

Hamilton Region Conservation Authority

Financial Statements

December 31, 2014

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Independent auditor's report

To the Members of
Hamilton Region Conservation Authority

We have audited the accompanying financial statements of Hamilton Region Conservation Authority, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, statement of changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hamilton Region Conservation Authority as at December 31, 2014, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Burlington, Canada
May 7, 2015

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

Hamilton Region Conservation Authority Statement of Financial Position

December 31 2014 2013

Financial assets

Cash and cash equivalents	\$ 6,588,995	\$ 6,227,727
Accounts receivable	1,124,592	628,955
Due from Confederation Park	221,515	143,059
Due from Hamilton Conservation Foundation	<u>125,923</u>	<u>233,324</u>
 Total financial assets	 <u>\$ 8,061,025</u>	 <u>\$ 7,233,065</u>

Liabilities

Accounts payable and accrued liabilities	\$ 1,375,859	\$ 1,276,842
Due to Westfield Heritage Village	554,302	628,464
Employee future benefit costs (Note 6)	364,521	389,103
Deferred revenues (Note 8)	469,731	403,930
Long-term debt (Note 9)	<u>1,597,921</u>	<u>1,878,518</u>
 Total liabilities	 <u>\$ 4,362,334</u>	 <u>\$ 4,576,857</u>

Net financial assets **\$ 3,698,691** **\$ 2,656,208**

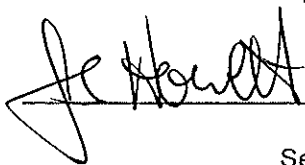
Non-financial assets

Inventory	70,846	82,983
Prepaid expenses	151,985	174,567
Tangible capital assets	<u>32,755,530</u>	<u>32,833,271</u>
 Total non-financial assets	 <u>\$ 32,978,361</u>	 <u>\$ 33,090,821</u>

Accumulated surplus (Note 10) **\$ 36,677,052** **\$ 35,747,029**

Contingent liabilities, contractual obligations and commitments (Notes 12 and 13)

On behalf of the Authority



Chair



Vice Chair

See accompanying notes to the financial statements

Hamilton Region Conservation Authority

Statement of Operations

Year Ended December 31	2014	2014	2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Municipal levy & special projects	\$ 5,475,330	\$ 5,503,760	\$ 5,569,476
Federal & Provincial grants	185,150	650,647	545,912
Hamilton Conservation Foundation	149,017	910,060	704,093
Private and In-Kind donations (Note 11)	121,224	256,480	452,813
Admissions, product, service & program fees	3,924,330	4,064,842	3,868,941
Regulatory fees	350,000	306,258	340,775
Management fees	468,900	488,972	484,771
Rentals	1,099,020	970,151	973,376
Other income	193,127	214,302	633,603
	<u>11,966,098</u>	<u>13,365,472</u>	<u>13,573,760</u>
Expenditures			
Wages & benefits	6,560,410	6,782,641	6,588,028
Staff expenses	343,725	356,752	310,411
Utilities	553,155	620,992	528,547
Products for resale	303,400	293,107	290,950
Materials & supplies	458,510	943,011	896,226
Contractors / consultants	2,315,225	1,240,238	1,158,155
Professional fees	226,490	226,904	217,613
Miscellaneous expense	1,262,583	1,093,416	714,065
	<u>12,023,498</u>	<u>11,557,061</u>	<u>10,703,995</u>
Amortization	900,000	878,388	875,494
Loss on disposal of capital assets, net	-	-	156,424
	<u>12,923,498</u>	<u>12,435,449</u>	<u>11,735,913</u>
Annual surplus	<u>\$ (957,400)</u>	<u>\$ 930,023</u>	<u>\$ 1,837,847</u>
Accumulated surplus, beginning of year, as previously stated			33,927,683
Prior period adjustment (Note 3)			(18,501)
Accumulated surplus, beginning of year, restated	<u>35,747,029</u>	<u>35,747,029</u>	<u>33,909,182</u>
Accumulated surplus, end of year	<u>\$ 34,789,629</u>	<u>\$ 36,677,052</u>	<u>\$ 35,747,029</u>

