



# **Budget & Administration Committee Meeting Agenda**

Thursday, April 15, 2021





## **Budget & Administration Committee Meeting**

**April 15, 2021 at 6:00 P.M.**

**This meeting will be held by WebEx videoconference.**

**The meeting can be viewed live on HCA's You Tube Channel:  
<https://www.youtube.com/user/HamiltonConservation>**

- 1. Chairman's Remarks** – Moccio
- 2. Declaration of Conflict of Interest**
- 3. Approval of Agenda**
- 4. Delegations**
- 5. Consent Items**
  - 5.1. Approval of Budget & Administration Committee Minutes – March 18, 2021
- 6. Chairman's Report on Board of Directors Actions** – Moccio
- 7. Business Arising from the Minutes**
  - 7.1. HCA Planning and Permitting User Fee Review – Presentation on analysis by Watson & Associates Economists  
– Sean-Michael Stephen
  - Fee Review Next Steps - Verbal Update – Peck
- 8. Staff Reports/Memorandums**

Reports to be Approved:

  - 8.1. 2020 – Report by Auditors Grant Thornton – Melanie Dugard
  - 8.2. 2020 – 12 Month Financial Results – Audited Financial Statements – McDougall

Memorandums to be Received:

  - 8.3. Reserve Funds and Balances – McDougall
  - 8.4. Asset Disposition Report – McDougall

- 9. New Business**
- 10. In-Camera Items for Matters of Law, Personnel and Property**
- 11. Next Meeting – May 20, 2021**
- 12. Adjournment**

## Hamilton Conservation Authority Minutes

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### Budget & Administration Committee

**March 18, 2021**

Minutes of the Budget & Administration Committee meeting held on Thursday, March 18, 2021 at 6:00 p.m., by videoconference and livestreamed via YouTube.

**Present:**                **Santina Moccio, in the Chair**  
                              **Dan Bowman**  
                              **Jim Cimba**  
                              **Lloyd Ferguson**  
                              **Maria Topalovic**

**Regrets:**                **None**

**Staff Present:**        **Lisa Burnside, Gord Costie, Bruce Harschnitz, Neil McDougall,**  
                              **and Jaime Tellier, and Nancy Watts**

**Others Present:**     **None**

#### **1. Chairman's Remarks**

The Chair called the meeting to order and welcomed everyone present.

#### **2. Declarations of Conflict of Interest**

The Chair asked members to declare any conflicts under the HCA Administrative By-law. There were none.

#### **3. Approval of Agenda**

The Chair requested any additions or deletions to the agenda. Lisa Burnside advised of one item to add under New Business, an update on Hamilton Conservation

Authority's applications to the Ministry of Environment, Conservation and Parks, for exceptions to the Chair and Vice Chair provisions of the Conservation Authorities Act.

**BA2101**

**MOVED BY: Dan Bowman**

**SECONDED BY: Maria Topalovic**

**THAT the agenda be approved, as amended.**

**CARRIED**

#### **4. Delegations**

There were none.

#### **5. Consent Items**

The following consent items were adopted:

- 5.1. Approval of Budget & Administration Committee Minutes – November 19, 2020
- 5.2. WSIB Injury Statistics

Lloyd Ferguson congratulated staff on the strong safety record with zero WSIB incidents so far this year.

#### **6. Chairman's Report on Board of Directors Actions**

The Chair advised the members that all reports recommended at the November 19, 2020 meeting were approved by the Board of Directors at the December 3, 2020 meeting.

BA 2015	2021 HCA Operating Budget
BA 2016	Mileage Report
BA 2017	Honorariums and Per Diems

#### **7. Business Arising from the Minutes**

There was none.

#### **8. Staff Reports/Memoranda**

### 8.1. Twelve-month Financial Results – Operating

Neil McDougall presented a summary of the memorandum highlighting the strong financial position for last year, notwithstanding the pandemic related closure, as well as the rebound effect once our facilities reopened. The efforts of all staff to adapt and manage increased demands were also noted.

Lloyd Ferguson reiterated the comment that staff have done a great job persevering through a pandemic. It was clarified that surplus funds will be put into a reserve fund, earmarked for the Saltfleet Conservation area and land acquisition. Staff were requested to bring an update on the operating reserve to the upcoming meeting.

### 8.2. Twelve-month Financial Results – Capital & Major Maintenance

Neil McDougall presented a summary of the memorandum, noting significant projects at each of HCA's facilities. The main focus at Valens Lake was the construction of the cabins. At Christie Lake, the emphasis was on Spencer Gorge, including fencing at Dundas Peak, installation of autogates, and other infrastructure for the visitor reservation system. At the Main Office improvements included installation of the science lab for the environmental monitoring programs in Watershed, Planning and Engineering. Fifty Point Conservation Area is planning for a major shoreline protection project. Planning has also begun for the update to the Fifty Point Master Plan. On the Hamilton Mountain, staff have been working to expand and prepare the parking lot at the Saltfleet Conservation Area, as well as the re-decking of the Dofasco Trail boardwalk, further establishing these recreational areas in the east end of our watershed. A water well system was installed at Westfield Heritage Village, resolving the issue of a potable water supply to the site.

Lloyd Ferguson inquired about resurfacing the two waterslides at Wild Waterworks that are visible from the Queen Elizabeth Way. Matt Hall advised that the costs for the work would be approximately \$140,000.00 per slide and would be funded using the Confederation Beach Park operational reserve. Matt added that staff are prepared to issue tenders for that work should the decision be to close WWW for another season. The slides will need sealing and specialised paint. Staff will hire a consultant to put together a technical specification for the work that is required.

### 8.3. Fourth Quarter Vendor Report

Neil McDougall corrected the title of the item on the agenda from the twelve-month vendor report to be the fourth quarter vendor report. Neil provided an overview of the report and answered the members' questions.

It was clarified that the membership fee for Royal Botanical Gardens is for the Cootes to Escarpment project. Matt Hall advised that HCA is a partner on the Board

for the project and provided a summary of the purpose and activities of the project. The expenses of the project are outlined in the memorandum of understanding. He further added the MOU is set to be renewed later this year and will be brought to the Budget & Administration Committee.

**BA2102**

**MOVED BY: Jim Cimba**

**SECONDED BY: Maria Topalovic**

**THAT the memoranda entitled Twelve-month Financial Results – Operating, Twelve-month Financial Results – Capital & Major Maintenance, and 4<sup>th</sup> Quarter Vendor Report, be received for information.**

**CARRIED**

## **9. New Business**

### **9.1. Exception Applications to MECP for Chair and Vice Chair Provisions of the Conservation Authorities Act**

Lisa Burnside advised the members that staff submitted HCA's exception requests to MECP on March 9<sup>th</sup>. Confirmation was received from MECP on March 11<sup>th</sup>. Based on the customer service guidelines stated by the Province, HCA should expect a decision by the middle of April. Lisa added she has contacted MPP Donna Skelly's office to ensure they received HCA's exception request letter and application and inquired if they could extend their support to the Minister and MECP staff for the request. Lisa has a phone call scheduled with MPP Ted Arnott next week to review the request and seek his support.

Lloyd Ferguson advised the members that the City of Hamilton's Clerk's office has received the letter from HCA advising of the exception requests, including the request for the city to make its own exception application to MECP to retain HCA's current complement of citizen members from the city of Hamilton. Lloyd added he will be taking a motion to City Council on March 31<sup>st</sup> to make a formal request that Council retain the current membership of five council members and five citizen appointees and have the City apply to MECP for the exception to the 70% requirement for municipal appointments.

## **10. In-Camera Items for Matters of Law, Personnel and Property**

There were none.

## **11. Next Meeting**



The next meeting of the Budget and Administration Committee will be held on Thursday, April 15, 2021 at 6:00 p.m.

## **12. Next Meeting Adjournment**

On motion, the meeting adjourned.





## Hamilton Conservation Authority – Planning and Permitting User Fee Review

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Budget and Administration Committee

April 15, 2021

# Introduction



- Hamilton Conservation Authority (HCA) retained Watson & Associates Economists Ltd. (Watson) to undertake a review of their Plan Review and Permitting user fees that:
  - Conforms with legislation and is defensible;
  - Balances HCA's need to maximize cost recovery with stakeholder interests, affordability and competitiveness;
  - Reflects industry best practices; and
  - Recommends fee structure improvements to provide for reasonable full cost recovery

# Legislative Context and Trends

## *Conservation Authorities Act*



- Section 21.1 of the *Conservation Authorities Act* (CAA) identifies the programs and services that a Conservation Authority (CA) is required or permitted to provide within its area of jurisdiction
- Un-proclaimed changes to the CAA define the programs and services to include:
  - Mandatory programs and services (s. 21.1)
  - Municipal programs and services (s. 21.1.1)
  - Other programs and services (s. 21.1.2)

# Legislative Context and Trends

## Fees For Programs and Services



- CAA authorizes CAs to charge fees for services
  - Including for plan review and s. 28 permitting
- Ministry of Natural Resources and Forestry provides addition principles and policies for charging fees:
  - Recover full cost of administering and delivering the service; and
  - For plan review services, fees should be designed and administered in accordance with s. 69 of the *Planning Act*:
    - s. 69 of the *Planning Act* states that fees should be designed to recover the anticipated cost of processing each type of application <sup>9</sup>



# Legislative Context and Trends

## Fees For Programs and Services (Cont'd)

- Changes to CAA will require CAs to maintain a fee schedule and fee policy, including:
  - Manner in which fees were determined;
  - Frequency and process for review;
  - Notice and public availability; and
  - Circumstances for request of reconsideration



# Introduction

## Objectives/Deliverables

- Review costs of plan review and permitting to make recommendations for fee structure improvements to provide for reasonable full cost recovery that:
  - Conforms with legislation and is defensible;
  - Balances HCA's need to maximize cost recovery with stakeholder interests, affordability and competitiveness; and
  - Reflects industry best practices; and
- Recommended principles of Fee Administration Policy have also been assessed in accordance with un-proclaimed sections of the Conservation Authorities Act (CAA)



