

Hamilton Region Conservation Authority

Financial Statements

December 31, 2010

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Independent auditor's report

Grant Thornton LLP
3600 Dundas St.
Suite 300
Burlington, ON
L7M 4B8
T (289) 313-0300
F (289) 313-0355
www.GrantThornton.ca

To the Members of
Hamilton Region Conservation Authority

We have audited the accompanying financial statements of Hamilton Region Conservation Authority ("the Authority"), which comprise the statement of financial position as at December 31, 2010, and the statement of operations, statement of changes in net 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 public sector accounting 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 entity'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 entity'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.

Basis for Adverse opinion

In common with many non-profit organizations, the Authority derives revenue from user fee donations from the public, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Authority and we were not able to determine whether any adjustments might be necessary to user fee donations received during the year and the annual surplus and accumulated surplus at the end of the year.

Management has not adopted the requirements of P3150 Tangible Capital Assets, which had an effective date of January 1, 2009. The standard requires entities to capitalize and amortize its tangible capital assets and was to be applied on a retroactive with restatement basis. The impact of the Authority's non-compliance cannot be reasonably estimated, as the adjustments required to meet the requirements would impact tangible capital assets, accumulated surplus, expenditures and revenues and the magnitude of the adjustment is not determinable.

Adverse opinion

In our opinion, because of the scope limitation and departure from generally accepted accounting principles described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the Authority as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Burlington, Canada
May 5, 2011

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

Hamilton Region Conservation Authority Statement of Financial Position

December 31	2010	2009
Financial assets		
Cash and short-term investments	\$ 7,193,241	\$ 5,277,517
Accounts receivable	833,470	570,891
Due from Confederation Park	-	52,064
Due from Hamilton Conservation Foundation	314,797	57,775
Total financial assets	<u>\$ 8,341,508</u>	<u>\$ 5,958,247</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 1,442,512	\$ 1,096,808
Due to Westfield Heritage Village	684,395	693,203
Due to Confederation Park	162,460	-
Employee future benefit costs (Note 5)	301,576	1,098,838
Deferred revenues (Note 7)	1,819,360	1,192,926
Long-term debt (Note 8)	1,041,569	685,799
Total liabilities	<u>\$ 5,451,872</u>	<u>\$ 4,767,574</u>
Net Financial Assets	<u>\$ 2,889,636</u>	<u>\$ 1,190,673</u>
Non-financial Assets		
Inventory	124,330	168,581
Prepaid expenses	157,372	270,252
Total non-financial assets	<u>\$ 281,702</u>	<u>\$ 438,833</u>
Accumulated Surplus	<u>\$ 3,171,338</u>	<u>\$ 1,629,506</u>

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

See accompanying notes to the financial statements

Hamilton Region Conservation Authority

Statement of Operations

Year Ended December 31	2010	2010	2009
	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
Revenues			
Ministry of Natural Resources grants	\$ 174,300	\$ 206,506	\$ 204,989
Federal grants	75,000	358,277	117,392
Provincial grants	89,800	352,490	97,051
Municipal contributions	4,592,127	4,616,237	3,896,702
Municipal contributions - Special Levy	495,000	59,248	9,571
User fees	3,010,800	3,228,335	3,260,943
Cash donations	3,000	575	-
Donations in kind (Note 10)	-	-	15,630
Donation, Hamilton Conservation Foundation	77,500	360,966	150,668
Management fees	569,728	563,278	540,392
Other Authority generated	2,876,355	2,126,670	3,234,743
Total revenues	<u>11,963,610</u>	<u>11,872,582</u>	<u>11,528,081</u>
Expenditures (Note 11)			
Corporate Support	3,691,360	3,370,375	910,601
Watershed Planning and Engineering	2,733,060	1,703,399	1,588,746
Land Management	5,205,940	5,256,976	4,360,318
Total expenditures	<u>11,630,360</u>	<u>10,330,750</u>	<u>6,859,665</u>
Annual Surplus	\$ 333,250	\$ 1,541,832	\$ 4,668,416
Accumulated surplus/(deficit), beginning of year	<u>1,629,506</u>	<u>1,629,506</u>	<u>(3,038,910)</u>
Accumulated Surplus, end of year (Note 9)	<u>\$ 1,962,756</u>	<u>\$ 3,171,338</u>	<u>\$ 1,629,506</u>

See accompanying notes to the financial statements.