See accompanying notes to the financial statements

Hamilton Region Conservation Authority

Statement of Cash Flows

December 31

2014

2013

Increase/decrease in cash and cash equivalents		
Cash Flow from operating transactions		
Annual surplus	\$ 930,023	\$ 1,837,847
Non-cash changes to operations		
Amortization	878,388	875,494
Retirements of capital assets	2,445	-
Loss on disposal of tangible capital assets	-	156,424
Increase in accounts receivable	(495,637)	(124,120)
Decrease (increase) in inventory	12,137	(1,606)
Decrease in prepaid expenses	22,582	44,230
Decrease in employee future benefit costs	(24,582)	(34,039)
Increase in accounts payable and accrued liabilities	99,017	26,364
Decrease (increase) in Due from		
Hamilton Conservation Foundation	107,401	(249,898)
Increase in Due from Confederation Park	(78,456)	(289,442)
Decrease in Due to Westfield Heritage Village	(74,162)	(104,839)
Increase (decrease) in deferred revenues	65,801	(173,913)
	<u>1,444,957</u>	<u>1,962,502</u>
Financing Activities		
Repayment of long term debt	<u>(280,597)</u>	<u>(270,251)</u>
Capital		
Proceeds on disposal of tangible capital assets	57,788	23,831
Purchase of tangible capital assets	<u>(860,880)</u>	<u>(1,867,075)</u>
	<u>(803,092)</u>	<u>(1,843,244)</u>
Net increase (decrease) in cash and cash equivalents	361,268	(150,993)
Cash and cash equivalents		
Beginning of year	<u>6,227,727</u>	<u>6,378,720</u>
End of year	<u>\$ 6,588,995</u>	<u>\$ 6,227,727</u>

See accompanying notes to the financial statements

Hamilton Region Conservation Authority

Statement of Changes in Net Financial Assets

December 31	2014	2014	2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual surplus	\$ (957,400)	\$ 930,023	\$ 1,837,847
Acquisition of tangible capital assets	-	(860,880)	(1,867,075)
Write off of infrastructure improvements	-	2,445	-
Loss on sale of tangible capital assets	-	-	156,424
Net proceeds on disposal of tangible capital assets	-	57,788	23,831
Amortization	900,000	878,388	875,494
Change in inventory of supplies	-	12,137	(1,606)
Change in prepaids	-	22,582	44,230
	<u>900,000</u>	<u>112,460</u>	<u>(768,702)</u>
Change in net financial assets	(57,400)	1,042,483	1,069,145
Net financial assets, beginning of year	<u>2,656,208</u>	<u>2,656,208</u>	<u>1,587,063</u>
Net financial assets, end of year	<u>\$ 2,598,808</u>	<u>\$ 3,698,691</u>	<u>\$ 2,656,208</u>

See accompanying notes to the financial statements

Hamilton Region Conservation Authority

Schedule of Corporate Support

Year Ended December 31	2014	2014	2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Municipal levy & special projects	\$2,409,180	\$ 2,412,142	\$ 2,819,620
Federal & Provincial grants	24,900	24,900	24,900
Hamilton Conservation Foundation	127,017	174,301	299,620
Private and In-Kind donations	-	208,850	289,439
Admissions, product, service & program fees	71,130	127,337	89,409
Management fees	468,900	488,972	484,771
Rentals	510,820	353,798	366,165
Other income	74,500	120,852	328,659
	<u>3,686,447</u>	<u>3,911,152</u>	<u>4,702,583</u>
Expenditures			
Wages & benefits	2,452,129	2,513,668	2,281,235
Staff expenses	188,772	182,207	151,544
Utilities	308,455	333,606	279,880
Materials & supplies	184,000	238,336	211,156
Contractors / consultant	182,432	128,361	306,885
Professional fees	108,040	140,275	112,096
Miscellaneous expense	622,173	468,223	143,363
	<u>4,046,001</u>	<u>4,004,676</u>	<u>3,486,157</u>
Amortization	200,000	181,464	201,247
Gain on disposal of tangible capital assets	-	-	(346)
	<u>4,246,001</u>	<u>4,186,140</u>	<u>3,687,058</u>
Annual surplus (deficit)	<u>\$ (559,554)</u>	<u>\$ (274,988)</u>	<u>\$ 1,015,525</u>

See accompanying notes to the financial statements.