# Activity-Based Costing Methodology

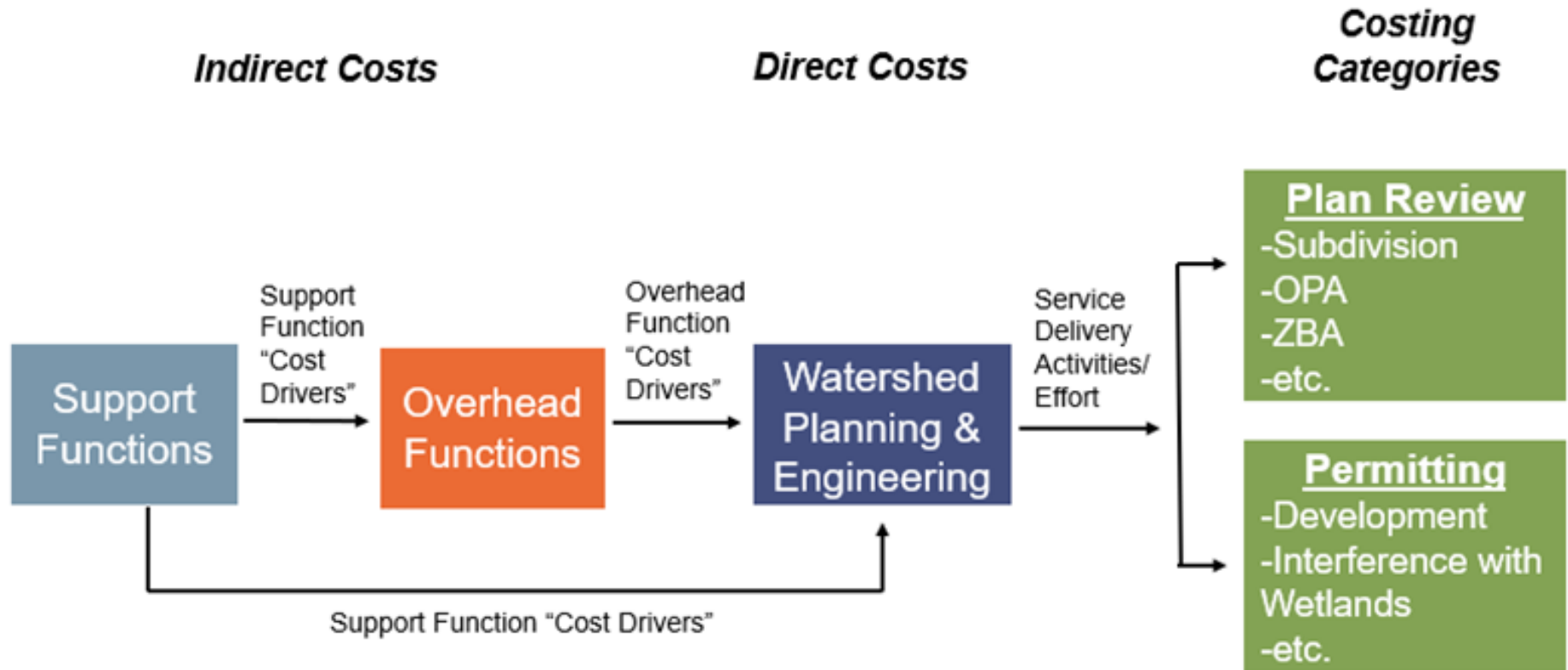
# Activity-Based Costing Methodology

## Full Cost Definition



- Full cost recovery activity-based costing (ABC) definitions:
  - Direct costs – operating costs associated with individuals directly participating in the service delivery activities
  - Indirect costs – operating costs associated with individuals supporting direct service departments. Involves support functions and overhead functions (e.g. administration and HR)
  - Capital costs – annual lifecycle replacement costs of assets utilized in processing applications (e.g. facility work space)

# Activity-Based Costing Methodology



# Activity-Based Costing Methodology

## Costing Categories



- Costs of service established for individual costing categories generally reflecting current HCA fees
- Categories recognize differences in complexity and costs of review associated with minor vs. major applications and level of technical analysis
- Categories are grouped by:
  - Plan Review
  - Permitting
  - Other HCA Reviews, e.g. municipally initiated secondary plans

# Study Findings

# Resource Utilization



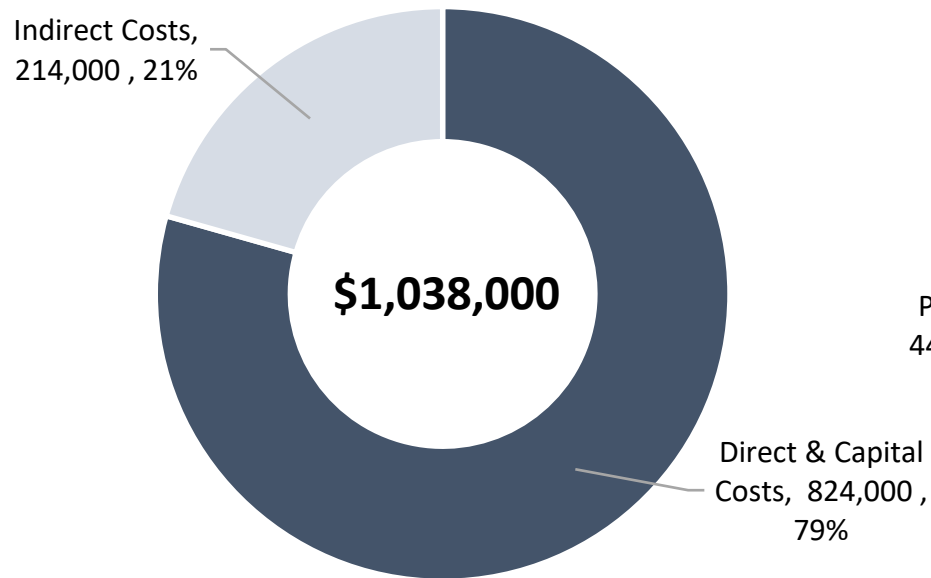
- 67% of Watershed Planning and Engineering staff resources utilized annually on Plan review, permitting and other reviews
- Does not account of time on planning policy, appeals, and other organizational initiatives

Watershed Planning and Engineering Resource Utilization	<i># of Staff</i>	Plan Review	Permitting	Other HCA Reviews	Total
% of Annual Staff Time	12	28%	36%	3%	67%
# of F.T.E.s		3.4	4.3	0.3	8.0

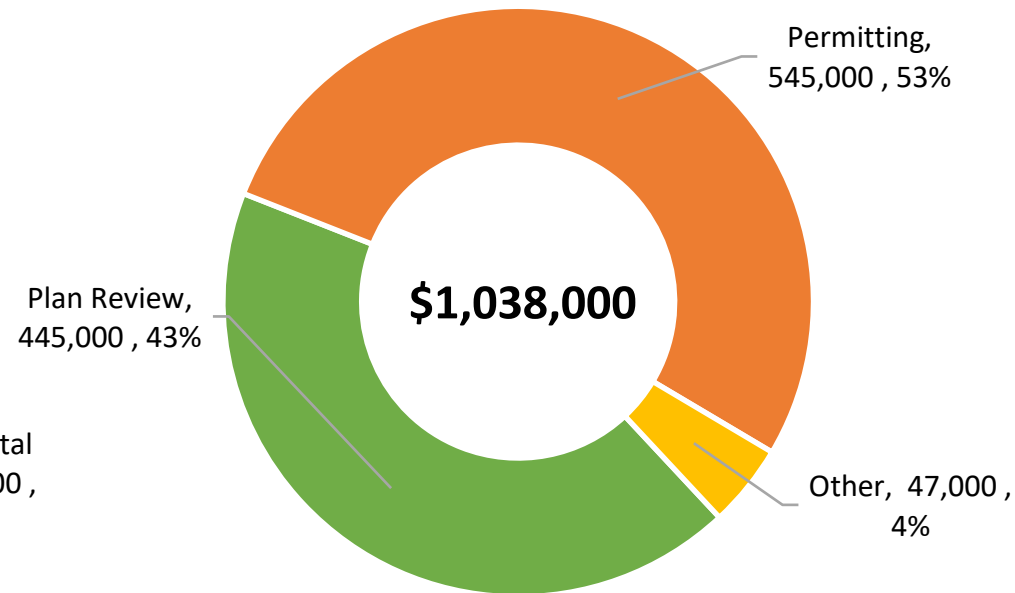
# Activity Based Costing Results



## Annual Costs



## Annual Costs



# Cost/Revenue Impacts

## Current Fees



Description	Plan Review	Permitting	Other HCA Reviews	Total
<b>Annual Costs</b>	<b>445,000</b>	<b>545,000</b>	<b>47,000</b>	<b>1,038,000</b>
Annual Revenue (Current Fees)	259,000	171,000	-	430,000
<b>Cost Recovery %</b>	<b>58%</b>	<b>31%</b>	<b>0%</b>	<b>41%</b>

- Plan review fees recover 58% of the full cost of service
- Permitting fees recover 31% of the full cost of service
- Current HCA cost recovery targets of 100% for plan review and 80% for permitting





# Cost/Revenue Impacts

## Current Fees – Plan Review Fee Observations

- Site Plan fees
  - Represent 48% of total annual plan review costs.  
Current fees recovering only 44% of costs
- Committee of Adjustment fees
  - Current fees recovering 46% of costs (minor applications performing better than major applications)
- Official Plan and Zoning By-law Amendment fees
  - Current fees recovering 58% of costs (major applications performing better than minor applications)
- Subdivision and Condominium fees
  - Generally recovering full cost of service



# Cost/Revenue Impacts

## Current Fees – Permitting

- Current fees recovering between 17% to 74% of costs by type of permit
- Cost recovery levels generally higher for major permits vs. minor/basic permits
- Letter of Permission, Solicitor/Real Estate Agent Requests, and NEC Development Permits
  - These fees represent 40% of total annual permitting costs. Current fees recover only 13% of costs

# Fee Recommendations



- Fee recommendations have been made with regard for:
  - *Planning Act* compliance, i.e. recovery of anticipated cost of processing applications by type for plan review
  - HCA cost recovery policies
    - 100% cost recovery for plan review
    - 80% cost recovery for permitting
  - Applicant affordability and competitiveness
  - Industry best practices

# Fee Recommendations

## Plan Review



- Subdivision and Condominium fees
  - Changes to fee structure include removing clearance fees with offsetting increases to base application fees
- Minor Variance fees
  - Increased to top end of market (75% increase in fees)
- Official Plan and Zoning By-law Amendment, Site Plan, Zoning By-law and Niagara Escarpment Plan Amendment fees
  - Fees increased to full cost recovery levels with more significant increases for minor application types (up to 200% increases proposed)



# Fee Recommendations

## Plan Review (Cont'd)

- Recommend resubmission fees equal to 15% of application fee
  - Increase ability to recover costs with additional submissions
- Aggregate Extraction Applications
  - Proposed fee reduced to \$27,722 from \$51,080 to recover costs

# Fee Recommendations

## Permitting



- Permitting
  - Fees increased to full cost recovery levels or top of CA market comparison to achieve 80% cost recovery across all permit applications, with the exception of:
    - Minor Development Permits and Letters of Permission
      - Set at levels below full cost recovery and market fees to recognize applicant affordability

# Cost/Revenue Impacts

## Recommended Fees



- Fee recommendations improve total cost recovery by 100% (+\$448,000 annual revenue)
  - Potential uplift in user fee revenue represents 9% of municipal levy

Description	Plan Review	Permitting	Other	Total
Annual Costs	445,000	545,000	47,000	1,038,000
Annual Revenue (Current Fees)	442,000	436,000	-	878,000
Cost Recovery %	99%	80%	0%	85%



# Municipal Development Impact Comparisons

- Impacts of Plan Review fee recommendations are provided for a variety of development types to address differences in size, density, and type of development
- Fees assessed against municipal development fees, including planning application fees, building permit fees, and development charges for the following development types:
  - 50-unit single detached subdivision;
  - 25-unit medium density condominium;
  - 1,000 m<sup>2</sup> retail development; and
  - 10,000 m<sup>2</sup> industrial development



# Development Impact Comparisons



- Recommended planning review fees are comparable to those in neighboring CAs
- Recommendations increase total development fees by 0.1% to 3.2% for the sample development types in the City of Hamilton and Town of Grimsby
- Development fee impacts within the Township of Puslinch are between 0.4% to 8.8%
- Greater relative increases for smaller developments due to lack of economies of scale



# Report

**TO:** Budget & Administration Committee

**FROM:** Neil McDougall, Secretary-Treasurer

**DATE:** April 15, 2021

**RE:** Report by the Auditors and  
2020 Twelve-Month Audited Financial Statements

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## **STAFF RECOMMENDATION**

**THAT the Budget & Administration Committee recommends to the Board of Directors:**

**THAT the Report by the Auditors be approved; and further**

**THAT the 2020 Twelve-Month Audited Financial Statements for Hamilton Conservation Authority and Confederation Beach Park be approved.**



# Hamilton Region Conservation Authority and Confederation Beach Park

For the year ended December 31, 2020

Report to the Budget and Administration Committee  
Audit strategy and results

April 15, 2021

**Melanie Dugard, CPA, CA**  
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# Contents

# Appendices

Executive summary	1
Audit risks and results	2
Adjustments and uncorrected misstatements	5
Other reportable matters	6
Technical updates – highlights	<b>Error! Bookmark not defined.</b>

Appendix A – Overview and approach
Appendix B – Draft management representation letter
Appendix C – Accounting developments
Appendix D – Auditing developments

# Executive summary

## Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the financial statements of Hamilton Region Conservation Authority and Confederation Beach Park (the "Authority") for the year ended December 31, 2020. This communication will assist the Budget and Administration Committee in understanding our overall audit strategy and results of audit procedures and includes comments on misstatements, significant accounting policies, sensitive estimates and other matters.