Hamilton Region Conservation Authority

Statement of Cash Flows

December 31

2010

2009

Cash Flow from operating transactions

Increase (Decrease) in Cash and Cash Equivalents

Annual surplus	\$ 1,541,832	\$ 4,668,416
Non-cash changes to operations		
(Increase) decrease in accounts receivable	(262,579)	36,024
Decrease (increase) in inventory	44,251	(58,910)
(Decrease) in employee future benefit costs	(797,262)	(2,458,068)
Decrease (increase) in prepaid expenses	112,880	(72,855)
Increase (decrease) in accounts payable and accrued liabilities	345,702	(122,203)
Increase in Due to Confederation Park	214,524	5,657
(Decrease) Increase in Due to Westfield Heritage Village	(8,806)	198,693
Increase in deferred revenues	626,434	151,509
	<u>1,816,976</u>	<u>2,348,263</u>

Financing Activities

(Increase) decrease in Due from Hamilton Conservation Foundation	(257,022)	82,833
Increase (decrease) in long term debt	355,770	(80,219)
	<u>98,748</u>	<u>2,614</u>

Net Increase in Cash and Cash Equivalents

1,915,724 2,350,877

Cash and Cash Equivalents

Beginning of year	<u>5,277,517</u>	<u>2,926,640</u>
End of year	<u>\$ 7,193,241</u>	<u>\$ 5,277,517</u>

See accompanying notes to the financial statements

Hamilton Region Conservation Authority

Statement of Changes in Net Financial Assets

December 31	2010	2009
	<u>Actual</u>	<u>Actual</u>
Annual surplus	\$ 1,541,832	\$ 4,668,416
Decrease (increase) in levels of supplies and inventory	44,251	(58,910)
Decrease (increase) in prepaid expenses	<u>112,880</u>	<u>(72,855)</u>
	157,131	(131,765)
Change in net financial assets	\$ 1,698,963	\$ 4,536,651
Net financial assets (net debt) beginning of year	<u>1,190,673</u>	<u>(3,345,978)</u>
Net Financial Assets, end of year	\$ 2,889,636	\$ 1,190,673

See accompanying notes to the financial statements

Hamilton Region Conservation Authority

Schedule of Corporate Support

Year Ended December 31	2010	2010	2009
	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
Revenues			
Ministry of Natural Resources grants	\$ 24,900	\$ 24,904	\$ 24,904
Provincial grants	15,000	29,222	3,147
Municipal contributions	2,248,472	2,286,740	1,952,634
User fees	76,500	83,310	89,665
Donations in kind	-	-	12,000
Donation, Hamilton Conservation Foundation	56,500	114,849	61,262
Management fees	569,728	563,278	540,392
Other Authority generated	914,940	490,671	316,469
Total Revenues	<u>3,906,040</u>	<u>3,592,974</u>	<u>3,000,473</u>
Expenditures			
General	345,500	235,031	252,423
Wages and benefits	1,009,260	1,593,900	1,049,510
Change in pension deficit (Note 6)	-	(752,737)	(2,516,672)
Member and staff expenses	48,100	32,733	30,874
Equipment purchase and rentals	82,750	74,869	87,348
Materials and supplies	56,950	20,114	29,062
Administration office, maintenance and utilities	200,020	186,580	171,446
Business plan expense	100,700	112,179	105,071
Community relations	146,910	177,875	148,310
Conservation Foundation expenses	81,990	69,828	45,365
Conservation education program	192,660	215,286	184,435
Central workshop	695,960	707,807	664,194
Equipment pool maintenance	495,060	505,918	388,158
Vehicles and equipment	235,500	190,992	271,077
Total Expenditures	<u>3,691,360</u>	<u>3,370,375</u>	<u>910,601</u>
Excess of Revenues over Expenditures	<u>\$ 214,680</u>	<u>\$ 222,599</u>	<u>\$ 2,089,872</u>

See accompanying notes to the financial statements.