Hamilton Region Conservation Authority

Schedule of Watershed Planning and Engineering Operations

Year Ended December 31	2014	2014	2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Municipal levy & special projects	\$ 1,415,600	\$ 1,440,995	\$ 1,549,014
Federal & Provincial grants	160,250	361,198	302,122
Hamilton Conservation Foundation	-	113,026	75,800
Private and In-Kind donations	121,224	47,630	162,012
Regulatory fees	350,000	306,258	340,775
Other income	101,077	52,235	272,283
	<u>2,148,151</u>	<u>2,321,342</u>	<u>2,702,006</u>
Expenditures			
Wages & benefits	1,708,628	1,706,382	1,742,347
Staff expenses	39,700	30,862	40,573
Utilities	23,150	23,609	21,484
Materials & supplies	31,600	40,279	20,651
Contractors / consultant	446,043	326,405	386,999
Professional fees	10,000	9,075	6,180
Miscellaneous expense	192,057	60,196	68,571
	<u>2,451,178</u>	<u>2,196,808</u>	<u>2,286,805</u>
Annual surplus (deficit)	<u>\$ (303,027)</u>	<u>\$ 124,534</u>	<u>\$ 415,201</u>

See accompanying notes to the financial statements.

Hamilton Region Conservation Authority Schedule of Land Management Operations

Year Ended December 31	2014	2014	2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Municipal levy & special projects	\$ 1,650,550	\$ 1,650,623	\$ 1,200,842
Federal & Provincial grants	-	264,549	218,890
Hamilton Conservation Foundation	22,000	622,733	328,673
Private and In-Kind donations	-	-	1,362
Admissions, product, service & program fees	3,853,200	3,937,505	3,779,532
Rentals	588,200	616,353	607,211
Other income	17,550	41,215	32,661
	<u>6,131,500</u>	<u>7,132,978</u>	<u>6,169,171</u>
Expenditures			
Wages & benefits	2,399,653	2,562,590	2,564,446
Staff expenses	115,253	143,684	118,295
Utilities	221,550	263,777	227,183
Products for resale	303,400	293,107	290,950
Materials & supplies	242,910	664,396	664,419
Contractors / consultants	1,686,750	785,472	464,271
Professional fees	108,450	77,554	99,337
Miscellaneous expense	448,353	564,997	502,132
	<u>5,526,319</u>	<u>5,355,577</u>	<u>4,931,032</u>
Amortization	700,000	696,924	674,247
Loss on disposal of tangible capital assets	-	-	156,770
	<u>6,226,319</u>	<u>6,052,501</u>	<u>5,762,049</u>
Annual surplus (deficit)	<u>\$ (94,819)</u>	<u>\$ 1,080,477</u>	<u>\$ 407,122</u>

See accompanying notes to the financial statements.

Hamilton Region Conservation Authority Schedule of Tangible Capital Assets

Cost	Building &										Dec. 31 2013
	Land	Land Improvements	Infrastructure	Building Improvements	Machinery & Equipment	Vehicles	Work In Progress (WIP)	Dec. 31 2014			
Beginning of year	\$21,122,712	\$3,149,123	\$16,635,593	\$5,924,587	\$397,760	\$2,483,620	\$94,437	\$49,807,832	\$48,519,644		
Additions	191,000	-	419,930	-	49,359	89,764	110,827	860,880	1,867,075		
Disposals	(60,000)	-	-	(77,982)	(14,986)	(37,531)	-	(112,517)	(544,321)		
Retirements*	-	-	-	-	-	-	(2,446)	(80,428)	(34,566)		
Transfer from WIP	-	-	50,692	-	-	-	(50,692)	-	-		
End of year	21,253,712	3,149,123	17,106,215	5,846,605	432,133	2,535,853	152,126	50,475,767	49,807,832		
Accumulated Amortization											
Beginning of year	-	1,901,374	9,940,003	3,207,004	120,926	1,805,254	-	16,974,561	16,497,698		
Annual amortization	-	116,959	449,937	133,133	43,632	134,727	-	878,388	875,494		
Disposals	-	-	-	(77,982)	(14,986)	(37,531)	-	(52,517)	(364,065)		
Retirements*	-	-	-	(77,982)	-	(2,213)	-	(80,195)	(34,566)		
End of year	-	2,018,333	10,389,940	3,262,155	149,572	1,902,450	-	17,720,237	16,974,561		
Net book value	\$21,253,712	\$1,130,790	\$6,716,275	\$2,584,450	\$282,561	\$633,403	\$152,126	\$32,755,530	\$32,833,271		

*Retirements - Computer hardware and software, once fully amortized, are removed from both assets and accumulated amortization

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2014

1. Nature of operations

The Hamilton Region Conservation Authority (the Authority) was established in 1966 under the Conservation Authorities Act of Ontario to manage a designated watershed of approximately 11,000 acres. The Authority is financed from municipal contributions, government grants, donations, user fees, product sales and services.

