



## **Board of Directors Meeting**

### **Addendum**

**Thursday, May 4, 2023 at 6:00 p.m.**

**This meeting will be held in person for the Board of Directors and designated, limited staff only.**

**The public may view the meeting live on HCA's You Tube Channel:  
<https://www.youtube.com/user/HamiltonConservation>**

#### **7. Audited Financial Statements**

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# Hamilton Region Conservation Authority and Confederation Beach Park

For the year ended December 31, 2022

Report to the Board of Directors  
Audit strategy and results

May 4, 2023

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# 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, 2022. This communication will assist the Board of Directors 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 and Board of Directors. It is not intended to be distributed or used by anyone other than these specified parties.

We have obtained our engagement letter dated March 13, 2023, which outlines our responsibilities and the responsibilities of management.

We were engaged to provide the following deliverables:

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### Deliverable

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Report on the December 31, 2022 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:

- Receipt of signed management representation letter (a draft has been attached in appendix A);
- 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 B.

## CAS 315 Revised

CAS 315 Identifying and assessing the risks of material misstatement (“CAS 315 Revised”) is effective for our audit of Authority’s financial statements for the year ended December 31, 2022. This is a significant change to the auditing standards that affected the work required to complete the audit engagement and resulted in a one-time transition fee of \$1,560. More information about this revised standard is included in the Technical Updates section of our report.

# Audit risks and results

## Audit risks and responses

We highlight our significant findings in respect of risks, accounting practices and other areas of focus.

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 and also performed a substantive test of fees on a 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
<b>Accounting estimates and disclosures</b>	Management is responsible for determining significant accounting policies. The choice of different accounting policy alternatives can have a significant effect on the financial position and results of operations of the Authority. The application of those policies often involves significant estimates and judgments by management. Examples of such estimates would include allowances for doubtful accounts, the amortization rates used for tangible capital assets, and certain accruals as at year end.	Based on our audit procedures, we are of the opinion that the estimates made by management are reasonable.
<b>Fraud and illegal acts</b>	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.
<b>Litigation proceedings</b>	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 and our audit procedures, there are no claims or possible claims of which we are aware that may result in a contingent liability, except for the ongoing lawsuit relating to one terminated employee. Should a claim or possible claim or potential liability be identified by the Authority's legal counsel, we will inform the Committee and the Board accordingly.



# 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 Board of Directors those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

While not significant deficiencies in internal controls, we did identify the following specific best practice recommendation:

### Formal risk assessment process

While we noted that there is an informal risk assessment process where management and Board discuss the prevailing risks in the committee and Board meetings, it is best practice to have a formal risk assessment process whereby the Board reviews all risks that impact the Authority as a whole.

We recommended that the Board implement a formal risk assessment process which would help management to prepare for any such risks which can impact the operations and also to have mitigation plan in place to track and update on regular basis.

## 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:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to the Authority
- Confirming the independence of our engagement team members

We have identified no information regarding our independence that in our judgment should be brought to your attention.

## Accounting

Accounting standards issued by the Accounting Standards Board that will affect the Authority in fiscal 2023 include:

- PS 3450 *Financial Instruments*, Section PS2601 *Foreign currency translation*, and PS 1201 *Financial Statement Presentation*
- PS 3280 *Asset Retirement Obligations*

As detailed in the appendices, these sections will impact the December 31, 2023 year end. The changes to the financial instruments standard will result mainly in changes to disclosures. The biggest impact will be with the implementation of the asset retirement obligation standards, which requires public sector organizations to determine potential costs on the future retirement of long-lived assets and set up a liability for those costs. Further details of the changes to accounting standards, are included in the Appendix C.

## Assurance

CAS 315 Identifying and assessing the risks of material misstatement (“CAS 315 Revised”) is effective for our audit of the Authority’s financial statements for the year ended December 31, 2022. CAS 315 Revised includes many changes to the requirements related to planning an audit and completing the risk assessment process, which are designed to make the risk assessment process more robust and improve consistency of application in practice. Since the risk assessment process is fundamental to an audit, we needed to incur some additional planning time and there were resulting changes to audit responses. Furthermore, to address the requirements of CAS 315 Revised, we held more in-depth discussions with management about certain areas and obtained new types of supporting information during planning. Further details of the changes to assurance standards are included in Appendix D.

# **Appendix A – Management Representation Letter**

## Management Representation Letter

**May 4, 2023**

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, 2022, 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, results of operations, and cash flows of Hamilton Region Conservation 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 May 4, 2023, 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, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector 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.
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 sales, 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.
13. We believe that there are no uncorrected misstatements in the financial statements taken as a whole.

### **Recognition, measurement and disclosure**

14. We believe that the methods, significant assumptions and data used by us in making accounting estimates and related disclosures are appropriate to achieve recognition, measurement and disclosure that are in accordance with Canadian public sector accounting standards.
15. 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.
16. All related party transactions have been appropriately measured and disclosed in the financial statements.
17. 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.
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 Goods and Services Tax (GST) and Harmonized Sales Tax (HST) transactions recorded by the Authority are in accordance with the federal and provincial regulations. The GST and 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 3250 Retirement Benefits and 3255 Post-Employment Benefits of the Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting Handbook.
25. There have been no events subsequent to the balance sheet date 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.

## Other

26. 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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**Scott Fleming**  
**Director of Finance & Central Support Services**

# Appendix B – 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
1. Planning	<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>
2. Assessing risk	<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>
3. Evaluating internal controls	<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>
4. Testing accounts and transactions	<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>
5. Concluding and reporting	<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.

## Fraud risk factor considerations

We are responsible for planning and performing the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement caused by error or by fraud. Our responsibility includes:

- The identification and assessment of the risks of material misstatement of the financial statements due to fraud through procedures including discussions amongst the audit team and specific inquiries of management
- Obtaining sufficient appropriate audit evidence to respond to the fraud risks noted
- Responding appropriately to any fraud or suspected fraud identified during the audit

Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with those charged with governance and management.