The information in this document is intended solely for the information and use of the Budget and Administration Committee. It is not intended to be distributed or used by anyone other than these specified parties.

We have obtained our engagement letter dated September 5, 2018, which outlines our responsibilities and the responsibilities of management. Our engagement letters are used for three years, so we anticipate obtaining a new one for the 2021 fiscal year end.

We were engaged to provide the following deliverables:

Deliverable
Report on the December 31, 2020 financial statements
Communication of audit strategy and results

## Status of our audit

We have substantially completed our audit of the financial statements of the Authority and the results of that audit are included in this report.

We will finalize our report upon resolution of the following items that were outstanding as at April 15, 2021:

- Receipt of signed management representation letter (a draft has been attached in the appendix B)
- Approval of the financial statements by the Board
- Response from the Authority's legal counsel to be dated within five days of when the financial statements are approved by the Board; and
- Inquiries which will be required between the date of the report to the date the financial statements are approved by the Board.

## Approach

Our audit approach requires that we establish an overall strategy that focuses on risk areas. We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error. The greater the risk of material misstatement associated with an area of the financial statements, including disclosures, the greater the audit emphasis placed on it in terms of audit verification and analysis. Where the nature of a risk of material misstatement is such that it requires special audit consideration, it is classified as a significant risk.

Our approach is discussed further in the Appendix A.

# Audit risks and results

## Audit risks

The spread of COVID-19 is severely impacting economies around the globe, causing extensive disruptions to many industries and business operations and a level of economic uncertainty that is unprecedented in our time. Given the impact on ongoing operations, we have considered how these events may affect the Organization's financial reporting. As every entity will be impacted differently, we highlight our significant findings in respect of COVID-19 impacts on audit risks and responses, significant transactions, risks, accounting practices and other areas of focus.

Area of focus	Why there is a risk	Our response and findings
Impact of COVID-19	<p>COVID-19 continues to impact economies around the globe, causing extensive disruptions to many sectors and creating a level of economic uncertainty that is unprecedented in our time. This is having a significant impact on organizations, their operations and financial reporting. Management determined the impact resulting from COVID-19 and has included the appropriate disclosures in the financial statements.</p> <p>Management believes the Authority will continue as a going concern and that there are no indicators of impairment that would require assets to be tested for impairment.</p>	<ul style="list-style-type: none"><li>• We have reviewed the fiscal 2021 budget for the Authority and have had extensive discussions with management regarding the impact of COVID-19.</li><li>• We noted that while rental revenue decreased due to mandated closure and gathering restriction, the Authority had higher day attendance during the year as the conservation areas are safe places to go during the pandemic. A surplus of \$3.6M was realized this year. This coupled with \$2.6M in unrestricted accumulated surplus available for use indicates that the Authority does not have a risk relating to going concern. Management believes the Authority will continue as a going concern and that there are no indicators otherwise.</li></ul> <p>Our findings:</p> <p>Based on the nature of the assets held by Authority, we agree with management that there are no indicators of impairment.</p>



## Significant risks

Area of focus	Why there is a risk	Our response and findings
<b>Admission, product, service and program fees</b>	<p>There is a presumed risk of fraud in revenue.</p> <p>The risk primarily relates to revenue recognized under user fees and other revenue.</p>	<p>We verified significant revenues to supporting documentation on sample basis, as well as an analysis of user fees by month compared to expectations (prior year).</p> <p>We performed reasonability analysis of the accounts receivable at year end by testing subsequent receipts and reviewing any accounts written off during the year.</p> <p>We tested key controls around the user fee process on sample basis.</p> <p><i>No matters of concern were found.</i></p>
<b>Fraud risk from management override or weakness in segregation of duties</b>	<p>This is a presumed fraud risk.</p> <p>The risk primarily relates to inherent pressure for a public sector entity to not exceed any budgeted amounts. The combination of the opportunity and motivation makes this presumed fraud risk applicable to the Authority.</p>	<p>We obtained the entire population of journal entries for the year and using data analytics, tested a sample based on characteristics deemed unusual given our knowledge of the Authority's operations.</p> <p>We reviewed any accounting estimates for biases.</p> <p>We evaluated the business rationale for significant transactions that are or appear to be outside the normal course of business.</p> <p><i>No matters of concern were found.</i></p>
<b>Risk of expenditures and payables understated or not recorded in the correct period</b>	<p>This risk primarily relates to the inherent bias to manage the budget.</p>	<p>We performed a variance analysis of operating expenses and accrued liabilities between prior year and current year and then investigated any significant or unusual variances.</p> <p>We tested a sample of expenses to ensure that the expenses were recorded in the appropriate period; and</p> <p>We performed a search for unrecorded liabilities by testing a sample of disbursements after year end to ensure they were recognized in the correct period.</p> <p><i>No matters of concern were found.</i></p>

## Accounting practices

Area of focus	Matter	Our response and findings
Accounting estimates and disclosures	<u>Allowance for doubtful accounts</u> Accounts receivable balances are allowed for by the Authority based on their aging date and assessment of collectability. Allowance for doubtful accounts is considered an estimate.	Our audit work focused on the judgments and assumptions used by management in calculating the allowance. We have determined that management's estimate is reasonable.
	<u>Valuation of donated land</u> The Authority periodically receives donations of land that are required to be valued at fair market value. Management determines the fair value of land internally.	Our audit work focused on the judgments and assumptions used by management in determining the fair market value of donated land. We have determined management's estimate to be reasonable.
Fraud and illegal acts	Our audit procedures were performed for the purpose of forming an opinion of the financial statements and although these procedures might bring possible fraudulent or illegal activities to our attention, our audit procedures are less likely to detect material misstatements arising from fraud or other illegal acts because such acts are usually accompanied by acts designed to conceal their existence.	We did not detect any fraudulent or illegal activities or material misstatements resulting from fraudulent or illegal activities during our audit.
Litigation proceedings	We are required to examine legal costs incurred in the year to verify that there are not any contingent liabilities that could have an effect today and in the future of Authority's financial results.	We are in the process of communicating with the Authority's legal counsel. Based on management's representations, we are not aware of any claims against the Authority except for the ongoing lawsuit relating to two terminated employees.

# Adjustments and uncorrected misstatements

## Adjustments

We have no adjusted misstatements to report.

## Uncorrected misstatements

We have no non-trivial unadjusted misstatements to report.

## Summary of disclosure matters

Our audit did not identify any unadjusted non-trivial misstatements of disclosure matters.

# Other reportable matters

## Internal control

The audit is designed to express an opinion on the financial statements. We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. Accordingly, we do not express an opinion on the effectiveness of internal control.

If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to the Budget and Administration Committee those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

Based on the results of our audit, we did not identify any reportable observations.

## Accounting standards update

There have been no significant changes in accounting standards that would impact the financial statements. However, please refer to Appendix C on further changes.

## Assurance standards update

There have been no significant changes in assurance standards that would impact the financial statements. However, please refer to Appendix D on further changes.

## Independence







We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

- Identifying threats to our independence and implementing safeguards to mitigate those threats; and
- Confirming the independence of our engagement team members

We have not identified any information regarding our independence that in our judgment should be brought to your attention.

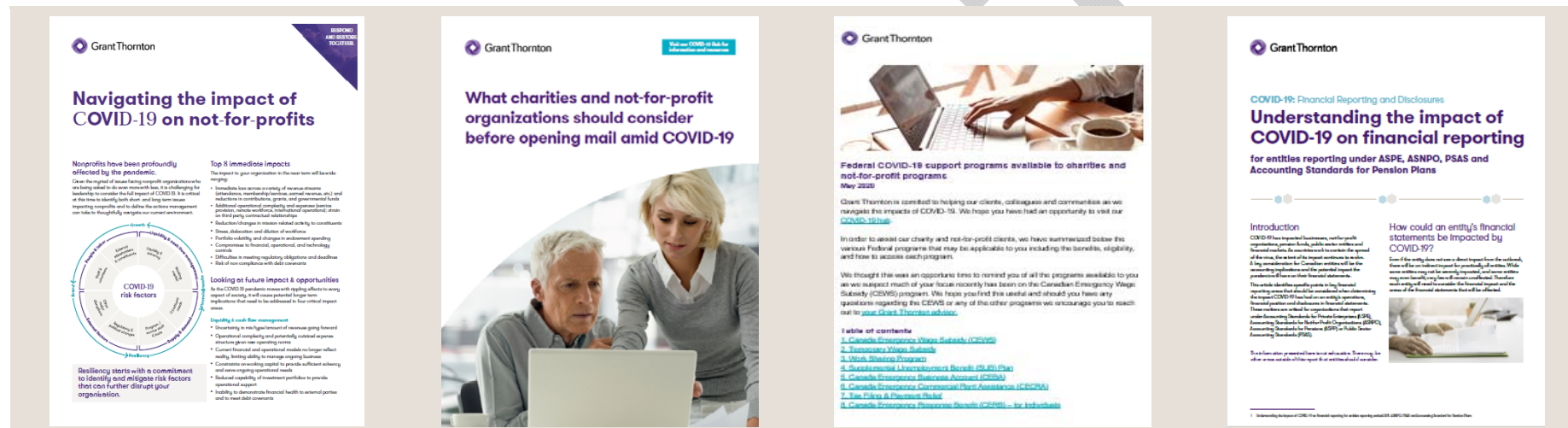
# Thought leadership

We are leaders in the charity, not-for-profit and government accounting industries, and we pass our knowledge on to our clients through numerous “Thought Leadership” publications. We have included below our most recent publications.

 <p>NOT-FOR-PROFIT ORGANIZATIO...</p> <p><b>How to evolve your charity &amp; not-for-profit in pace with technology</b></p>	<p><b>How to evolve your charity &amp; not-for-profit in pace with technology</b></p> <p>Available upon request</p>	 <p>Grant Thornton An member firm of the PwC network</p> <p><b>CNPOs and agility: Expanding the conversation</b></p> <p>In recent years, charities and not-for-profit organizations (CNPOs) have been... (text continues)</p>	<p><b>CNPOs and agility: Expanding the conversation</b></p> <p>Available upon request</p>	 <p>NOT-FOR-PROFIT ORGANIZATIO...</p> <p><b>Diversity as a differentiator in the charity and not-for-profit...</b></p>	<p><b>Diversity as a differentiator in the charity and not-for-profit sector</b></p> <p>Available upon request</p>
 <p>Grant Thornton An member firm of the PwC network</p> <p><b>Changes to auditor reporting standards in Canada: What to expect</b></p>	<p><b>Changes to auditor reporting standards in Canada</b></p> <p>Available upon request</p>	 <p>ADVISORY</p> <p><b>Three reasons to strengthen your cybersecurity posture</b></p>	<p><b>Three reasons to strengthen your cybersecurity posture</b></p> <p>Available upon request</p>	 <p>Grant Thornton An member firm of the PwC network</p> <p><b>Not-for-profit audit committee guidebook</b></p>	<p><b>Not-for-profit audit committee guidebook</b></p> <p>Available upon request</p>

# COVID 19 – Asking the right questions to manage risk

We know you're in the middle of dealing with COVID-19, trying to make decisions that are in the best interests of your organization, your employees, and the community. For particular risk mitigation measures, including material specifically tailored for charities and not-for-profit organizations, please visit our [COVID-19 Hub](#).