Hamilton Region Conservation Authority

Schedule of Watershed Planning and Engineering Operations

Year Ended December 31	2010	2010	2009
	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
Revenues			
Ministry of Natural Resources grants	\$ 149,400	\$ 181,602	\$ 180,085
Provincial grants	65,800	9,761	38,117
Federal grants	75,000	73,705	88,300
Municipal contributions	811,995	807,787	764,105
Municipal contributions - Special Levy	495,000	59,248	9,571
Cash donations	3,000	575	-
Donation, Hamilton Conservation Foundation	-	9,229	3,764
Other Authority generated	<u>1,095,115</u>	<u>459,067</u>	<u>481,415</u>
 Total Revenues	 <u>2,695,310</u>	 <u>1,600,974</u>	 <u>1,565,357</u>
Expenditures			
Operating	202,610	184,352	199,031
Wages and benefits	658,900	694,457	691,444
Conservation services	302,200	235,792	208,284
Flood forecasting	137,100	129,732	136,038
Flood control structures	1,320,615	341,841	269,174
Watershed planning	<u>111,635</u>	<u>117,225</u>	<u>84,775</u>
 Total Expenditures	 <u>2,733,060</u>	 <u>1,703,399</u>	 <u>1,588,746</u>
 Excess of Expenditures over Revenues	 <u>\$ (37,750)</u>	 <u>\$ (102,425)</u>	 <u>\$ (23,389)</u>

See accompanying notes to the financial statements.

Hamilton Region Conservation Authority

Schedule of Land Management Operations

Year Ended December 31	2010	2010	2009
	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
Revenues			
Federal grants	\$ -	\$ 284,572	\$ 29,092
Provincial grants	9,000	313,507	55,787
Municipal contributions	1,531,660	1,521,710	1,179,963
User fees	2,934,300	3,145,025	3,171,278
Donations in kind	-	-	3,630
Donation, Hamilton Conservation Foundation	21,000	236,888	85,642
Other Authority generated	866,300	1,176,932	2,436,859
Total Revenues	<u>5,362,260</u>	<u>6,678,634</u>	<u>6,962,251</u>
Expenditures			
Operating			
Valens Conservation Area	782,910	650,715	675,618
Christie Conservation Area	757,112	667,167	575,806
Dundas Valley Conservation Area	548,460	471,013	521,259
Fifty Point Conservation Area	1,392,700	1,419,824	1,373,493
Hamilton Mountain Conservation Area	120,330	85,129	97,539
Sundry conservation areas			
general watershed expenses	264,530	288,758	218,831
Marketing & general promotion	266,560	242,751	239,254
Historic sites	59,540	21,881	34,771
Capital			
Valens Conservation Area	178,000	36,288	38,813
Fletcher Creek Conservation Area	-	810	76
Christie Conservation Area	89,400	50,775	7,826
Spencer Gorge Wilderness Area	35,000	58,137	-
Dundas Valley Conservation Area	135,300	237,781	164,906
Spencer Creek	-	-	81
Historic sites	-	401	1,139
Eramosa Karst Conservation Area	5,000	443,674	21,741
Hamilton Mountain Conservation Area	79,300	1,099	1,345
Fifty Point Conservation Area	491,798	551,661	341,093
Sundry Conservation Area	-	19,891	30,186
Land Acquisition			
Helderleigh	-	9,221	-
Spencer Gorge	-	-	16,541
Total Expenditures	<u>5,205,940</u>	<u>5,256,976</u>	<u>4,360,318</u>
Excess of Revenues over Expenditures	<u>\$ 156,320</u>	<u>\$ 1,421,658</u>	<u>\$ 2,601,933</u>

See accompanying notes to the financial statements.

Hamilton Region Conservation Authority

Schedule of Land Leased or Owned

(Unaudited)