We are required to communicate with you on fraud-related matters, including:

- Obtaining an understanding of how you exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks
- Inquiring as to whether you have knowledge of any actual, suspected or alleged fraud affecting the entity

The following provides a summary of some of the fraud related procedures that are performed during the audit:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Reviewing accounting estimates for biases
- Evaluating the business rationale (or the lack thereof) for significant transactions that are or appear to be outside the normal course of operations

## Quality control

We have a robust quality control program that forms a core part of our client service. We combine internationally developed audit methodology, advanced audit technology, 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 with you at your convenience.

## IDEA Data Analysis Software

We apply our audit methodology using advanced software tools. IDEA Data Analysis Software is a powerful analysis tool that allows audit teams to read, display, analyze, manipulate, sample and extract data from almost any electronic source. The tool has the advantages of enabling the audit team to perform data analytics on very large data sets in a very short space of time, while providing the checks, balances and audit trail necessary to ensure that the data is not corrupted and that the work can be easily reviewed. SmartAnalyzer, an add-on to IDEA, further improves the efficiency and effectiveness of the audit by providing automated routines for certain common analytical tasks, such as identifying unusual and potentially fraudulent journal entries. Grant Thornton continues to invest in developing industry-leading audit data analytical tools.

# Appendix C Accounting developments

Public Sector Accounting Standards	Effective date
<b>2022-2023 Annual Improvements to PSAS</b>	
The Public Sector Accounting Board (PSAB) has adopted an annual improvements process to make minor improvements to standards which include clarifying guidance or wording within the standards or correcting relatively minor unintended consequences, conflicts or oversights.	Effective April 1, 2023 (Immediately)
The following standards were amended in the 2022-2023 process:	
<ul style="list-style-type: none"> <li>Section PS 3160 <i>Public Private Partnerships</i> The amendment updated the transitional provisions to explicitly state that early adoption is permitted.</li> <li>Section PS 3420 <i>Inter-Entity Transactions</i> The amendment clarifies that PSG-8 <i>Purchased Intangibles</i> applies to inter-entity transactions</li> </ul>	
<b>Conceptual Framework for Financial Reporting in the Public Sector</b>	
PSAB's Conceptual Framework for Financial Reporting in the Public Sector replaces Sections PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i> .	Effective April 1, 2026. Earlier adoption is permitted.
The new Conceptual Framework includes:	
<ul style="list-style-type: none"> <li>Characteristics of public sector entities</li> <li>Objectives of financial reporting</li> <li>Primary users of financial reporting and their expectations</li> <li>Role of financial statements</li> <li>Foundations and objectives of financial statements</li> <li>Qualitative characteristics of information in financial statements</li> <li>Qualitative characteristics of information in financial statements and related considerations</li> <li>Definitions of elements</li> <li>Criteria of general recognition and derecognition; and,</li> <li>Concepts of general measurement and presentation</li> </ul>	
As a result of the issuance of the Conceptual Framework, various Sections and Guidelines of the Handbook have been amended to include references to the new Conceptual Framework, add/clarify key definitions that are consistent with the Conceptual Framework, and/or remove references to qualitative characteristics that are no longer qualitative characteristics in the new Conceptual Framework. These Sections include:	
<ul style="list-style-type: none"> <li>Introduction to the Public Sector Accounting Handbook (formerly the Introduction to the Public Sector Accounting Standards)</li> <li>PS 1150 <i>Generally accepted Accounting Principles</i></li> <li>PS 1201 <i>Financial Statement Presentation</i></li> <li>PS 1300 <i>Government Reporting Entity</i></li> <li>PS 2100 <i>Disclosure of Accounting Policies</i></li> <li>PS 2120 <i>Accounting Changes</i></li> <li>PS 2130 <i>Measurement Uncertainty</i></li> </ul>	<ul style="list-style-type: none"> <li>PS 2200 <i>Related Party Transactions</i></li> <li>PS 3150 <i>Tangible Capital Assets</i></li> <li>PS 3200 <i>Liabilities</i></li> <li>PS 3210 <i>Assets</i></li> <li>PS 3400 <i>Revenue</i></li> <li>PS 3430 <i>Restructuring Transactions</i></li> <li>PS 3450 <i>Financial Instruments; and</i></li> <li>PS 4230 <i>Capital Assets Held by Not-for-Profit Organizations</i></li> </ul>
The Conceptual Framework will be applied prospectively.	

**Section PS 3160 Public Private Partnerships**

New Section PS 3160 *Public Private Partnerships* establishes standards on how to account for public private partnerships between public and private sector entities where infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use and operate and/or maintain the infrastructure. Infrastructure typically includes items such as tangible capital assets (i.e., complex network systems), but may also include items that are intangible in nature. The main features of the new Section are:

- The infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is also recognized when the public sector entity recognizes an asset.
- The infrastructure asset and corresponding liability are initially measured at the cost of the infrastructure asset.
- Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset.
- Subsequent measurement of the financial liability is at amortized cost using the effective interest method. When all or a portion of the liability represents a performance obligation, revenue is recognized, and the liability reduced in accordance with the substance of the public private partnership agreement (as performance is achieved).
- Retrospective or prospective application is permitted.

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.

**Section PS 1000 Financial statement concepts, Section 1201 Financial Statement Presentation, and PSG-8 Purchased intangibles**

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 *Financial Statement Presentation* can also adopt the amendments and recognize purchased intangible assets. New Public Sector Guideline, PSG-8 *Purchased intangibles*, 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.

The main features of PSG-8 include:

- A definition of purchased intangibles
- Examples of items that are not purchased intangibles
- References to other guidance in the PSA Handbook on intangibles
- Reference to the asset definition, general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles

Retrospective or prospective application is permitted.