# Appendix A – Overview and approach

Our audit is planned with the objective of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, so that we are able to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian public sector accounting standards. The following outlines key concepts that are applicable to the audit, including the responsibilities of parties involved, our general audit approach and other considerations.

## Roles and responsibilities

<b>Role of the board of directors</b>	<ul style="list-style-type: none"><li>• Help set the tone for the organization by emphasizing honesty, ethical behaviour and fraud prevention</li><li>• Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting</li><li>• Oversee the work of the external auditors</li></ul>
<b>Role of management</b>	<ul style="list-style-type: none"><li>• Prepare financial statements in accordance with Canadian public sector accounting standards</li><li>• Design, implement and maintain effective internal controls over financial reporting processes, including controls to prevent and detect fraud</li><li>• Exercise sound judgment in selecting and applying accounting policies</li><li>• Prevent, detect and correct errors, including those caused by fraud</li><li>• Provide representations to external auditors</li><li>• Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial statements</li></ul>
<b>Role of Grant Thornton LLP</b>	<ul style="list-style-type: none"><li>• Provide an audit opinion that the financial statements are in accordance with Canadian public sector accounting standards</li><li>• Conduct our audit in accordance with Canadian Generally Accepted Auditing Standards (GAAS)</li><li>• Maintain independence and objectivity</li><li>• Be a resource to management and to those charged with governance</li><li>• Communicate matters of interest to those charged with governance</li><li>• Establish an effective two-way communication with those charged with governance, to report matters of interest to them and obtain their comments on audit risk matters</li></ul>

## Audit approach

Our understanding of the Authority and its operations drives our audit approach, which is risk based and specifically tailored to Hamilton Region Conservation Authority and Confederation Beach Park.



## The five key phases of our audit approach



Phase	Our approach
<b>1. Planning</b>	<ul style="list-style-type: none"> <li>We obtain our understanding of your operations, internal controls and information systems</li> <li>We plan the audit timetable together</li> </ul>
<b>2. Assessing risk</b>	<ul style="list-style-type: none"> <li>We use our knowledge gained from the planning phase to assess financial reporting risks</li> <li>We customize our audit approach to focus our efforts on key areas</li> </ul>
<b>3. Evaluating internal controls</b>	<ul style="list-style-type: none"> <li>We evaluate the design of controls you have implemented over financial reporting risks</li> <li>We identify areas where our audit could be more effective or efficient by taking an approach that includes testing the controls</li> <li>We provide you with information about the areas where you could potentially improve your controls</li> </ul>
<b>4. Testing accounts and transactions</b>	<ul style="list-style-type: none"> <li>We perform tests of balances and transactions</li> <li>We use technology and tools, including data interrogation tools, to perform this process in a way that enhances effectiveness and efficiency</li> </ul>
<b>5. Concluding and reporting</b>	<ul style="list-style-type: none"> <li>We conclude on the sufficiency and appropriateness of our testing</li> <li>We finalize our report and provide you with our observations and recommendations</li> </ul>

Our tailored audit approach results in procedures designed to respond to an identified risk. The greater the risk of material misstatement associated with the account, class of transactions or balance, the greater the audit emphasis placed on it in terms of audit verification and analysis.

Throughout the execution of our audit approach, we maintained our professional skepticism, recognizing the possibility that a material misstatement due to fraud could exist notwithstanding our past experiences with the entity and our beliefs about management's honesty and integrity.



## Internal control

Our audit will include gaining an understanding of the Authority' internal control over financial reporting. Our understanding will focus on processes associated with the identified risk areas, as described in this report. We use this understanding to determine the nature, extent and timing of our audit procedures.

Our understanding may also result in valuable internal control findings for your consideration. Note that the auditor's objectives with regards to internal control are different from those of management and those charged with governance. For example, we primarily target controls that relate to financial reporting and not those that relate to the Authority' operations or compliance which may also be relevant to its objectives. Therefore, management and those charged with governance cannot solely rely on our findings to discharge their responsibilities in this area.

## Quality control

We have a robust quality control program that forms a core part of our client service. We combine internationally developed audit methodology, data analytics technology that allows us to examine large amounts of data, rigorous review procedures, mandatory professional development requirements, and the use of specialists to deliver high quality audit services to our clients. In addition to our internal processes, we are subject to inspection and oversight by standard setting and regulatory bodies. We are proud of our firm's approach to quality control and would be pleased to discuss any aspect of our approach to quality control with you at your convenience.

# Appendix B – Draft management representation letter

DRAFT

Date, 2021

Grant Thornton LLP  
33 Main Street East  
Hamilton, ON  
L8N 4K5

Dear Ms. Dugard:

We are providing this letter in connection with your audit of the financial statements of Hamilton Region Conservation Authority (the “Authority”) as of December 31, 2020, and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, and results of operations, and cash flows of the Authority in accordance with Canadian public sector accounting standards.

We acknowledge that we have fulfilled our responsibilities for the preparation of the financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of Date, 2021, the following representations made to you during your audit.

#### Financial statements

- 1 The financial statements referred to above present fairly, in all material respects, the financial position of the Authority as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public accounting standards, as agreed to in the terms of the audit engagement.

#### Completeness of information

- 2 We have made available to you all financial records and related data and all minutes of the meetings of directors, and committees of directors, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant board and committee actions are included in the summaries.
- 3 We have provided you with unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- 4 There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. The adjusting journal entries which have been proposed by you are approved by us and will be recorded on the books of the Authority.
- 5 There were no restatements made to correct a material misstatement in the prior period financial statements that affect the comparative information.
- 6 We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
- 7 We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.
- 8 We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.
- 9 We have identified to you all known related parties and related party transactions, including revenues, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.

#### Fraud and error

- 10 We have no knowledge of fraud or suspected fraud affecting the Authority involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.
- 11 We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.
- 12 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

#### Recognition, measurement and disclosure

- 13 We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements, are reasonable and appropriate in the circumstances.

- 14 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the financial statements.
- 15 All related party transactions have been appropriately measured and disclosed in the financial statements.
- 16 The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- 17 Any business combination that occurred during the year has been properly accounted for with appropriate consideration of amounts that should be allocated to goodwill and other intangible assets.
- 18 All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
- 19 All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 20 With respect to environmental matters:
  - a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;
  - b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the financial statements; and
  - c) commitments have been measured and disclosed, as appropriate, in the financial statements.
- 21 The Authority has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the Authority's assets nor has any been pledged as collateral.
- 22 We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 23 The Harmonized Sales Tax (HST) transactions recorded by the Authority are in accordance with the federal and provincial regulations. The HST liability/receivable amounts recorded by the Authority are considered complete.
- 24 Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of Section PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits* of the Chartered Professional Accountants of Canada (CPA Canada) Handbook Part II– Accounting.
- 25 There have been no events subsequent to the date of the statement of financial position up to the date hereof that would require recognition or disclosure in the financial statements. Further, there

have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

- 26 We have provided sufficient and appropriate disclosure of the impact of COVID-19 on the Authority in note to the financial statements. The representation makes therein accurately reflect the impact to the Authority; and its continued operations.

Other

- 27 We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the Authority's ability to continue as a going concern and have concluded that no such events or conditions are evident.

Yours very truly,

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**Lisa Burnside**  
**Chief Administration Officer**

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**Neil McDougall**  
**Secretary-Treasurer**

# Appendix C – Accounting developments

Public Sector Accounting Standards	Effective date
<p><b>Section PS 1000 <i>Financial statement concepts</i>, Section 1201 <i>Financial Statement Presentation</i>, and PSG-8 <i>Purchased intangibles</i></b></p> <p>Section PS 1000 has been amended to remove the prohibition of recognition of purchased intangibles in public sector financial statements. Consequentially, Section PS 1201 has also been amended to remove disclosure requirements for unrecognized purchased intangibles since entities can now recognize purchased intangibles in their financial statements. Entities still reporting in accordance with Section PS 1200 <i>Financial Statement Presentation</i> can also adopt the amendments and recognize purchased intangible assets. New Public Sector Guideline, PSG-8 <i>Purchased intangibles</i>, has been issued to explain the scope of the intangibles that are allowed to be recognized in the financial statements given this amendment to Section PS 1000. However, it is important to note that no further recognition, measurement, disclosure and presentation guidance has been provided.</p> <p>The main features of PSG-8 include:</p> <ul style="list-style-type: none"> <li>• A definition of purchased intangibles</li> <li>• Examples of items that are not purchased intangibles</li> <li>• References to other guidance in the PSA Handbook on intangibles</li> <li>• Reference to the asset definition, general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles</li> <li>• Retrospective or prospective application is permitted.</li> </ul>	<p>Fiscal years beginning on or after April 1, 2023.</p> <p>Earlier adoption is permitted.</p>
<p><b>Section PS 3400 <i>Revenues</i></b></p> <p>New Section PS 3400 <i>Revenue</i> establishes standards on how to account for and report on revenue. It does not apply to revenues for which specific standards already exist, such as government transfers, tax revenue or restricted revenues. The Section distinguishes between revenue that arises from transactions that include performance obligations (i.e., exchange transactions) and transactions that do not have performance obligations (i.e., non-exchange transactions). The main features of the new Section are:</p> <ul style="list-style-type: none"> <li>• Performance obligations are defined as enforceable promises to provide specific goods or services to a specific payer</li> <li>• Revenue from transactions with performance obligations will be recognized when (or as) the performance obligation is satisfied by providing the promised goods or services to the payer</li> <li>• Revenue from transactions with no performance obligations will be recognized when a public sector entity has the authority to claim or retain the revenue and identifies a past transaction or event that gives rise to an asset</li> </ul>	<p><b>***NEW***</b></p> <p>Fiscal years beginning on or after April 1, 2023.</p> <p>Earlier adoption is permitted.</p> <p>(NOTE: The effective date was previously April 1, 2022, but as a result of the COVID-19 pandemic, the Public Sector Accounting Board (PSAB) has deferred the effective date by one year.)</p>
<p><b>Section PS 3280 <i>Asset retirement obligations</i></b></p> <p>New Section PS 3280 <i>Asset Retirement Obligations</i> establishes standards on how to account for and report a liability for asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.</p> <p>Asset retirement costs associated with a tangible capital asset increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner, while asset retirement costs associated with an asset no longer in productive use are expensed. Measurement of the liability for an asset retirement obligation should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date. A</p>	<p><b>***NEW***</b></p> <p>Fiscal years beginning on or after April 1, 2022.</p> <p>Earlier adoption is permitted.</p>

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## Public Sector Accounting Standards

## Effective date

present value technique is often the best method to estimate the liability. Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset, or an expense, depending on the nature of the remeasurement or whether the asset remains in productive use.

