,000	\$ 2,249,853