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.

**Section PS 3400 Revenues**

New Section PS 3400 *Revenue* 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:

- Performance obligations are defined as enforceable promises to provide specific goods or services to a specific payer
- 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
- 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

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.

(NOTE: The effective date was previously April 1, 2022, but in August 2020, as a result of the COVID-19 pandemic, the Public Sector Accounting Board (PSAB) has deferred the effective date by one year.)

**Section PS 3450 Financial instruments and Section PS 2601 Foreign currency translation**

PS 2601 *Foreign currency translation* has been amended:

- To provide an irrevocable accounting policy election for all financial assets and financial liabilities arising from a foreign currency transaction. This election allows a public sector entity to elect on initial recognition to recognize their exchange gains and losses on a financial asset or financial liability directly in the statement of operations. If this election is not chosen, unrealized foreign exchange gains and losses are included in remeasurement gains and losses until they are realized, upon which they are reclassified to the statement of operations
- to require for financial assets and financial liabilities in the fair value category, that the exchange gain or loss component of the change in fair value be separated and recognized directly in the statement of operations in cases where the above accounting policy election was made and amounts subject to this election would not be considered remeasurement gains and losses

For those public sector entities that applied PS 2601 to fiscal years beginning on or after April 1, 2012, the election may be made on a one-time basis for existing financial assets and financial liabilities arising from a foreign currency transaction. For any financial asset or financial liability for which this election is made, cumulative unrealized exchange gains and losses arising at the date of the election are recognized as an adjustment to the accumulated surplus or deficit at the beginning of the fiscal year in which this election is applied. Disclosure is required to indicate the use of this election and any adjustment to the accumulated surplus or deficit in the year of application.

As a result of accounting policy election in PS 2601 noted above, PS 3450 has also been amended to require the disclosure of the carrying amounts of financial assets and financial liabilities in which exchange gains and losses are recognized directly in the statement of operations

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

For those public sector entities that applied PS 2601/PS 3450 to fiscal years beginning on or after April 1, 2012, the election in paragraph PS 2601.19A may be made on a one-time basis, at the beginning of the fiscal year, for existing financial assets and financial liabilities arising from a foreign currency transaction. This election may be applied no later than the fiscal year beginning on or after April 1, 2022. Earlier application is permitted.

**Section PS 3280 Asset retirement obligations**

New Section PS 3280 *Asset Retirement Obligations* 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.

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 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.

Fiscal years beginning on or after April 1, 2022.

Earlier adoption is permitted.

(NOTE: The effective date was previously April 1, 2021, but in August 2020, as a result of the COVID-19 pandemic, the PSAB has deferred the effective date by one year.)

**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

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.

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, unless an irrevocable election is made at initial measurement to recognize exchange gains and losses on a financial asset or financial liability directly in 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*
- 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

(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 in August 2020, as a result of the COVID-19 pandemic, the PSAB has deferred the effective date by one year.)

- 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 (PS 4200 series) 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. In March 2022, having deliberated feedback from two Consultation Papers, the PSAB decided to incorporate the PS 4200 series, with potential customizations, into PSAS as its strategy for GNPOs. This solution was defined as reviewing and amending, as appropriate, the PS 4200 series guidance and incorporating it within the PSA Handbook available for all public sector entities to apply, if appropriate. That is, the existing standards in the PS 4200 series will be reviewed to determine if they should be retained and added to PSAS. This may involve amending standards to update them and ensuring consistency with PSAB's conceptual framework. The PSAB believes this strategy will likely:

- improve the comparability and understandability of financial statements, as all public sector entities would be applying a common reporting model;
- provide the PSAB with a tool and some flexibility to address matters warranting a different presentation or accounting treatment for GNPOs when appropriate; and
- make some of the guidance currently found only in the PS 4200 series available to all public sector entities with similar transactions, improving comparability and consistent application of accounting standards.

The implementation plan for this strategy was approved at its June 2022 meeting, and an overview of the implementation plan was presented at its December 2022 meeting. The current ordering of standard level projects will start with tangible capital assets as well as contributions (including endowments), then controlled and related entities, finishing with the reporting model. The capital asset project will focus on proposing amendments to Section PS 3150 *Tangible Capital Assets*, as a result of reviewing Section PS 4230 *Capital Assets Held by Not-for-Profit Organizations* and Section PS 4240 *Collections Held by Not-for-Profit Organizations*. PSAB plans to consult stakeholders throughout the implementation phase and issue an Exposure Draft in the Fall of 2023.



# Appendix D – Assurance developments

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## **Issuance of CSQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, CSQM 2 *Engagement Quality Reviews* and revised CAS 220 *Quality Management for an Audit of Financial Statements***

Auditors must effectively manage audit quality, both at the firm level and the engagement level. The IAASB recognised a need to strengthen standards addressing quality control and the AASB implemented similar changes to those made at the international level. In January 2021, the AASB unanimously approved the suite of quality management standards.

CSQM 1 introduces a new approach to “managing quality”. Quality management is intended to be proactive in nature and to be a continuous process. Implementing the new standard requires firms to analyse and enhance many of their internal processes to achieve effective quality management. This standard replaces the extant standard, CSQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements

CSQM 2 deals specifically with the topic of engagement quality reviews (EQRs), which are performed by firms to obtain an objective evaluation of the significant judgments made by the engagement team and the conclusions reached. The standards setters recognized the importance of EQRs and noted that many stakeholders (including oversight bodies) were concerned that the requirements of CSQM 1 with respect to EQRs were not sufficiently robust. As a result, CSQM 2 was issued. CSQM 1 deals with the topic of when an EQR should be performed, while CSQM 2 covers the appointment and eligibility considerations related to the person performing the EQR and the performance and documentation requirements.