As a result of the issuance of Section PS 3280, the Public Sector Accounting Board (PSAB) approved the withdrawal of Section PS 3270 *Solid waste landfill closure and post-closure liability* as asset retirement obligations associated with landfills will be within the scope of PS 3280. PS 3280 does not address costs related to remediation of contaminated sites, which will continue to be addressed in Section PS 3260 *Liability for contaminated sites*. Some consequential amendments have been made to PS 3260 to conform with PS 3280 and further clarify the scope of each standard.

(NOTE: The effective date was previously April 1, 2021, but as a result of the COVID-19 pandemic, the PSAB has deferred the effective date by one year.)

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### Section PS 3450 *Financial instruments*, Section PS 2601 *Foreign currency translation*, Section PS 1201 *Financial statement presentation*, and PS 3041 *Portfolio investments*

PS 3450 *Financial instruments* is a new Section that establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Some highlights of the requirements include:

- a public sector entity should recognize a financial asset or a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument
- financial instruments within the scope of the Section are assigned to one of two measurement categories: fair value, or cost / amortized cost
- almost all derivatives are measured at fair value
- fair value measurement is required for portfolio investments in equity instruments that are quoted in an active market
- other financial assets and financial liabilities are generally measured at cost or amortized cost
- until an item is derecognized, gains and losses arising due to fair value remeasurement are reported in the statement of remeasurement gains and losses when the public sector entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis, the entity may elect to include these items in the fair value category
- additional disclosures with respect to financial instruments will be required, including the nature and extent of risks arising from a public sector entity's financial instruments

PS 2601 *Foreign currency translation* revises and replaces Section PS 2600 *Foreign currency translation*. Some highlights of the requirements include:

- the deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items is discontinued
- until the period of settlement, foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses rather than the statement of operations

PS 1201 *Financial statement presentation* revises and replaces Section PS 1200 *Financial statement presentation*. The main amendment to this Section is the addition of the statement of remeasurement gains and losses.

PS 3041 *Portfolio investments* revises and replaces Section PS 3040 *Portfolio investments*.

The issuance of these new sections also includes consequential amendments to:

- *Introduction to accounting standards that apply only to government not-for-profit organizations*
  - PS 1000 *Financial statement concepts*
  - PS 1100 *Financial statement objectives*
  - PS 2125 *First-time adoption by government organizations*
  - PS 2500 *Basic principles of consolidation*
  - PS 2510 *Additional areas of consolidation*
  - PS 3050 *Loans receivable*
  - PS 3060 *Government partnerships*
  - PS 3070 *Investments in government business enterprises*
- 

### \*\*\*NEW\*\*\*

The new requirements are all required to be applied at the same time.

For governments - Fiscal years beginning on or after April 1, 2022.

For government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook - Fiscal years beginning on or after April 1, 2012.

For all other government organizations - Fiscal years beginning on or after April 1, 2022.

Earlier adoption is permitted.

(NOTE: For public sector entities other than government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook, the effective date was previously April 1, 2021, but as a result of the COVID-19 pandemic, the PSAB has deferred the effective date by one year.)



- PS 3230 *Long-term debt*
- PS 3310 *Loan guarantees*
- PS 4200 *Financial statement presentation by not-for-profit organizations*

PSG-6 *Including results of organizations and partnerships applying fair value measurement* was withdrawn as a result of the issuance of these sections.

In April 2020, the PSAB issued amendments to clarify aspects of Section PS 3450's application and add new guidance to its transitional provisions.

The amendments introduce changes to the accounting treatment for bond repurchase transactions. Specifically, the amendments no longer require bond repurchase transactions to be treated as extinguishments, unless they are discharged or legally released from the obligation or the transactions meet certain criteria to be considered an exchange of debt.

The amendments also provide clarification on the application of certain areas of Section PS 3450, these include:

- Section PS 3450 does not apply unless a contractual right or a contractual obligation underlies a receivable or payable
- how a transfer of collateral pursuant to a credit risk management mechanism in a derivative contract is accounted for, and
- derecognition of a financial asset does not occur if the transferor retains substantially all the risks and benefits of ownership

Finally, the amendments have added new guidance to the transitional provisions as follows:

- controlling governments should use the carrying values of the financial assets and liabilities in the records of its government organizations when consolidating a government organization
- any unamortized discounts, premiums, or transaction costs associated with a financial asset or financial liability in the cost/amortized cost category should be included in the item's opening carrying value, and
- in cases where derivatives were not recognized or were not measured at fair value prior to adopting PS 3450, any difference between the previous carrying value and fair value should be recognized in the opening balance of accumulated remeasurement gains and losses

## Strategic plan for not-for-profit organizations in the public sector

Since 2012, government not-for-profit organizations (GNPOs) have been required to adopt PSAS but were given the option of applying the specific GNPO accounting standards in PSAS. Some GNPOs have utilized those standards, while others have not. The PSAB recognized that a "one-size-fits-all" approach may not be appropriate for all stakeholders. As a result, in PSAB's 2017-2022 Strategic Plan, the Board signaled intent to understand the needs and concerns of GNPOs and consider if some standards should be applied differently by them. In 2018, PSAB consulted with over 100 GNPO stakeholders to understand their fiscal and regulatory environment, their financial reporting needs, and their financial reporting perspectives in its first Consultation Paper. Diversity in the financial reporting framework, presentation of net debt and fund accounting, the impact of balanced budget requirements and endowments were some of the items stakeholders raised. In January 2021, PSAB released a second Consultation Paper. The purpose of the paper is to:

- summarize the feedback to Consultation Paper I;
- describe the options considered for a GNPO Strategy;
- describe the decision-making criteria used to evaluate the options; and
- propose a GNPO Strategy.

The deadline to respond to the Consultation paper is May 12, 2021.

## Concepts underlying financial performance

In response to feedback from stakeholders, the PSAB is proposing changes to its conceptual framework and its reporting model with a focus on measuring the financial performance of public sector entities. A conceptual framework is a clear set of related concepts that act as the foundation for the development of standards and the application of professional judgment. In January 2021, PSAB issued four important exposure drafts:

- *The Conceptual Framework for Financial Reporting in the Public Sector* - PSAB has proposed to issue a revised Conceptual Framework that would include 10 chapters:
  - Chapter 1: Introduction to the Conceptual Framework
  - Chapter 2: Characteristics of public sector entities
  - Chapter 3: Financial reporting objective
  - Chapter 4: Role of financial statements
  - Chapter 5: Financial statement foundations
  - Chapter 6: Financial statement objectives
  - Chapter 7: Financial statement information
  - Chapter 8: Elements of financial statements
  - Chapter 9: Recognition and measurement in financial statements
  - Chapter 10: Presentation concepts for financial statements

The proposed Conceptual Framework would replace the existing conceptual framework in Section PS 1000 *Financial Statement Concepts* and Section PS 1100 *Financial Statement Objectives*

- *Financial Statement Presentation, Proposed Section PS 1202* – PSAB has proposed replacing the existing reporting model standard in Section PS 1201 *Financial Statement Presentation*. The proposed changes would make some significant changes to financial presentation for public sector entities
- *Consequential Amendments Arising from the Proposed Conceptual Framework* – This Exposure Draft will summarize the implications for the rest of the CPA Canada Public Sector Accounting (PSA) Handbook; and
- *Consequential Amendments Arising from the Financial Statement Presentation Standard, Proposed Section PS 1202* – This Exposure Draft will summarize the implications for the rest of the PSA Handbook as a result of new proposed Section PS 1202.

The deadline for responses to the exposure drafts is May 12, 2021.

# Appendix D – Auditing developments

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB	Effective date
<p><b>Revisions to CAS 540 Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures</b></p> <p>In June 2018, the IAASB approved a revised version of ISA 540 <i>Auditing Accounting Estimates and Related Disclosures</i>. In revising the standard, the IAASB focused on improving the scalability of the ISA to very simple accounting estimates, as well as the most complex accounting estimates. The AASB concluded that the changes to the ISA would be adopted as CASs, with no special amendments being necessary with respect to the Canadian auditing environment. The key changes to the revised standard include:</p> <ul style="list-style-type: none"> <li>• Explicit recognition of the spectrum of inherent risk and introduction of concept of inherent risk factors</li> <li>• Requirement for enhanced risk assessment procedures relating to understanding the entity, including internal control</li> <li>• Inclusion of objectives-based work effort requirements directed to methods, data and assumptions when responding to the risks of material misstatement</li> <li>• Enhanced “stand back” requirement for audit evidence obtained, including an increased emphasis on professional scepticism</li> <li>• Clarification of the relationship between CAS 540 (revised) and the other CASs and the requirements when using the work of management’s expert as audit evidence in testing how management made the accounting estimate</li> </ul>	<p>The revised standard is effective for audits of financial statements with periods beginning on or after December 15, 2019.</p>
<p><b>Revisions to CAS 315 Identifying and Assessing Risks of Material Misstatement</b></p> <p>In July 2018, the IAASB issued an Exposure Draft proposing changes to ISA 315 that could drive more consistent and effective identification and assessment of the risks of material misstatement by auditors. The AASB published an Exposure Draft of the equivalent Canadian standard, which included the same proposed revisions as the ISA with no Canada-specific amendments. The revised CAS 315 has been issued and key amendments to the standard include the following:</p> <ul style="list-style-type: none"> <li>• Focusing on the applicable financial reporting framework in identifying and assessing risks of material misstatement</li> <li>• Updating the understanding of the system of internal control, including clarifying the work effort for understanding each of the components of internal control and “controls relevant to the audit”, as well as the relationship between this understanding and the assessment of control risk</li> <li>• Updating aspects relating to IT, in particular to the IT environment, the applications relevant to the audit and general IT controls relevant to the audit</li> <li>• Introducing the new concepts of inherent risk factors, relevant assertions, significant classes of transactions, account balances and disclosures, and the spectrum of inherent risk</li> </ul> <p>Separating the inherent risk and control risk assessments for assertion level risks, enhancing the requirements relating to financial statement level risks, and updating the definition of “significant risks”</p>	<p>Periods beginning on or after December 15, 2021.</p>



**Hamilton Region Conservation Authority**

**Financial Statements**

December 31, 2020

DRAFT

## Contents

	<b><u>Page</u></b>
Independent auditor's report	1-2
Statement of Financial Position	3
Statement of Operations	4
Statement of Cash Flows	5
Statement of Changes in Net Financial Assets	6
Schedule of Tangible Capital Assets	7
Notes to the Financial Statements	8 - 14
Schedules of Business Unit Activity	
Corporate Support	15
Watershed Planning and Engineering Operations	16
Land Management Operations	17
Westfield Heritage Village Operations	18

# Independent auditor's report

To the Members of  
**Hamilton Region Conservation Authority**

## **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2020, and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Hamilton, Canada  
May 6, 2020

Chartered Professional Accountants  
Licensed Public Accountants



# Hamilton Region Conservation Authority Statement of Financial Position

December 31

2020

2019

## Financial assets

Cash and cash equivalents (Note 4)	\$ 17,096,940	\$ 14,281,084
Accounts receivable	614,752	675,348
Due from Hamilton Conservation Foundation	-	61,978
Total financial assets	<u>\$ 17,711,692</u>	<u>\$ 15,018,410</u>