Year Ended December 31, 2010

Area Name	Municipality	Leased Hectares	Owned	
			Hectares	Historic Cost
Crooks Hollow	Flamborough	-	40.28	182,444
Beverly Wetland Reserve	Flamborough	54.02	622.78	414,138
Authority Forest	Flamborough	-	5.06	312
Valens	Flamborough	-	334.42	394,563
Christie	Flamborough	-	351.41	699,934
Spencer Gorge	Flamborough	-	64.45	176,667
Sydenham Creek	Dundas	-	0.66	Gift
Summit Bog	Ancaster	-	12.72	5,710
Fletcher Creek	Puslinch	-	280.93	605,953
Dundas Valley	Ancaster	31.50	957.68	5,219,804
	Dundas	-	80.37	831,886
	Flamborough	-	15.73	Gift
	Hamilton	-	1.77	13,354
Tiffany Falls	Ancaster	-	41.07	489,953
Devil's Punch Bowl	Stoney Creek	-	41.61	285,171
Mount Albion	Glanbrook	-	39.22	88,982
	Haldimand	-	8.09	17,250
	Hamilton	-	40.48	398,756
Borer's Falls	Flamborough	-	73.94	177,226
	Dundas	-	26.90	251,849
Spencer Creek	Dundas	-	29.79	280,100
Spring Creek	Dundas	-	25.09	80,108
Fifty Point	Stoney Creek	15.97	38.35	1,029,310
	Grimsby	11.75	26.59	444,889
Vinemount	Stoney Creek	-	33.89	175,592
Governor's Road	Flamborough	-	85.41	277,867
	Dundas	-	75.76	398,378
Felker's Falls	Hamilton	-	2.40	147,270
	Stoney Creek	-	30.27	681,300
Stoney Creek Plateau	Stoney Creek	-	1.78	8,300
Winona	Stoney Creek	-	47.02	68,516
Iroquia Heights	Hamilton	-	4.33	29,960
	Ancaster	-	82.86	50,200
Hayesland Wetland Reserve	Flamborough	-	59.70	258,588
Westover Wetland Reserve	Flamborough	-	180.88	534,649
Eramosa Karst	Stoney Creek	-	77.56	8,592

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2010

1. Nature of operations

The Hamilton Region Conservation Authority was established in 1966 under the Conservation Authorities Act of Ontario to manage a designated watershed of approximately 185 square miles. The Authority is financed from municipal contributions, government grants, donations and user fees.

2. Summary of significant accounting policies

The financial statements of the Hamilton Region Conservation Authority are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The more significant accounting policies are summarized as follows:

Revenues and expenditures

Revenues are comprised of grants, contributions, user fees and 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. 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 benefit pension plan for employees with more than one year of service and who were hired prior to January 1, 2006.

The obligation under the plan is determined using the accrued benefit method of reflecting projected benefits for service rendered to date. The surplus or deficit of the market value of plan assets over the obligation is amortized on a straight-line basis over the expected average remaining service life of the plan members.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Past service costs arising from plan initiations or amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of initiation or amendment.

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2010

2. Summary of significant accounting policies – continued

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.

Tangible capital assets

Effective January 1, 2007, the Authority adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (“CICA”) with respect to the disclosure of tangible capital assets for local governments. PSG-7 provided transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook came into effect on January 1, 2009.

During 2010, the Authority continued to work towards compliance with the new recommendations for accounting for tangible capital assets. The Authority is working towards having a complete listing of assets and values and is expected to be completed by December 31, 2011, and is not currently compliant with this section.

Tangible capital assets comprised of property, plant, equipment, and inventories of materials and supplies are recognized as expenditures in the period they are acquired.

Inventories

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

Internal vehicle and equipment rentals

Authority owned vehicles and equipment are charged internally on an individual machine basis to the appropriate expenditure categories at rates comparable to prevailing rates in the private business sector.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. 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.

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2010

3. Confederation Park and Westfield Heritage Village - continued

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 total 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 generated during a fiscal year will remain the exclusive property of the City of Hamilton. Similarly, all existing real and personal Westfield Heritage Village property as at July 1, 1988, and all subsequently acquired properties, and any surpluses generated during the fiscal year will remain the exclusive property of the City of Hamilton.

The most recent management agreements for Confederation Park and Westfield Heritage Village expired on November 30, 2000, and are in the process of being renewed.