CAS 220 was revised to clarify and strengthen the key elements of quality management at the engagement level by:

- emphasizing that the engagement partner is responsible for managing and achieving quality at the engagement level
- clarifying the engagement partner’s responsibilities, and acknowledging the engagement partner can assign certain tasks/procedures to members of the engagement team who are appropriately skilled or suitably experienced in managing and achieving quality modernizing the standard for the evolving environment

CSQM 1 is effective for audits or reviews of financial statements or other assurance engagements as of December 15, 2022 and related services engagements as of December 15, 2023.

CSQM 2 is effective for audits or reviews of financial statements with periods beginning on or after December 15, 2022, other assurance engagements beginning on or after December 15, 2022 and related services engagements beginning on or after December 15, 2023.

CAS 220 is effective for audits of financial statements for periods beginning on or after December 15, 2022.

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## **Revisions to CAS 315 *Identifying and Assessing Risks of Material Misstatement***

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:

Focusing on the applicable financial reporting framework in identifying and assessing risks of material misstatement

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

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

Introducing the new concepts of inherent risk factors, relevant assertions, significant classes of transactions, account balances and disclosures, and the spectrum of inherent risk

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”

Periods beginning on or after December 15, 2021.





**Hamilton Region Conservation Authority**  
**Financial Statements**  
December 31, 2022

DRAFT

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# Independent auditor's report

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

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## Opinion

We have audited the financial statements Hamilton Region Conservation Authority, which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hamilton Region Conservation Authority as at December 31, 2022, and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Hamilton Region Conservation Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Hamilton Region Conservation Authority's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Hamilton Region Conservation Authority or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing Hamilton Region Conservation Authority's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hamilton Region Conservation Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Hamilton Region Conservation Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hamilton Region Conservation Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hamilton, Canada  
May 4, 2023

Chartered Professional Accountants  
Licensed Public Accountants

# Hamilton Region Conservation Authority Statement of Financial Position

December 31

2022

2021

## Financial assets

Cash and cash equivalents (Note 4)	\$ 14,457,266	\$ 19,142,629
Accounts receivable	718,979	605,965
Total financial assets	<u>\$ 15,176,245</u>	<u>\$ 19,748,594</u>

## Liabilities

Accounts payable and accrued liabilities	\$ 1,681,428	\$ 1,336,561
Due to Confederation Beach Park	448,177	143,112
Due to Hamilton Conservation Foundation	-	1,555
Employee future benefit costs (Note 7)	151,695	177,477
Deferred revenues (Note 8)	<u>928,159</u>	<u>845,492</u>

Total liabilities	<u>\$ 3,209,459</u>	<u>\$ 2,504,197</u>
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<b>Net financial assets</b>	<b>\$ 11,966,786</b>	<b>\$ 17,244,397</b>
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## Non-financial assets

Inventory	155,208	77,948
Prepaid expenses	433,414	296,693
Tangible capital assets (Page 7)	<u>53,212,454</u>	<u>46,469,287</u>

Total non-financial assets	<u>\$ 53,801,076</u>	<u>\$ 46,843,928</u>
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<b>Accumulated surplus</b> (Note 9)	<b><u>\$ 65,767,862</u></b>	<b><u>\$ 64,088,325</u></b>
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Contingent liabilities, contractual obligations and commitments (Notes 13 and 14)

See accompanying notes and schedules to the financial statements

# Hamilton Region Conservation Authority

## Statement of Operations

For the Year Ended December 31

2022

2022

2021

	<u>Budget</u> (Note 15)	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Admissions, product, service & program fees	\$ 6,552,132	\$ 6,795,666	\$ 7,500,657
Municipal levy & special projects	6,740,000	6,748,592	6,678,400
Rentals	887,105	888,197	759,597
Hamilton Conservation Foundation	185,764	738,410	161,542
Management fees	400,000	438,067	202,424
Federal & Provincial grants	201,246	368,378	473,527
Federal grant recovery	-	(892,588)	-
Interest	90,000	360,970	91,524
Regulatory fees	280,250	301,194	303,490
Private and In-Kind donations (Note 10)	1,470	20,441	2,110
Other income	48,750	61,019	111,177
	<u>15,386,717</u>	<u>15,828,346</u>	<u>16,284,448</u>
<b>Expenditures</b>			
Wages & benefits	9,120,320	7,275,492	7,330,403
Staff expenses	200,235	1,216,359	1,252,533
Contractors / consultants	355,670	1,211,987	538,435
Utilities	695,211	787,468	692,010
Professional fees	622,611	743,549	677,673
Materials & supplies	576,875	559,676	442,988
Products for resale	300,303	301,723	309,921
Miscellaneous expense (Note 12)	1,537,257	793,643	704,726
	<u>13,408,483</u>	<u>12,889,897</u>	<u>11,948,688</u>
Amortization	<u>1,050,000</u>	<u>1,258,911</u>	<u>1,152,451</u>
	<u>14,458,483</u>	<u>14,148,808</u>	<u>13,101,139</u>
Annual surplus for the year	<u>\$ 928,234</u>	<u>\$ 1,679,537</u>	<u>\$ 3,183,309</u>
Accumulated surplus, beginning of year	64,088,325	64,088,325	60,905,016
Accumulated surplus, end of year	<u>\$ 65,016,558</u>	<u>\$ 65,767,862</u>	<u>\$ 64,088,325</u>