## Liabilities

Accounts payable and accrued liabilities	\$ 1,292,276	\$ 1,686,477
Due to Confederation Beach Park	212,500	316,111
Employee future benefit costs (Note 7)	202,071	219,889
Deferred revenues (Note 8)	773,849	569,116
Long-term debt (Note 9)	<u>179,611</u>	<u>395,901</u>

Total liabilities	<u>\$ 2,660,307</u>	<u>\$ 3,187,494</u>
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<b>Net financial assets</b>	<b>\$ 15,051,385</b>	<b>\$ 11,830,916</b>
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## Non-financial assets

Inventory	76,325	100,394
Prepaid expenses	248,401	226,428
Tangible capital assets (Page 7)	<u>45,528,905</u>	<u>45,109,687</u>

Total non-financial assets	<u>\$ 45,853,631</u>	<u>\$ 45,436,509</u>
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<b>Accumulated surplus</b> (Note 10)	<b><u>\$ 60,905,016</u></b>	<b><u>\$ 57,267,425</u></b>
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Contingent liabilities, contractual obligations and commitments (Notes 14 and 15)

On behalf of the Authority

\_\_\_\_\_ Chair \_\_\_\_\_ Vice Chair

See accompanying notes to the financial statements

# Hamilton Region Conservation Authority

## Statement of Operations

For the Year Ended December 31

2020

2020

2019

	<u>Budget</u> (Note 16)	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal levy & special projects	\$ 6,412,972	\$ 6,585,955	\$ 6,513,964
Admissions, product, service & program fees	5,547,805	5,994,100	5,823,145
Federal & Provincial grants	217,350	1,134,720	268,262
Rentals	1,072,442	558,828	981,780
Hamilton Conservation Foundation	200,100	444,491	649,716
Regulatory fees	300,000	227,134	282,382
Management fees	426,000	182,977	447,976
Interest	190,000	114,375	255,389
Private and In-Kind donations (Note 11)	8,500	9,304	5,235
Other income	33,490	195,094	112,562
	<u>14,408,659</u>	<u>15,446,978</u>	<u>15,340,411</u>
<b>Expenditures</b>			
Wages & benefits	8,198,238	6,718,769	6,667,384
Staff expenses	269,250	1,115,703	1,258,714
Contractors / consultants	607,840	802,526	640,506
Utilities	644,500	582,489	611,759
Materials & supplies	436,610	342,694	480,540
Products for resale	320,875	227,468	280,865
Professional fees	350,695	200,770	306,217
Miscellaneous expense (Note 13)	1,162,544	659,400	882,749
	<u>11,990,552</u>	<u>10,649,819</u>	<u>11,128,734</u>
Amortization	<u>1,050,000</u>	<u>1,159,568</u>	<u>1,173,855</u>
	<u>13,040,552</u>	<u>11,809,387</u>	<u>12,302,589</u>
Annual surplus for the year	<u>\$ 1,368,107</u>	<u>\$ 3,637,591</u>	<u>\$ 3,037,822</u>
Accumulated surplus, beginning of year	57,267,425	57,267,425	54,229,603
Accumulated surplus, end of year	<u>\$ 58,635,532</u>	<u>\$ 60,905,016</u>	<u>\$ 57,267,425</u>

See accompanying notes to the financial statements

# Hamilton Region Conservation Authority

## Statement of Cash Flows

December 31

2020

2019

Change in cash and cash equivalents

### Operating

Annual surplus	\$ 3,637,591	\$ 3,037,822
Non-cash changes to operations		
Amortization	1,159,568	1,173,855
Change in accounts receivable	60,596	188,626
Change in inventory	24,069	3,410
Change in prepaid expenses	(21,973)	(57,339)
Change in employee future benefit costs	(17,818)	(57,324)
Change in accounts payable and accrued liabilities	(394,201)	370,836
Change in Due from		
Hamilton Conservation Foundation	61,978	(34,220)
Change in Due to (from) from Confederation Park	(103,611)	(163,901)
Change in deferred revenues	204,733	2,340
	<u>4,610,933</u>	<u>4,464,106</u>

### Financing

Repayment of long term debt	<u>(216,290)</u>	<u>(209,266)</u>
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### Capital

Net proceeds on disposal of tangible capital assets	2,640	22,520
Purchase of tangible capital assets	<u>(1,581,427)</u>	<u>(2,783,716)</u>
	<u>(1,578,787)</u>	<u>(2,761,196)</u>

Net change in cash and cash equivalents 2,815,856 1,493,644

Cash and cash equivalents

Beginning of year 14,281,084 12,787,440

End of year \$ 17,096,940 \$ 14,281,084

See accompanying notes to the financial statements

For the year ended December 31	2020	<b>2020</b>	2019
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See accompanying notes to the financial statements

## Hamilton Region Conservation Authority

### Schedule of Tangible Capital Assets

	Land	Land Improvements	Infrastructure	Building & Building Improvements	Machinery & Equipment	Vehicles	Work In Progress (WIP)	December 31 2020	December 31 2019
<b>Cost</b>									
Beginning of year	\$ 28,672,747	\$ 3,833,721	\$ 20,750,026	\$ 8,073,566	\$ 1,933,678	\$ 2,532,870	\$ 1,501,897	\$ 67,298,505	\$ 64,706,057
Additions	-	-	-	-	44,038	118,745	1,418,644	1,581,427	2,783,716
Disposals	-	-	-	-	(8,035)	(67,570)	-	(75,605)	(191,268)
Transfer from WIP	-	-	965,508	-	17,333	-	(982,841)	-	-
End of year	<u>28,672,747</u>	<u>3,833,721</u>	<u>21,715,534</u>	<u>8,073,566</u>	<u>1,987,014</u>	<u>2,584,045</u>	<u>1,937,700</u>	<u>68,804,327</u>	<u>67,298,505</u>
<b>Accumulated Amortization</b>									
Beginning of year	-	2,638,523	12,820,137	4,132,135	615,469	1,982,554	-	22,188,818	21,183,710
Annual amortization	-	128,922	485,171	189,780	198,079	157,615	-	1,159,568	1,173,855
Disposals	-	-	-	-	(7,635)	(65,329)	-	(72,964)	(168,747)
End of year	<u>-</u>	<u>2,767,445</u>	<u>13,305,308</u>	<u>4,321,915</u>	<u>805,913</u>	<u>2,074,840</u>	<u>-</u>	<u>23,275,422</u>	<u>22,188,818</u>
Net book value	<u>\$ 28,672,747</u>	<u>\$ 1,066,276</u>	<u>\$ 8,410,226</u>	<u>\$ 3,751,651</u>	<u>\$ 1,181,101</u>	<u>\$ 509,205</u>	<u>\$ 1,937,700</u>	<u>\$ 45,528,905</u>	<u>\$ 45,109,687</u>

See accompanying notes to the financial statements

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

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### 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 112,000 acres of which the Authority owns 11,000. The Authority is financed from municipal contributions, government grants, donations, user fees, product sales and services.

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### 2. Summary of significant accounting policies

#### Basis of accounting and management responsibility

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

#### Accrual 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. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt of payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation or condition(s) underlying the liability is partially or wholly satisfied. Accrual accounting recognized an asset until the future economic benefit underlying the asset is partially or wholly used or lost.

#### Revenues and expenditures

Revenues are comprised of grants, contributions, user fees, management fees, regulatory 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 tangible capital assets, 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.

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

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### 2. Summary of significant accounting policies – continued

#### 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.

#### Tangible capital assets

Tangible capital assets are comprised of property, plant and equipment 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	3 - 10 years
Vehicles (light and heavy duty)	15 - 35 percent

The Authority has a collection of art and historical buildings which now include a multitude of artifacts and chattels which came with the acquisition of the Westfield Heritage Village. None of these are included as part of the tangible capital assets due to the lack of any objective value comparatives.

#### 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 PSAS 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.

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

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### 2. Summary of significant accounting policies – continued

#### Contaminated sites

The Authority has implemented PS3260, Liability for contaminated sites. This requires organizations to record a liability if they have a contaminated site that meets the specified criteria. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive or live organism that exceeds a prescribed environmental level. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination.

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### 3. Confederation Beach Park

These statements do not include the operating revenues and expenditures relating to Confederation Beach Park which is a separate and distinct operation owned by the City of Hamilton and managed by the Authority under a formal management agreement with the municipality.

All existing real and personal Confederation Beach 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.

Under the terms of the management agreement, the Hamilton Region Conservation Authority has exclusive authority to manage specifically defined areas of Confederation Beach Park 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. The newest version of the management agreement has been agreed to and signed by both the City of Hamilton and the Hamilton Region Conservation Authority and runs from January 1<sup>st</sup>, 2017 until December 31<sup>st</sup>, 2026, inclusive.

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### 4. Restricted cash

Included in cash and cash equivalents is \$201,885 (2019 – \$263,803) that was received as an endowment fund which has been externally restricted by the organization that contributed the amount.

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### 5. Government remittances payable

Included in accounts receivable, accounts payable and accrued liabilities are government remittances payable of \$45 (2019 – \$2,618).

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# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

### 6. Related party transactions

	2020	2019
Municipal funding recognized as revenue in the current year	\$ 6,585,955	\$ 6,513,964
Receivable from the City of Hamilton	212,164	359,209
Management fees from Confederation Beach Park	182,977	447,976
Funding from the Hamilton Conservation Foundation	444,491	649,716
Municipal taxes paid to the City of Hamilton and Township of Puslinch	(115,913)	(96,650)

### 7. Employee future benefit costs

	2020	2019
Accumulated Sick Leave Liability	\$ 39,262	\$ 38,168
Supplemental early retirement package	104,435	107,735
Post-retirement benefits	58,375	73,986
	<u>\$ 202,072</u>	<u>\$ 219,889</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 \$104,435 (2019 - \$107,735) 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 \$58,375 (2019 - \$73,986).

### 8. Deferred revenues

Revenue received but not earned at year-end is as follows:

	2020	2019
Storage fees and deposits	<u>\$ 773,849</u>	<u>\$ 569,116</u>

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

### 9. Long term debt

	2020	2019
City of Hamilton 4.25% loan - Wind-up DB pension plan \$187,245 payable annually, matures June, 2021	\$ 179,611	\$ 351,901
City of Hamilton 0% loan - Veldhuis property reclamation \$44,000 payable annually, paid in full March 2020	-	44,000
	\$ 179,611	\$ 395,901

Principal repayments in future years are due as follows:  
2021

179,611

Interest on long term debt of \$11,294 (2019 - \$18,468) was paid during the year.

### 10. Accumulated surplus

	2020	2019
Reserve Funds		
Acquisitions of provincially significant lands or eligible water related projects	\$ 4,257,373	\$ 3,772,184
Future projects and operating areas	8,651,128	6,908,459
Tangible Capital Assets	45,528,905	45,109,687
Unfunded long term debt	(179,611)	(395,901)
Operating surplus	2,647,221	1,872,996
Accumulated surplus	\$ 60,905,016	\$ 57,267,425

### 11. Donations in kind

During the year, in addition to cash donations, the Authority was the beneficiary through donations in kind of tangible capital assets with a total appraised value of \$6,707 (2019 - \$2,525).

### 12. Defined contribution pension plan

Employer contributions to the Authority's defined contribution pension plan for the year was \$316,423 (2019 - \$281,589). The Plan is designed whereby employee contributions, ranging from 2% to 6% of gross salary, are matched by the employer.