4. Related party transactions

	<u>2010</u>	<u>2009</u>
Municipal funding from the City of Hamilton and Township of Puslinch	\$ 5,067,177	\$ 3,967,612
Municipal funding recognized as revenue in the current year	4,675,485	3,906,273
Receivable from the City of Hamilton as at December 31	27,021	60,334
Funding from the Hamilton Conservation Foundation	360,966	166,298
Management fees from Confederation Park and Westfield Heritage Village	563,278	540,392

5. Employee future benefit costs

	<u>2010</u>	<u>2009</u>
Accumulated Sick Leave Liability	\$ 196,583	\$ 195,496
Supplemental early retirement package	114,000	123,964
Post-retirement benefits	100,352	136,000
Accrued pension liability (Note 6)	(109,359)	643,378
	<u>\$ 301,576</u>	<u>\$ 1,098,838</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 had vested and could be taken in cash by employees on termination, is funded by operations.

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2010

5. Employee future benefit costs - continued

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 present value of the future annuity payments has been estimated to be \$114,000 (2009 - \$123,964) based on an average of quotes from an insurance company.

The Authority is committed to provide full health, life and vision coverage for all employees who have retired until the age of 65. 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 \$100,352 (2009 - \$136,000).

The Authority provided a Defined Benefit pension up to March 31st, 2010. Under the "On-going" basis of valuation, this plan now has a surplus and an actuarial valuation at December 31, 2010 estimated the accrued surplus at \$109,359 (2009 – deficit of \$643,378). The actuarial valuation is based on a number of assumptions about future events including mortality, inflation rates, salary and wage increases and interest rates. This plan has been closed and all future pension benefits will be through a Defined Contribution Plan (see Note 6).

6. Pension plans

a) Defined Benefit Plan

The Defined Benefit Plan was amended in 2009 to cease benefit accruals and freeze benefit entitlements at March 31st, 2010. In addition, the Plan was amended in 2010 to declare a complete windup of the Plan as at June 30, 2010 and the wind-up has received approval from the provincial pension regulators. Final settlement of all benefits for all Plan members is scheduled to occur in 2011. Under the "wind-up" basis of valuation, as at June 30th, 2010, this Plan had a \$2.7 million deficit. No amount has been accrued for this obligation in the financial statements. Final deficit cost will be determined once actual annuities are purchased and all Plan obligations are discharged. Funding of this deficit will be through a combination of reserves from a recent land sale and a loan from the City of Hamilton.

Under the "on-going" basis of valuation, the present value of accrued pension benefits was determined using the projected benefit method pro-rated on service and the administrator's best estimate assumptions. A full actuarial valuation was made as of December 31, 2009 by Actuarial Solutions Inc. and the liabilities for 2010 are rolled forward from that valuation.

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2010

6. Pension Plans - continued

Information relating to the defined benefit pension plan is as follows:

	<u>2010</u>	<u>2009</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 8,994,263	\$ 10,055,733
Current service cost	49,551	273,715
Interest cost	530,168	609,265
Benefits paid	(415,346)	(350,051)
Curtailement	-	(1,658,187)
Actuarial loss	-	63,788
Balance, end of year	<u>\$ 9,158,636</u>	<u>\$ 8,994,263</u>
Plan assets		
Fair value, beginning of year	\$ 8,350,885	\$ 6,895,683
Actual return	487,551	1,180,875
Employer contributions	844,905	624,378
Benefits paid	(415,346)	(350,051)
Fair value, end of year	<u>\$ 9,267,995</u>	<u>\$ 8,350,885</u>
Funded status - surplus / (deficit)	\$ 109,359	\$ (643,378)
Unrecognized net actuarial loss	1,157,870	1,232,809
Prepaid benefit costs	<u>\$ 1,267,229</u>	<u>\$ 589,431</u>
Current service cost	\$ 49,551	\$ 273,715
Interest cost	530,168	609,265
Expected return on plan assets	(513,940)	(421,971)
Recognized net actuarial loss	101,328	287,117
Curtailement loss	-	(10,602)
Net pension expense	<u>\$ 167,107</u>	<u>\$ 737,524</u>

Effective January 1, 2000, the benefit formula with respect to pensionable service to December 31, 2003 has been improved for members who retired during 1999 and for active and disabled members in the Plan on or after January 1, 2000. For these members, the Plan formula is as follows:

2% of the member's average best three year's earnings for each year of pensionable service as of December 31, 2003. Effective January 1, 2004 the percentage is 1 %.

The maximum pension for active and disabled members is \$2,000 per year of service, increased by the Average Industrial Wage beginning 2005. The 35 year limited on pensionable service now applies to years of pensionable service prior to January 1, 1992.