See accompanying notes and schedules to the financial statements

# Hamilton Region Conservation Authority

## Statement of Cash Flows

December 31

2022

2021

Change in cash and cash equivalents

### Operating

Annual surplus	\$ 1,679,537	\$ 3,183,309
Items not affecting cash		
Amortization	1,258,911	1,152,451
Loss (gain) on disposal of tangible capital assets	375,952	(25,061)
	<u>3,314,400</u>	<u>4,310,699</u>
Non-cash changes to operations		
Change in accounts receivable	(113,014)	8,787
Change in inventory	(77,260)	(1,623)
Change in prepaid expenses	(136,721)	(48,292)
Change in employee future benefit costs	(25,782)	(24,594)
Change in accounts payable and accrued liabilities	344,867	44,285
Change in Due to Hamilton Conservation Foundation	(1,555)	1,555
Change in Due to Confederation Beach Park	305,065	(69,388)
Change in deferred revenues	82,667	71,643
	<u>3,692,667</u>	<u>4,293,073</u>

### Financing

Repayment of long term debt	<u>-</u>	<u>(179,611)</u>
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### Capital

Proceeds on disposal of tangible capital assets	6,000	30,922
Purchase of tangible capital assets	(8,384,030)	(2,098,695)
	<u>(8,378,030)</u>	<u>(2,067,773)</u>

Net change in cash and cash equivalents (4,685,363) 2,045,689

Cash and cash equivalents

Beginning of year	<u>19,142,629</u>	<u>17,096,940</u>
End of year	<u>\$ 14,457,266</u>	<u>\$ 19,142,629</u>

See accompanying notes and schedules to the financial statements

# Hamilton Region Conservation Authority

## Statement of Changes in Net Financial Assets

For the year ended December 31

2022

2022

2021

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual surplus	\$ 928,234	\$ 1,679,537	\$ 3,183,309
Purchase of tangible capital assets	(2,000,000)	(8,384,031)	(2,098,695)
Proceeds on disposal of tangible capital assets	-	6,000	30,922
Loss (gain) on sale of tangible capital assets	-	375,952	(25,061)
Amortization	1,050,000	1,258,911	1,152,451
Change in inventory	-	(77,260)	(1,623)
Change in prepaid expenses	-	(136,721)	(48,292)
	<u>(950,000)</u>	<u>(6,957,149)</u>	<u>(990,296)</u>
Change in net financial assets	(21,766)	(5,277,612)	2,193,013
Net financial assets, beginning of year	<u>17,244,398</u>	<u>17,244,398</u>	<u>15,051,385</u>
Net financial assets, end of year	\$ <u>17,222,631</u>	\$ <u>11,966,786</u>	\$ <u>17,244,398</u>

See accompanying notes and schedules 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 2022	December 31 2021
<b>Cost</b>									
Beginning of year	\$ 28,707,747	\$ 4,188,913	\$ 21,795,418	\$ 8,134,412	\$ 2,349,965	\$ 2,801,711	\$ 2,800,567	<b>\$ 70,778,733</b>	\$ 68,804,327
Additions	2,500,000	96,541	537,341	-	205,745	461,558	4,582,845	<b>8,384,030</b>	2,098,695
Disposals	-	-	(754,320)	(17,951)	(72,844)	(17,000)	-	<b>(862,115)</b>	(124,289)
Transfer from WIP	504,000	2,186,386	832,731	1,799,759	376,647	-	(5,699,523)	-	-
End of year	<u>31,711,747</u>	<u>6,471,840</u>	<u>22,411,170</u>	<u>9,916,220</u>	<u>2,859,513</u>	<u>3,246,270</u>	<u>1,683,889</u>	<b><u>78,300,647</u></b>	<u>70,778,733</u>
<b>Accumulated Amortization</b>									
Beginning of year	-	2,881,839	13,791,559	4,509,475	1,022,762	2,103,810	-	<b>24,309,445</b>	23,275,422
Annual amortization	-	149,794	427,536	208,125	257,470	215,986	-	<b>1,258,911</b>	1,152,451
Disposals	-	-	(447,932)	-	(22,207)	(10,023)	-	<b>(480,162)</b>	(118,427)
End of year	<u>-</u>	<u>3,031,633</u>	<u>13,771,163</u>	<u>4,717,600</u>	<u>1,258,025</u>	<u>2,309,773</u>	<u>-</u>	<b><u>25,088,193</u></b>	<u>24,309,446</u>
Net book value	<u>\$ 31,711,747</u>	<u>\$ 3,440,207</u>	<u>\$ 8,640,007</u>	<u>\$ 5,198,620</u>	<u>\$ 1,601,488</u>	<u>\$ 936,497</u>	<u>\$ 1,683,889</u>	<b><u>\$ 53,212,454</u></b>	<u>\$ 46,469,287</u>

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

See accompanying notes and schedules to the financial statements

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2022

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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 over 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, 2022

### 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, 2022

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

#### Contaminated sites

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met: a) an environmental standard exists; b) contamination exceeds the environmental standard; c) the Authority is directly responsible or accepts responsibility for the liability; d) future economic benefits will be given up; and e) a reasonable estimate of the liability can be made. Changes in this estimate are recorded in the Authority's statement of operations.

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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 \$207,377 (2021 – \$202,897) 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 payable and accrued liabilities are government remittances payable of \$103,429 (2021 – \$52,527).

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# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2022

### 6. Related party transactions

	<u>2022</u>	<u>2021</u>
Municipal funding recognized as revenue in the current year	\$ 6,748,592	\$ 6,678,400
Funding from the Hamilton Conservation Foundation	738,410	161,542
Management fees from Confederation Beach Park	438,067	202,424
Receivable from (Payable to) the City of Hamilton	(20,380)	27,828
Municipal taxes paid to the City of Hamilton and Township of Puslinch	(141,109)	(115,556)

### 7. Employee future benefit costs

	<u>2022</u>	<u>2021</u>
Accumulated Sick Leave Liability	\$ 22,730	\$ 35,988
Supplemental early retirement package	85,199	93,220
Post-retirement benefits	43,766	48,269
	<u>\$ 151,695</u>	<u>\$ 177,477</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 \$85,199 (2021 - \$93,220) 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 \$43,766 (2021 - \$48,269).