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

### 13. Miscellaneous expense breakdown

	2020	2019
Communications & advertising	\$ 100,625	\$ 182,374
Postage, printed material & supplies	118,290	118,290
Property taxes	110,279	110,279
Mechanical & garage supplies	102,034	102,034
Memberships & subscriptions	83,519	83,519
Computer software, hardware & support	69,382	69,382
Interest & banking	36,190	36,190
Third party equipment rental	18,108	18,108
All other	20,973	162,573
	<u>\$ 659,400</u>	<u>\$ 882,749</u>

### 14. 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 coverages are adequate and that no material exposure exists on the eventual settlement of such litigation.

### 15. Contractual obligations and commitments

As at December 31, 2020, the Authority is committed to \$26,060 (2019 - \$22,444) with respect to ongoing contracts for equipment in the following years:

2021	\$ 7,518
2022	6,983
2023	5,761
2024	3,278
2025 and beyond	<u>2,520</u>
	\$ 26,060

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

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### 16. Budget figures

The budgeted figures are presented for comparison purposes and were adopted by the Authority on January 21<sup>st</sup>, 2020. The adopted budget conforms to the Canadian Public Sector Accounting Standards except for the effect of the acquisition and amortization of tangible capital assets and principal repayment on debt. A reconciliation of the adopted and reported budgets is as presented below.

#### Adopted budget:

Budgeted annual surplus for the year	\$ 216,300
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#### Adjustments to adopted budget:

Amortization of tangible capital assets	(1,050,000)
Block funding for major maintenance and capital projects	2,000,000
Removal of intercompany and funding from reserves	<u>201,807</u>

#### Restated budgeted surplus

	<u><u>\$ 1,368,107</u></u>
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### 17. Impacts of COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Authority, however, has not experienced a long-term disruption to its operations nor a decline in revenue during the pandemic as the open lands of the conservation areas were seen as one of the few places that one could safely visit when once again allowed to do so. The Authority has received \$892,588 from the Canada Emergency Wage Subsidy which it qualified for by not laying off any fulltime staff while suffering the initial revenue shortfall created by the mandated closure of its facilities. Since that time the overall impact of COVID-19 has not been material.

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# Hamilton Region Conservation Authority

## Schedule of Corporate Support

For the Year Ended December 31	2020	2020	2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal levy & special projects	\$ 2,530,464	\$ 2,617,582	\$ 2,650,004
Private and In-Kind donations	-	4,784	999
Rentals	429,086	407,657	254,939
Management fees	426,000	182,977	447,976
Hamilton Conservation Foundation	184,100	157,637	163,484
Admissions, product, service & program fees	90,000	40,720	104,767
Federal & Provincial grants	-	892,588	-
Interest	190,000	114,375	255,389
Other income	550	28,718	46,478
	<u>3,850,200</u>	<u>4,447,038</u>	<u>3,924,036</u>
<b>Expenditures</b>			
Wages & benefits	2,944,573	2,613,075	2,313,634
Staff expenses	186,950	541,071	694,608
Utilities	307,150	239,438	319,359
Contractors / consultants	110,250	90,826	67,713
Materials & supplies	111,210	66,622	84,646
Professional fees	136,000	152,377	140,006
Miscellaneous expense (Note 13)	624,524	347,269	503,721
	<u>4,420,657</u>	<u>4,050,678</u>	<u>4,123,687</u>
Amortization	<u>200,000</u>	<u>252,663</u>	<u>287,476</u>
	<u>4,620,657</u>	<u>4,303,341</u>	<u>4,411,163</u>
Annual surplus (deficit)	<u>\$ (770,457)</u>	<u>\$ 143,697</u>	<u>\$ (487,127)</u>

# Hamilton Region Conservation Authority

## Schedule of Watershed Planning and Engineering Operations

For the Year Ended December 31	2020	2020	2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal levy & special projects	\$ 1,470,168	\$ 1,411,033	\$ 1,453,219
Federal & Provincial grants	187,350	242,132	218,650
Regulatory fees	300,000	227,134	282,382
Hamilton Conservation Foundation	-	31,242	76,592
Private and In-Kind donations	1,500	997	663
Other income	4,190	22,796	40,153
	<u>1,963,208</u>	<u>1,935,334</u>	<u>2,071,659</u>
<b>Expenditures</b>			
Wages & benefits	1,720,898	1,436,761	1,296,069
Staff expenses	32,100	243,159	249,326
Contractors / consultants	32,240	221,789	304,444
Materials & supplies	34,000	22,205	89,677
Utilities	25,000	19,492	20,114
Professional fees	9,700	12,075	8,423
Miscellaneous expense (Note 13)	93,750	55,866	63,775
	<u>1,947,688</u>	<u>2,011,347</u>	<u>2,031,828</u>
Annual surplus (deficit)	<u>\$ 15,520</u>	<u>\$ (76,013)</u>	<u>\$ 39,831</u>

# Hamilton Region Conservation Authority

## Schedule of Land Management Operations

For the Year Ended December 31	2020	2020	2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal levy & special projects	\$ 1,810,000	\$ 1,810,000	\$ 1,615,000
Federal & Provincial grants	25,000	-	49,612
Hamilton Conservation Foundation	16,000	255,612	409,640
Admissions, product, service & program fees	5,097,305	5,831,631	5,284,012
Rentals	621,156	136,183	707,578
Other income	28,750	143,580	25,931
	<u>7,598,211</u>	<u>8,177,006</u>	<u>8,091,773</u>
<b>Expenditures</b>			
Wages & benefits	2,940,728	2,237,789	2,594,847
Staff expenses	47,750	270,527	257,776
Contractors / consultants	453,750	483,811	252,182
Utilities	263,750	277,511	227,735
Materials & supplies	251,700	232,285	245,117
Products for resale	304,175	222,096	269,467
Professional fees	185,695	23,469	141,624
Miscellaneous expense (Note 13)	348,670	218,877	243,106
	<u>4,796,218</u>	<u>3,966,364</u>	<u>4,231,854</u>
Amortization	<u>800,000</u>	<u>831,381</u>	<u>825,966</u>
	<u>5,596,218</u>	<u>4,797,745</u>	<u>5,057,820</u>
Annual surplus	<u>\$ 2,001,993</u>	<u>\$ 3,379,261</u>	<u>\$ 3,033,953</u>

# Hamilton Region Conservation Authority

## Schedule of Westfield Heritage Village

For the Year Ended December 31 2020 2020 2019

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Federal and Provincial grants	\$ 5,000	\$ -	\$ -
Municipal contributions	602,340	<b>747,340</b>	795,741
User fees	335,500	<b>119,076</b>	411,925
Donations	2,000	<b>3,523</b>	3,573
Grants	5,000	-	-
Food and novelty	25,000	<b>2,673</b>	22,441
Other Authority generated	22,200	14,988	19,263
	<u>997,040</u>	<u><b>887,600</b></u>	<u>1,252,943</u>
<b>Expenditures</b>			
Wages & benefits	592,040	<b>431,144</b>	462,834
Staff expenses	2,450	<b>60,946</b>	57,004
Utilities	48,600	<b>46,048</b>	16,167
Products for resale	16,700	<b>5,372</b>	44,551
Materials & supplies	39,700	<b>21,583</b>	61,100
Contractors / consultants	11,600	<b>6,100</b>	16,164
Professional fees	19,300	<b>12,849</b>	11,397
Miscellaneous expense (Note 13)	95,600	<b>37,388</b>	72,147
	<u>825,990</u>	<u><b>621,430</b></u>	<u>741,364</u>
Amortization	50,000	<b>75,524</b>	60,413
	<u>875,990</u>	<u><b>696,954</b></u>	<u>801,777</u>
Annual surplus	<u>\$ 121,050</u>	<u><b>\$ 190,646</b></u>	<u>\$ 451,166</u>



# **Confederation Beach Park**

## **Financial Statements**

December 31, 2020

DRAFT

## Contents

	<b><u>Page</u></b>
Independent auditor's report	1-2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Financial Assets	5
Schedule of Tangible Capital Assets	6
Notes to the Financial Statements	7 - 11
Schedule of Operating Activity	12

# Independent auditor's report

TO BE PRESENTED AT BOARD MEETING

DRAFT

Independent Auditor's Report (cont'd)

Hamilton, Canada

May 6, 2021

Chartered Professional Accountant

# Confederation Beach Park Statement of Financial Position

December 31

2020

2019

## Financial assets

Due from Hamilton Region Conservation Authority	<u>\$ 212,502</u>	<u>\$ 316,111</u>
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## Liabilities

Deferred revenues (Note 3)	<u>12,403</u>	<u>36,064</u>
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Total liabilities	<u>12,403</u>	<u>36,064</u>
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<b>Net financial assets</b>	<u>200,099</u>	<u>280,047</u>
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## Non-financial assets

Tangible capital assets	<u>4,952,767</u>	<u>5,316,021</u>
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<b>Accumulated surplus (Note 5)</b>	<u>\$ 5,152,866</u>	<u>\$ 5,596,068</u>
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Contingencies (Note 7)

On behalf of the Authority

\_\_\_\_\_ Chair \_\_\_\_\_ Vice Chair

# Confederation Beach Park

## Statement of Operations

For the Year Ended December 31	2020	2020	2019
	<u>Budget</u> (Note 8)	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal contributions	\$ 845,000	\$ 1,339,788	\$ 775,762
Lease and rentals	628,270	460,704	567,994
Admissions, product and service fees	2,660,673	23,591	2,509,981
Other income	8,400	200	45,661
	<u>4,142,343</u>	<u>1,824,283</u>	<u>3,899,398</u>
<b>Expenditures (Note 6)</b>			
Operating	3,341,871	1,425,651	3,030,728
Management fees	426,000	182,977	447,975
Marketing	199,472	15,556	118,163
	<u>3,967,343</u>	<u>1,624,184</u>	<u>3,596,866</u>
Amortization	<u>450,000</u>	<u>363,254</u>	<u>408,064</u>
	<u>4,417,343</u>	<u>1,987,438</u>	<u>4,004,930</u>
Net annual deficit for the year	\$ (275,000)	\$ (163,155)	\$ (105,532)
Operating surplus distribution (Note 10)	<u>-</u>	<u>(280,047)</u>	<u>(444,719)</u>
Deficit for the year	<u>\$ (275,000)</u>	<u>\$ (443,202)</u>	<u>\$ (550,251)</u>
Accumulated surplus, beginning of year	5,596,068	5,596,068	6,146,319
Accumulated surplus, end of year	<u>\$ 5,321,068</u>	<u>\$ 5,152,866</u>	<u>\$ 5,596,068</u>

See accompanying notes to the financial statements

For the Year Ended December 31	2020	<b>2020</b>	2019
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For the Year Ended December 31	2020	2020	2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual deficit for the year	<u>\$ (275,000)</u>	<u>\$ (163,155)</u>	<u>\$ (105,532)</u>
Acquisition of tangible capital assets	(175,000)	-	(22,485)
Amortization	450,000	<b>363,254</b>	408,064
Operating surplus distribution (Note 10)	<u>(280,047)</u>	<u>(280,047)</u>	<u>(444,719)</u>
Change in net financial assets	(280,047)	<b>(79,948)</b>	(164,672)
Net financial assets, beginning of the year	<u>280,047</u>	<u><b>280,047</b></u>	<u>444,719</u>
Net financial assets, end of year	\$ -	<b>\$ 200,099</b>	\$ 280,047