2. Summary of significant accounting policies

The financial statements of the Hamilton Region Conservation Authority are prepared by management in accordance with Canadian Public Sector Accounting Standards. The more significant accounting policies are summarized as follows:

Basis of accounting

These statements reflect the incorporation of the full accrual basis of accounting and the reporting of the change in net financial assets and accumulated surplus.

Revenues and expenditures

Revenues are comprised of grants, contributions, user fees and revenue from other Authority services. Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are recorded in the period that the goods or services are acquired, whether or not revenues for those expenditures are raised in the current or following periods.

Donations

Donations are recorded in income in the period they are received, unless designated for a specific purchase that is to occur in a later period at which time the related revenue will be recognized. Donated property, plant, equipment, materials and services are recorded at fair market value when fair value can be reasonably estimated.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances held in the bank.

Pension plans

The Authority maintains a defined contribution plan for employees with more than one year service and who were hired subsequent to January 1, 2006.

Under the plan, the Authority matches employee contributions to a maximum of 6% of gross income.

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2014

2. Summary of significant accounting policies – continued

Tangible capital assets

Tangible capital assets are comprised of property, plant, equipment, and inventories of materials and supplies and are recognized as assets in the period they are acquired. Tangible capital assets are recorded at cost which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided on a straight-line basis, declining balance for vehicles, over the estimated useful life for all assets except land which is not amortized. Work in progress assets are not amortized until the asset is available for productive use.

Service life of tangible capital assets is estimated as follows:

Land improvements	10 - 20 years
Infrastructure	20 - 75 years
Building & building improvements	40 years
Machinery, equipment & software	3 - 10 years
Vehicles (light and heavy duty)	15% - 35%

The Authority has a collection of art and historical buildings not included as part of the tangible capital assets.

Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Inventory

Inventories for resale are valued at the lower of cost or net realizable value.

Use of estimates

The preparation of financial statements in conformity with Public Sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

Comparative figures

Certain comparative figures of the preceding year have been modified to conform to the classification presentations adopted in the current year.

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2014

3. Prior period adjustments

Management has determined there to be two prior period adjustments. Firstly, items previously capitalized in work-in-progress for land improvement were deemed under the new standard *PS3260 Liability for contaminated sites* to not raise the value of the land but solely to bring the land back to a minimum environmental standard. As a result, \$574,341 has been expensed to contractors in 2013 and opening accumulated surplus has been adjusted by \$402,501 relating to costs incurred in fiscals 2011 and 2012. Secondly, a property donated in 2012 had been recorded at \$nil and has now been added to the tangible capital assets at the assessed value of \$384,000, raising the 2013 opening accumulated surplus by a similar amount.

4. Confederation Park and Westfield Heritage Village

These statements do not include the operating revenues and expenditures relating to Confederation Park and Westfield Heritage Village which are separate and distinct entities owned by the City of Hamilton and managed by the Authority at the request of the municipality. Under the terms of separate management agreements, the Hamilton Region Conservation Authority has exclusive authority to manage Confederation Park and Westfield Heritage Village for the City of Hamilton. In payment for the management function, the Authority receives a management fee of 15% of operating expenditures. This management fee accrues to the Authority for its own purposes.

All existing real and personal Confederation Park property as at January 1, 1980, all subsequently acquired properties, and any surpluses or deficits generated during a fiscal year will remain the exclusive property of the City of Hamilton. The most recent management agreement for Confederation Park was for three years and executed effective May 1, 2012. The option to renew for one year was offered and accepted by both parties for 2015.

The Westfield Heritage Village agreement expired on November 30, 2000 and by mutual agreement, operations were continued under the same terms as in the expired agreement on a month to month basis. An agreement in principal has been reached whereby the Hamilton Region Conservation Authority will acquire all real and personal property of Westfield Heritage Village for a nominal fee and operate the facility in a similar fashion to its other conservation areas. This transaction is to be effective January 1st, 2015.