### 8. Deferred revenues

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

	<u>2022</u>	<u>2021</u>
Storage fees and deposits	\$ 928,159	\$ 845,492

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2022

### 9. Accumulated surplus

	2022	2021
Reserve Funds		
Acquisitions of provincially significant lands or eligible water related projects	\$ 3,561,449	\$ 6,200,509
Future projects and operating areas	7,257,919	9,293,386
Tangible Capital Assets	53,212,454	46,469,287
Operating surplus	1,736,040	2,125,143
Accumulated surplus	\$ 65,767,862	\$ 64,088,325

### 10. 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 \$1,488 (2021 - \$ Nil).

### 11. Defined contribution pension plan

Employer contributions to the Authority's defined contribution pension plan for the year was \$358,227 (2021 - \$313,250). The Plan is designed whereby employee contributions, ranging from 2% to 6% of gross salary, are matched by the employer.

### 12. Miscellaneous expense breakdown

	2022	2021
Computer software, hardware & support	\$ 166,874	\$ 159,707
Mechanical & garage supplies	147,121	116,797
Property taxes	141,109	123,857
Memberships & subscriptions	102,584	100,114
Postage, printed material & supplies	72,012	52,876
Communications & advertising	54,077	50,865
Third party equipment rental	30,993	22,840
Interest & banking	15,088	17,736
All other	63,785	59,934
	\$ 793,643	\$ 704,726

# Hamilton Region Conservation Authority

## Notes to the Financial Statements

December 31, 2022

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### 13. 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.

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### 14. Contractual obligations and commitments

As at December 31, 2022, the Authority is committed to \$11,559 (2021 - \$18,543) with respect to ongoing contracts for equipment in the following years:

2023	\$	5,761
2024		3,278
2025		2,520
		<hr/>
	\$	11,559

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### 15. Budget figures

The budgeted figures are presented for comparison purposes and were adopted by the Authority on November 4<sup>th</sup>, 2021. 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	\$	450
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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	<hr/> (22,216)

<b>Restated budgeted surplus</b>	<b>\$</b>	<b>928,234</b>
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# Hamilton Region Conservation Authority

## Schedule of Corporate Support

For the Year Ended December 31	2022	2022	2021
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal levy & special projects	\$ 2,418,085	\$ 2,676,663	\$ 2,908,142
Rentals	488,285	489,858	455,242
Management fees	400,000	438,067	202,424
Interest	90,000	360,970	91,524
Hamilton Conservation Foundation	185,264	152,108	92,263
Admissions, product, service & program fees	74,000	101,875	86,039
Federal grant recovery	-	(892,588)	-
Other income	-	5,324	33,215
	<u>3,655,634</u>	<u>3,332,277</u>	<u>3,868,849</u>
<b>Expenditures</b>			
Wages & benefits	3,565,249	2,449,392	2,602,384
Staff expenses	124,800	636,361	689,056
Utilities	321,750	368,691	328,532
Professional fees	172,913	229,308	188,361
Contractors / consultants	152,500	213,691	85,885
Materials & supplies	101,100	71,544	59,186
Miscellaneous expense (Note 12)	1,215,137	516,444	442,176
	<u>5,653,449</u>	<u>4,485,430</u>	<u>4,395,580</u>
Amortization	200,000	333,340	245,369
	<u>5,853,449</u>	<u>4,818,770</u>	<u>4,640,949</u>
Annual surplus (deficit)	<u>\$ (2,197,815)</u>	<u>\$ (1,486,493)</u>	<u>\$ (772,100)</u>



# Hamilton Region Conservation Authority

## Schedule of Watershed Management Services

For the Year Ended December 31

2022

2022

2021

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal levy & special projects	\$ 1,698,310	<b>\$ 1,448,324</b>	\$ 1,158,883
Regulatory fees	280,250	<b>301,194</b>	303,490
Federal & Provincial grants	201,246	<b>292,378</b>	473,527
Private and In-Kind donations	1,470	<b>5,353</b>	510
Hamilton Conservation Foundation	-	-	1,027
Other income	-	<b>5,409</b>	10,678
	<u>2,181,276</u>	<u><b>2,052,658</b></u>	<u>1,948,115</u>
<b>Expenditures</b>			
Wages & benefits	1,954,496	<b>1,533,944</b>	1,423,770
Contractors / consultants	10,170	<b>239,741</b>	126,881
Staff expenses	27,000	<b>205,624</b>	221,429
Materials & supplies	52,050	<b>54,519</b>	22,503
Professional fees	28,282	<b>45,317</b>	14,697
Utilities	23,500	<b>22,660</b>	16,750
Miscellaneous expense (Note 12)	72,494	<b>58,531</b>	60,930
	<u>2,167,992</u>	<u><b>2,160,335</b></u>	<u>1,886,960</u>
Annual surplus (deficit)	<u>\$ 13,284</u>	<u><b>\$ (107,677)</b></u>	<u>\$ 61,155</u>

# Hamilton Region Conservation Authority

## Schedule of Land Management Operations

For the Year Ended December 31

2022

2022

2021

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal levy & special projects	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Admissions, product, service & program fees	6,269,132	6,457,101	7,240,724
Hamilton Conservation Foundation	500	586,302	68,252
Rentals	397,820	385,941	277,890
Other income	48,750	50,286	67,284
	<u>8,716,202</u>	<u>9,479,630</u>	<u>9,654,150</u>
<b>Expenditures</b>			
Wages & benefits	3,013,388	2,784,847	2,824,666
Contractors / consultants	185,000	697,213	304,236
Professional fees	392,973	435,892	457,775
Materials & supplies	388,025	382,081	339,477
Utilities	297,761	336,884	300,600
Staff expenses	47,235	313,008	272,083
Products for resale	298,303	297,108	309,104
Miscellaneous expense (Note 12)	180,751	180,914	177,018
	<u>4,803,437</u>	<u>5,427,947</u>	<u>4,984,960</u>
Amortization	<u>800,000</u>	<u>844,758</u>	<u>828,441</u>
	<u>5,603,437</u>	<u>6,272,705</u>	<u>5,813,401</u>
Annual surplus	<u>\$ 3,112,765</u>	<u>\$ 3,206,925</u>	<u>\$ 3,840,749</u>