## Confederation Beach Park

### Schedule of Tangible Capital Assets

Year Ended December 31

	Land Improvements	Infrastructure	Building & Building Improvements	Machinery & Equipment	Total 2020	Total 2019
<b>Cost</b>						
Beginning of year	\$ 27,589	\$ 12,244,156	\$ 5,246,415	\$ 282,166	<b>\$ 17,800,326</b>	\$ 17,777,841
Additions	-	-	-	-	-	22,485
End of year	<u>27,589</u>	<u>12,244,156</u>	<u>5,246,415</u>	<u>282,166</u>	<b><u>17,800,326</u></b>	<u>17,800,326</u>
<b>Accumulated amortization</b>						
Beginning of year	7,173	9,748,481	2,576,964	151,687	<b>12,484,305</b>	12,076,241
Amortization for year	<u>1,104</u>	<u>201,848</u>	<u>123,970</u>	<u>36,332</u>	<b><u>363,254</u></b>	<u>408,064</u>
End of year	<u>8,277</u>	<u>9,950,329</u>	<u>2,700,934</u>	<u>188,019</u>	<b><u>12,847,559</u></b>	<u>12,484,305</u>
<b>Net book value</b>	<u>\$ 19,312</u>	<u>\$ 2,293,827</u>	<u>\$2,545,481</u>	<u>\$ 94,147</u>	<b><u>\$ 4,952,767</u></b>	<u>\$ 5,316,021</u>

See accompanying notes to the financial statements



# Confederation Beach Park

## Notes to the Financial Statements

December 31, 2020

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### 1. Nature of operations

Under the terms of a management agreement originating December 1, 1991, the Hamilton Region Conservation Authority (the "Authority") has exclusive authority to manage Confederation Beach Park (the "Organization") for the City of Hamilton. In payment of 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 Beach Park property as at December 1, 1991, 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 newest version of the management agreement has been agreed to and signed by both the City of Hamilton and the Hamilton Region Conservation Authority and runs from January 1<sup>st</sup>, 2017 until December 31<sup>st</sup>, 2026, inclusive.

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### 2. Summary of significant accounting policies

#### Basis of accounting and management responsibility

The financial statements of the Confederation Beach Park are the responsibility of and prepared by management of the Hamilton Region Conservation Authority in accordance with Canadian Public Sector Accounting Standards (PSAS). The more significant accounting policies are summarized as follows:

#### Accrual 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. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt of payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation or condition(s) underlying the liability is partially or wholly satisfied. Accrual accounting recognizes an asset until the future economic benefit underlying the asset is partially or wholly used or lost.

#### Revenues and expenditures

Revenues are comprised of municipal contributions, admissions, product and service fees and leases, rentals and other activities. 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. Donation pledges are recognized when a realizable value can be determined and collection is assured. Donated tangible capital assets, materials and services are recorded at fair market value when fair value can be reasonably estimated.

# Confederation Beach Park

## Notes to the Financial Statements

December 31, 2020

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### 2. Summary of significant accounting policies - continued

#### Tangible capital assets

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 over the estimated useful life for all assets. Work in progress assets are not amortized until the asset is available for productive use.

Service life of tangible capital assets is as follows:

Land improvements	10 - 20 years
Building & building improvements	40 years
Machinery, equipment	3 - 10 years
Infrastructure	20 - 40 years

#### 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.

#### Internal vehicle and equipment rentals

Authority owned vehicles and equipment are charged on an hourly 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 PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

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### 3. Deferred revenues

Revenue received but not earned at year-end is as follows:

	<u>2020</u>	<u>2019</u>
For Wild Waterworks season passes:	<u>\$ 12,403</u>	<u>\$ 36,064</u>

# Confederation Beach Park

## Notes to the Financial Statements

December 31, 2020

### 4. Related party transactions

Confederation Beach Park paid \$182,977 (2019 - \$447,975) in management fees to the Hamilton Region Conservation Authority. These amounts were calculated in accordance with the management agreement.

### 5. Accumulated surplus

	2020	2019
Accumulated surplus consists of:		
Tangible capital assets	\$ 4,952,767	\$ 5,316,021
Operating surplus	200,099	280,047
Accumulated surplus	<u>\$ 5,152,866</u>	<u>5,596,068</u>

### 6. Expenditures by object

	2020	2019
Salaries, wages & employee benefits	\$ 765,699	\$ 1,810,606
Contracts/consulting	242,820	160,630
Materials, goods, supplies and utilities	432,688	1,177,655
Management fees	182,977	447,975
	<u>\$ 1,624,184</u>	<u>\$ 3,596,866</u>

### 7. Contingencies

Confederation Beach Park is involved from time to time in litigation which arises in the normal course of business. In respect of any outstanding claims, the organization 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.

# Confederation Beach Park

## Notes to the Financial Statements

December 31, 2020

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### 8. Budget figures

The budgeted figures are presented for comparison purposes and were adopted by the City of Hamilton on November 13<sup>th</sup>, 2019. The adopted budget conforms to 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:**

Net annual surplus for the year	\$ -
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**Adjustments to adopted budget**

Less:

Amortization expense	(450,000)
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Plus:

Capital & special maintenance funding	175,000
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Annual (deficit)/surplus per Statement of Operations	(275,000)
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### 9. Absence of Cash Flow Statement

As part of the management agreement referenced in Note 1, Confederation Beach Park has no separate bank account and all cash transactions and changes in working capital are handled by the Authority and are reflected solely in the Due to/from account. Consequently, a cash flow statement for this entity would serve no value and is purposely omitted.

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### 10. Operating surplus distribution

As required under article 15. Trust Monies, Surplus Funds and operating deficits of the Confederation Beach Park Management agreement “(2) Any operating surplus shall be transferred to the Waterpark Reserve fund in accordance with the resolutions approved by City Council on December 9, 2015 in response to Report PW11005c/FCS15090”. The Waterpark Reserve fund is in the custody of, and managed by, the City of Hamilton.

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### 11. Impacts of COVID-19

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

# Confederation Beach Park

## Notes to the Financial Statements

December 31, 2020

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### 11. Impacts of COVID-19 (continued)

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of Government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Confederation Beach Park for future periods. While revenues have declined compared to historical results, Confederation Beach Park remains committed to adjusting its expenses as necessary to ensure its long-term sustainability.

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# Confederation Beach Park Schedule of Operating Activity

December 31, 2020

## Confederation Beach Park Schedule of Operating Activity

	Budget (unaudited)	2020 (unaudited)	2019 (unaudited)
<b>Open Greenspace Park and Lakeland Centre</b>			
Revenues			
City support	\$ 670,000	\$ 670,000	\$ 670,000
Lakeland centre	119,050	73,254	119,382
Facilities, films, etc.	90,320	42,643	72,344
	<u>879,370</u>	<u>785,897</u>	<u>861,726</u>
Expenses			
Park operations	523,425	507,537	481,394
Lakeland centre	122,534	57,124	106,153
Adv, G&A, ins.	24,299	4,803	11,079
Management fees	98,169	84,699	88,132
	<u>768,426</u>	<u>654,163</u>	<u>686,758</u>
Open Greenspace Park surplus	<u>\$ 110,944</u>	<u>\$ 131,734</u>	<u>\$ 174,968</u>
<b>Commercial Operations</b>			
Revenues			
Wild Waterworks admissions	\$ 2,134,675	\$ (297)	\$ 2,083,402
City support	-	425,000	-
Wild WaterWorks food	489,000	-	423,833
Park commercial tenants	464,300	368,896	424,674
	<u>3,087,975</u>	<u>793,599</u>	<u>2,931,909</u>
Expenses			
Water park operations	2,046,262	504,499	1,774,465
Concession operations	464,850	2,502	380,892
Marketing & Advertising	189,498	14,778	112,255
Admin/Ins/Water	170,475	105,177	167,048
Management fees	327,833	98,278	359,843
	<u>3,198,919</u>	<u>725,234</u>	<u>2,794,503</u>
Commercial surplus/(deficit)	<u>\$ (110,944)</u>	<u>\$ 68,365</u>	<u>\$ 137,406</u>
<b>Combined operations surplus</b>	<b>\$ -</b>	<b>\$ 200,099</b>	<b>\$ 312,374</b>
Less:			
Amortization expense	(450,000)	(363,254)	(408,064)
Capital and special maintenance expense	(175,000)	(244,788)	(138,089)
Plus:			
Capital & special maintenance funding	175,000	244,788	105,762
Capital addback	<u>175,000</u>	<u>-</u>	<u>22,485</u>
<b>Surplus / (deficit) per Statement of Operations</b>	<u><b>\$ (275,000)</b></u>	<u><b>\$ (163,155)</b></u>	<u><b>\$ (105,532)</b></u>

# Memorandum

**TO:** Budget & Administration Committee

**FROM:** Neil McDougall, Secretary-Treasurer

**DATE:** April 15, 2021

**RE:** Reserve Funds and Balances as of December 31, 2020

The Reserve Funds are made up of the following pools:

(\$,000)	2020 Opening Available	2020 Operating Surplus	2020 Closing
Construction Capital and Major Maintenance projects (a)	\$ 1,931	\$ 551	\$ 2,482
Watershed Engineering projects (b)	1,386	(234)	1,152
East Mountain wetland land acquisition project ( c)	2,306	2,555	4,861
General land acquisition funds (d)	1,966	(15)	1,951
Major equipment replacement fund	442	(2)	440
Westfield specific funds (half of which is an endowment)	442	147	589
Seasonal operating shortfall protection ( e)	3,008		3,008
Human resources fund (safety, sick plan, severance)	500	-	500
Legal issues	300	-	300
Records management implementation (consulting & software)	273	-	273
	<u>\$ 12,554</u>	<u>\$ 3,002</u>	<u>\$ 15,556</u>

- ( a) Construction was hampered by the shutdown in early 2020. it is expected that spending will be aggressive in 2021, including the significant shoreline project at Fifty Point.
- ( b) Watershed projects also delayed in 2020 but staffing has been bolstered to get projects on track.
- ( c) The 2020 operating surplus has been directed to East Mountain to keep the Saltfleet project on track; now that the design plans are ready, we are looking to secure agency approvals in 2021 with actual construction of the first wetland in 2022.
- ( d) Land acquisition fund still in tact so that we can obtain properties that qualify as per our updated land securement strategy document.
- ( e) Initially it was feared that the pandemic closures would require that we access the operating reserve but as we now know that did not happen and the reserve's protection remains.





# Memorandum

**TO:** Budget & Administration Committee

**FROM:** Neil McDougall, Secretary-Treasurer

**DATE:** April 15, 2021

**RE:** 2020 Asset Disposal Summary

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## Machinery, Equipment and Vehicles Disposed in 2020

	<u>Initial Value</u>	<u>Depreciated Value</u>	<u>Proceeds</u>	<u>Net Gain / (Loss)</u>	<u>Buyer</u>
Tractor With Loader	\$ 33,405	\$ -	\$ 20,000	\$ 20,000	TRADE IN STOLTZ
Club Car Utility	16,695	-	2,877	2,877	BRYAN'S AUCTION
Ditch Mower	10,784	-	-	-	Scrap
Outboard Motor- 30 HP	5,076	-	-	-	Held
Trailer -Black	5,017	2,241	2,445	205	BRYAN'S AUCTION
Snow Blower	2,159	-	770	770	BRYAN'S AUCTION
Mower -Add to tractor	1,669	-	-	-	Scrap
Pallet forks	<u>800</u>	<u>400</u>	<u>0</u>	<u>(400)</u>	Scrap
	\$ 75,605	\$ 2,641	\$ 26,092	\$ 23,451	