The early retirement reduction for those ages 55 through 65 is 5% per year for those who are 50 as of January 1, 2005. Prior to this date the rate was 3%.

The final average earnings is to be the best 3 years while a member of the Plan.

Hamilton Region Conservation Authority

Notes to the Financial Statements

December 31, 2010

6. Pension Plans - continued

For pension benefit accrual prior to January 1, 1987, the pre-retirement death benefit was changed to be the commuted value of the pension benefit payable upon death.

A provision for adhoc post retirement indexing was added to the Plan. Effective January 1, 2001, and adhoc pension increase of the lesser of the change of the Consumer Price Index since retirement and 1.5% was adopted.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	<u>2010</u>	<u>2009</u>
Asset rate of return	6.0%	6.0%
Discount rate	6.0%	6.0%
Salary escalation rate	na	4.0%

Employer contributions to the Authority defined benefit pension plan for the year was \$844,905 (2009 - \$624,378) which included a special payment of \$581,478 towards reducing the deficit.

b) Defined Contribution Plan

Employer contributions to the Authority's defined contribution pension plan for the year was \$183,795 (2009 - \$18,679).

7. Deferred Revenues

	<u>2010</u>	<u>2009</u>
Revenue received but not earned at year-end is as follows:		
Other projects/user fees/deposits	<u>\$1,819,360</u>	<u>\$ 1,192,926</u>

8. Long Term Debt

	<u>2010</u>	<u>2009</u>
City of Hamilton 5% loan for the Marina Wall construction \$118,520 payable annually on April 30	\$ 601,569	\$ 685,799
City of Hamilton 0% loan for the Veldhuis Property \$44,000 payable annually on March 31	... <u>440,000</u>	-
	<u>\$1,041,569</u>	<u>\$ 685,799</u>

Hamilton Region Conservation Authority

Notes to the Financial Statements

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8. Long Term Debt (cont'd)

Principal repayments in future years are due as follows:

2011	\$ 132,442
2012	136,864
2013	141,507
2014	146,382
2015 and thereafter	484,374
	<u>\$1,041,569</u>

Interest on long term debt of \$31,325 (2009 - \$35,609) was paid during the year.

9. Accumulated Surplus

	<u>2010</u>	<u>2009</u>
Reserve Funds		
Acquisitions of provincially significant lands or eligible water related projects	\$ 513,424	\$ 68,673
Future projects	3,437,005	3,080,940
Unfunded		
Long term debt	(1,041,569)	(685,799)
Pension surplus / (deficit)	109,359	(643,378)
Operating surplus / (deficit)	<u>153,119</u>	<u>(190,930)</u>
Accumulated surplus	<u>\$ 3,171,338</u>	<u>\$ 1,629,506</u>

10. 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 \$ nil (2009 - \$15,630).

11. Expenditures by object

	<u>2010</u>	<u>2009</u>
Salaries, wages & employee benefits	\$ 5,976,556	\$ 3,428,737
Contracts/consulting	1,413,409	669,823
Materials, goods, supplies and utilities	2,909,460	2,725,496
Interest on long term debt	31,325	35,609
	<u>\$ 10,330,750</u>	<u>\$ 6,859,665</u>

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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, 2010, the Authority is committed to \$37,052 (2009 - \$60,153) with respect to ongoing contracts for photocopiers in the following years:

2011	\$ 17,780
2012	13,268
2013	6,004
	<u>\$37,052</u>

The Heritage Green Community Trust has committed to providing funding to the Hamilton Conservation Foundation for the development and maintenance of the Eramosa Karst Conservation Area in the amount of \$1,500,000. The Foundation has retained \$750,000 of this as an Eramosa Karst maintenance endowment fund and has committed to transfer the remaining \$750,000 to the Hamilton Conservation Authority to carry out the development. The amount transferred to date under this agreement is \$696,598 (2009 \$696,598).

14. Budget figures

The budgeted figures (unaudited) are presented for comparison purposes and were adopted by the Authority on March 4, 2010.

15. Subsequent event

On January 10th, 2011 the purchase of the Helderleigh property, known as the Escarpment Lands, was completed at a transaction cost of \$228,999.