# Hamilton Region Conservation Authority

## Schedule of Westfield Heritage Village

For the Year Ended December 31

2022

2022

2021

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Municipal contributions	\$ 623,605	\$ <b>623,605</b>	\$ 611,375
User fees	207,000	<b>227,697</b>	171,914
Federal and Provincial grants	-	<b>76,000</b>	-
Donations	-	<b>15,088</b>	1,600
Food and novelty	2,000	<b>8,993</b>	1,980
Other Authority generated	1,000	<b>12,398</b>	26,465
	<u>833,605</u>	<u><b>963,781</b></u>	<u>813,334</u>
<b>Expenditures</b>			
Wages & benefits	587,187	<b>507,310</b>	479,583
Staff expenses	1,200	<b>61,366</b>	69,965
Contractors / consultants	8,000	<b>61,342</b>	21,433
Utilities	52,200	<b>59,234</b>	46,128
Materials & supplies	35,700	<b>51,533</b>	21,822
Professional fees	28,443	<b>33,032</b>	16,840
Products for resale	2,000	<b>4,615</b>	817
Miscellaneous expense (Note 12)	68,875	<b>37,753</b>	24,602
	<u>783,605</u>	<u><b>816,184</b></u>	<u>681,189</u>
Amortization	<u>50,000</u>	<u><b>80,813</b></u>	<u>78,641</u>
	<u>833,605</u>	<u><b>896,997</b></u>	<u>759,830</u>
Annual surplus	<u>\$ -</u>	<u><b>\$ 66,784</b></u>	<u>\$ 53,504</u>

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# **Confederation Beach Park**

## **Financial Statements**

December 31, 2022

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# Independent auditor's report

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**Grant Thornton LLP**  
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Hamilton, ON  
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F +1 905 572 9333

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

## Opinion

We have audited the financial statements Confederation Beach Park, which comprise the statement of financial position as at December 31, 2022, and the statements of operations and changes in net financial assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Confederation Beach Park as at December 31, 2022, and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Confederation Beach Park in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Matter – Supplementary Information

We draw attention to the fact that the supplementary information included in the Schedule of Operating Activity does not form part of the financial statements. We have not audited or reviewed this *supplementary* information and accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Confederation Beach Park's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Confederation Beach Park or to cease operations, or has no realistic alternative to do so. Those charged with governance are responsible for overseeing Confederation Beach Park's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Confederation Beach Park's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Confederation Beach Park's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Confederation Beach Park to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hamilton, Canada  
May 4, 2023

Chartered Professional Accountants  
Licensed Public Accountants



# Confederation Beach Park

## Statement of Financial Position

December 31 2022 2021

### Financial assets

Due from Hamilton Region Conservation Authority	<u>\$ 448,177</u>	<u>\$ 143,112</u>
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### Non-financial assets

Tangible capital assets	<u>4,547,413</u>	<u>4,657,211</u>
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Accumulated surplus (Note 4)	<u>\$ 4,995,590</u>	<u>\$ 4,800,323</u>
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Contingencies (Note 6)

On behalf of the Authority

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

# Confederation Beach Park

## Statement of Operations

For the Year Ended December 31

2022

2022

2021

	<u>Budget</u> (Note 7)	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Admissions, product and service fees	\$ 2,759,000	<b>\$ 2,476,206</b>	\$ 54,434
Municipal contributions	1,010,000	<b>1,300,031</b>	1,177,742
Lease and rentals	524,000	<b>554,221</b>	660,050
Other income	20,000	<b>45,734</b>	4,472
	<u>4,313,000</u>	<u><b>4,376,192</b></u>	<u>1,896,698</u>
<b>Expenditures</b> (Note 5)			
Operating	3,519,000	<b>3,186,094</b>	1,484,115
Management fees	540,000	<b>438,067</b>	202,424
Marketing	79,000	<b>31,792</b>	4,095
	<u>4,138,000</u>	<u><b>3,655,953</b></u>	<u>1,690,634</u>
Amortization	<u>350,000</u>	<u><b>381,860</b></u>	<u>358,507</u>
	<u>4,488,000</u>	<u><b>4,037,813</b></u>	<u>2,049,141</u>
Net annual surplus (deficit) for the year	\$ (175,000)	<b>\$ 338,379</b>	\$ (152,443)
Operating surplus distribution (Note 9)	<u>-</u>	<u><b>(143,112)</b></u>	<u>(200,099)</u>
Surplus (deficit) for the year	<u><b>\$ (175,000)</b></u>	<u><b>\$ 195,267</b></u>	<u><b>\$ (352,542)</b></u>
Accumulated surplus, beginning of year	4,800,323	<b>4,800,323</b>	5,152,866
Accumulated surplus, end of year	<u><u>\$ 4,625,323</u></u>	<u><u><b>\$ 4,995,590</b></u></u>	<u><u>\$ 4,800,323</u></u>

See accompanying notes to the financial statements

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# Confederation Beach Park

## Statement of Changes in Net Financial Assets

For the Year Ended December 31

2022

2022

2021

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual surplus (deficit) for the year	\$ (175,000)	\$ 338,379	\$ (152,443)
Loss on disposal of assets	-	-	639
Acquisition of tangible capital assets	(175,000)	(272,061)	(63,590)
Amortization	350,000	381,860	358,507
Operating surplus distribution (Note 9)	(143,112)	(143,112)	(200,099)
Change in net financial assets	(143,112)	305,065	(56,987)
Net financial assets, beginning of the year	143,112	143,112	200,099
Net financial assets, end of year	\$ -	\$ 448,177	\$ 143,112