5. Related party transactions

	2014	2013
Municipal funding from the City of Hamilton and Township of Puslinch	\$ 5,415,259	\$ 5,003,310
Municipal funding recognized as revenue in the current year	5,503,760	5,569,476
Receivable from the City of Hamilton	407,876	181,938
Funding from the Hamilton Conservation Foundation	910,060	704,093
Management fees from Confederation Park and Westfield Heritage Village	488,971	484,771
Municipal taxes paid to the City of Hamilton and Township of Puslinch	(140,323)	(130,896)

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2014

6. Employee future benefit costs

	<u>2014</u>	<u>2013</u>
Accumulated Sick Leave Liability	\$ 171,244	\$ 191,937
Supplemental early retirement package	122,087	111,112
Post-retirement benefits	<u>71,190</u>	<u>86,054</u>
	<u>\$ 364,521</u>	<u>\$ 389,103</u>

Under the Authority's sick leave plan, certain employees hired prior to January 1, 1993 become entitled to a cash payment when they leave the Authority's employment. The liability for these accumulated days, to the extent they are vested and could be taken in cash by employees on termination, is funded by operations.

The Authority committed in October 2002 to pay a former general manager a supplemental early retirement package. At the end of the current year, the cost of an annuity to satisfy this obligation was \$122,087 (2013- \$111,112) based on competitive quotes received from several insurance companies.

The Authority is committed to provide full health, life and vision coverage for all employees who have retired prior to the age of 65 for the period until they reach 65 years of age. A liability has been set up based on the current benefit rates for those retirees eligible for this coverage. The estimated value of these benefits in the current year is \$71,190 (2013 - \$86,054).

7. Defined contribution pension plan

Employer contributions to the Authority's defined contribution pension plan for the year was \$294,111 (2013 - \$274,285). The Plan is designed whereby employee contributions, ranging from 2% to 6% of gross salary, are matched by the employer.

8. Deferred revenues

	<u>2014</u>	<u>2013</u>
Revenue received but not earned at year-end is as follows:		
Storage fees and deposits	<u>\$ 469,731</u>	<u>\$ 403,930</u>

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2014

8. Long Term Debt

	<u>2014</u>	<u>2013</u>
City of Hamilton 5% loan - Marina wall reconstruction \$118,520 payable annually, matures April 2016	\$ 220,375	\$ 322,757
City of Hamilton 0% loan - Veldhuis property reclamation \$44,000 payable annually, matures March 2020	264,000	308,000
City of Hamilton 4.25% loan - Wind-up DB pension plan \$187,245 payable annually, matures June, 2021	<u>1,113,546</u>	<u>1,247,761</u>
	<u>\$ 1,597,921</u>	<u>\$ 1,878,518</u>

Principal repayments in future years are due as follows:

2015	291,421
2016	302,740
2017	196,065
2018	202,528
2019 and thereafter	<u>605,167</u>
	<u>\$ 1,597,921</u>

Interest on long term debt of \$62,903 (2013 - \$73,191) was paid during the year.

The Authority has a demand loan available in the amount of \$500,000 at 3.0% of which \$ nil was borrowed as at December 31, 2014.

9. Accumulated surplus

	<u>2014</u>	<u>2013</u>
Reserve Funds		
Acquisitions of provincially significant lands or eligible water related projects	\$ 583,610	\$ 493,874
Future projects	4,816,335	4,260,497
Tangible Capital Assets	32,755,530	32,833,271
Unfunded long term debt	(1,597,921)	(1,878,518)
Operating surplus (deficit)	<u>119,498</u>	<u>37,905</u>
Accumulated surplus	<u>\$ 36,677,052</u>	<u>\$ 35,747,029</u>

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2014

11. Donations in kind

During the year, in addition to cash donations, the Authority was the beneficiary through donations in kind of land and other tangible capital assets with a total appraised value of \$191,000 (2013 - \$101,551).

12. Contingent liabilities

The Authority is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Authority believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

13. Contractual obligations and commitments

As at December 31, 2014, the Authority is committed to \$58,682 (2013 - \$79,138) with respect to ongoing contracts for equipment in the following years:

2015	\$	20,456
2016		14,356
2017		12,751
2018		11,119
2019 and beyond		<u>-</u>
	\$	<u>58,682</u>

14. Budget figures

The budgeted figures are presented for comparison purposes and were adopted by the Authority on January 23rd, 2014. The adopted budget conforms with the Canadian Public Sector Accounting Standards except for the effect of the acquisition and amortization of tangible capital assets and principle repayment on debt. A reconciliation of the adopted and reported budgets is as presented below.

Adopted budget:

Budgeted annual surplus for the year \$ 280,600

Adjustments to adopted budget:

Amortization of tangible capital assets (900,000)

Transfer from reserves (338,000)

Restated budgeted surplus **\$ (957,400)**