See accompanying notes to the financial statements

## Confederation Beach Park

### Schedule of Tangible Capital Assets

Year Ended December 31

	Land Improvements	Infrastructure	Building & Building Improvements	Machinery & Equipment	Work In Progress (WIP)	Total 2022	Total 2021
<b>Cost</b>							
Beginning of year	\$ 27,589	\$ 12,255,456	\$ 5,246,415	\$ 315,196	\$ 15,000	<b>\$ 17,859,656</b>	\$ 17,800,326
Additions	-	126,097	-	1,518	144,446	<b>272,061</b>	63,590
Disposals	-	-	-	-	-	-	(4,260)
Transfer from WIP	-	-	-	159,446	(159,446)	-	(4,260)
End of year	<u>27,589</u>	<u>12,381,553</u>	<u>5,246,415</u>	<u>476,160</u>	<u>-</u>	<b><u>18,131,717</u></b>	<u>17,859,656</u>
<b>Accumulated amortization</b>							
Beginning of year	9,380	10,150,039	2,824,904	218,122	-	<b>13,202,445</b>	12,847,559
Annual amortization	1,103	202,457	123,971	54,328	-	<b>381,859</b>	358,507
Disposals	-	-	-	-	-	-	(3,621)
End of year	<u>10,484</u>	<u>10,352,496</u>	<u>2,948,875</u>	<u>272,452</u>	<u>-</u>	<b><u>13,584,304</u></b>	<u>13,202,445</u>
<b>Net book value</b>	<u>\$ 17,105</u>	<u>\$ 2,029,057</u>	<u>\$2,297,540</u>	<u>\$ 203,708</u>	<u>\$ -</u>	<b><u>\$ 4,547,413</u></b>	<u>\$ 4,657,211</u>

See accompanying notes to the financial statements

# Confederation Beach Park

## Notes to the Financial Statements

December 31, 2022

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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, 2022

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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. Related party transactions

Confederation Beach Park paid \$438,067 (2021 - \$202,424) in management fees to the Hamilton Region Conservation Authority. These amounts were calculated in accordance with the management agreement.

# Confederation Beach Park

## Notes to the Financial Statements

December 31, 2022

### 4. Accumulated surplus

	2022	2021
Accumulated surplus consists of:		
Tangible capital assets	\$ 4,547,413	\$ 4,657,211
Operating surplus	448,177	143,111
Accumulated surplus	<u>\$ 4,995,590</u>	<u>\$ 4,800,322</u>

### 5. Expenditures by object

	2022	2021
Salaries, wages & employee benefits	\$ 1,591,650	\$ 868,049
Contracts/consulting	498,505	145,474
Materials, goods, supplies and utilities	1,127,731	474,688
Management fees	438,067	202,424
	<u>\$ 3,655,953</u>	<u>\$ 1,690,635</u>

### 6. 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.

### 7. Budget figures

The budgeted figures are presented for comparison purposes and 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 \$ -

#### Adjustments to adopted budget

Less:  
 Amortization expense (350,000)  
 Plus:  
 Capital & special maintenance funding 175,000  
 Annual (deficit)/surplus per Statement of Operations (175,000)

# Confederation Beach Park

## Notes to the Financial Statements

December 31, 2022

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### 8. 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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### 9. 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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# Confederation Beach Park Schedule of Operating Activity

December 31, 2022

	Budget 2022	Actual 2022	Actual 2021
<b>Open Greenspace Park and Lakeland Centre</b>			
<i>Revenues</i>			
City support	\$ 835,000	\$ 762,954	\$ 670,000
Lakeland centre	144,000	95,000	131,134
Facilities, films, etc.	87,000	29,164	62,964
	<u>1,066,000</u>	<u>887,118</u>	<u>864,098</u>
<i>Expenses</i>			
Park operations	781,000	591,824	611,433
Lakeland centre	210,000	52,837	165,476
Adv, G&A, ins.	5,000	47,412	5,994
Management fees	152,750	101,460	116,440
	<u>1,148,750</u>	<u>793,533</u>	<u>899,343</u>
Open Greenspace Park surplus	<u>\$ (82,750)</u>	<u>\$ 93,585</u>	<u>\$ (35,245)</u>
<b>Commercial Operations</b>			
<i>Revenues</i>			
Wild Waterworks admissions	\$ 2,174,000	\$ 2,164,358	\$ 2,343
City support	-	-	300,000
Wild WaterWorks food	441,000	328,418	-
Park commercial tenants	457,000	459,221	522,516
	<u>3,072,000</u>	<u>2,951,997</u>	<u>824,859</u>
<i>Expenses</i>			
Water park operations	2,068,000	1,597,391	369,133
Concession operations	440,000	240,765	234
Marketing & Advertising	79,000	30,202	3,890
Admin/Ins/Water	15,000	386,705	166,455
Management fees	387,250	336,607	85,983
	<u>2,989,250</u>	<u>2,591,670</u>	<u>625,695</u>
Commercial surplus/(deficit)	<u>\$ 82,750</u>	<u>\$ 360,327</u>	<u>\$ 199,164</u>
<b>Combined operations surplus</b>	<b>\$ -</b>	<b>\$ 453,912</b>	<b>\$ 163,919</b>
<i>Less:</i>			
Amortization expense	(350,000)	(381,860)	(358,507)
Capital and special maintenance expense	(175,000)	(542,812)	(229,188)
<i>Plus:</i>			
Capital & special maintenance funding	175,000	537,077	207,742
Capital addback	175,000	272,062	63,590
<b>Surplus / (deficit) per Statement of Operations</b>	<b>\$ (175,000)</b>	<b>\$ 338,379</b>	<b>\$ (152,444)</b>