Financial Statements of

KAWARTHA REGION CONSERVATION AUTHORITY

December 31, 2019

TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Changes in Net Assets	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 10

Peter Shennett
Professional Corporation

Chartered Professional
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kawartha Region Conservation Authority

Opinion

We have audited the accompanying financial statements of Kawartha Region Conservation Authority, which comprise the statement of financial position as at December 31, 2019 and the statements of changes in net assets, operations 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 the Authority as at December 31, 2019, and the results of its operations 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 the 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 the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 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.

Peter Skennett Professional Corporation

Chartered Professional Accountant, Authorized to practise public accounting by
Chartered Professional Accountants of Ontario
Orillia, Ontario
May 28, 2020

KAWARTHA REGION CONSERVATION AUTHORITY

STATEMENT OF FINANCIAL POSITION

December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and short-term investments	$ 1,857,674	$ 1,604,345
Accounts receivable (note 4)	233,050	305,097
	$ 2,090,724	$ 1,909,442
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 344,428	$ 356,897
Source water protection	109,942	93,781
Deferred revenue (note 7)	422,169	405,549
Deferred planning and regulation	415,841	439,997
TOTAL LIABILITIES	1,292,380	1,296,224
NET FINANCIAL ASSETS	798,344	613,218
NON-FINANCIAL ASSETS AND LIABILITIES		
Tangible capital assets (note 8)	3,816,035	3,803,852
less: deferred tangible capital contributions (note 6)	648,999	631,460
Net tangible capital assets	3,167,036	3,172,392
Prepaid expenditures	11,239	11,871
	3,178,275	3,184,263
NET ASSETS	$ 3,976,619	$ 3,797,481

See accompanying notes to the financial statements

KAWARTHA REGION CONSERVATION AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2019

	Balance - Beginning of year	Excess of Revenue over Expenditures	Balance - end of year
UNRESTRICTED NET ASSETS This reserve reflects the accumulated excess of revenue over expenditures not allocated to reserves.	$ 210,557	$ 87,243	$ 297,800
CAPITAL ASSETS ACQUISITIONS This reserve was established for the purchase and replacement of capital assets.	192,116	95,682	287,798
CONSERVATION INITIATIVES This reserve was established to fund conservation initiatives outside the basic mandate of the Authority and past practice has been to fund it with unspecified donations.	60,677	4,323	65,000
DURHAM EAST CROSS FOREST CONSERVATION AREA This reserve was established for the purchases of additional land within East Cross Forest.	39,600	-	39,600
WINDY RIDGE CONSERVATION AREA This reserve was established originally from a bequest for Windy Ridge and earns interest on the original funding for Windy Ridge Conservation Area	32,689	(2,754)	29,935
KEN REID CONSERVATION AREA This reserve was established originally from a private donation for Ken Reid Conservation Area Outdoor Education Infrastructure	89,450	-	89,450
	625,089	184,494	809,583
CAPITAL This reserve reflects the investment in tangible capital assets	3,172,392	(5,356)	3,167,036
	$ 3,797,481	$ 179,138	$ 3,976,619

See accompanying notes to the financial statements

KAWARTHA REGION CONSERVATION AUTHORITY
STATEMENT OF OPERATIONS
Year ended December 31, 2019

	Budget 2019	Actual 2019	Actual 2018
REVENUES			
Municipal levies			
- general operating	$ 1,573,700	$ 1,573,700	$ 1,522,100
- special operating	111,500	96,635	102,055
- general benefiting	60,000	26,391	-
- special benefiting	677,400	656,018	477,503
Source water protection	66,000	61,035	55,570
Municipal agreements	60,000	59,086	109,993
Planning and regulation	430,400	391,812	430,645
Integrated watershed management	65,000	56,210	77,232
Stewardship and conservation lands	289,900	316,612	279,952
Corporate services	8,000	37,444	42,370
Special projects management	450,700	367,583	340,611
Grants and other -special operating and benefiting projects	297,500	132,173	148,985
Amortization of deferred capital contributions	-	28,324	27,499
	4,090,100	3,803,023	3,614,515
EXPENDITURES			
Corporate services	681,500	664,861	632,894
Corporate communications	101,800	95,944	98,941
Planning and regulation	732,000	541,509	697,050
Integrated watershed management	624,300	633,451	491,020
Stewardship and conservation lands	678,100	619,690	596,664
Vehicle and equipment operations	(25,000)	(25,524)	(17,691)
Amortization of tangible capital assets	60,000	70,840	73,395
Source water protection	66,000	49,999	55,570
Municipal agreements	60,000	64,550	117,913
Special operating (note 7)	111,500	100,305	102,053
Special and general benefiting projects (note 7)	1,034,900	808,260	618,567
	4,125,100	3,623,885	3,466,376
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	$ (35,000)	$ 179,138	$ 148,139

See accompanying notes to the financial statements

KAWARTHA REGION CONSERVATION AUTHORITY

STATEMENT OF CASH FLOWS

Year ended December 31, 2019

	2019	2018
CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	$ 179,138	$ 148,139
Add (deduct) items not involving an outlay of cash:		
Amortization of tangible capital assets	70,840	73,395
Amortization of deferred capital contributions	(28,324)	(27,499)
	221,654	194,035
Cash provided from (invested in) non-cash working capital items:		
Accounts receivable	72,047	(123,910)
Prepaid expenditures	632	41,371
Accounts payable and accrued liabilities	(12,469)	8,931
Source water protection	16,161	9,971
Deferred revenue	16,620	61,489
Deferred planning and regulation	(24,156)	16,835
	68,835	14,687
CASH FLOW FROM OPERATING ACTIVITIES	290,489	208,722
CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES		
Repayments of long-term debt	-	(66,831)
Additions to deferred tangible capital contributions	45,863	2,960
	45,863	(63,871)
CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES		
Additions to tangible capital assets	(83,023)	(41,759)
INCREASE IN CASH DURING THE YEAR	253,329	103,092
CASH AND SHORT-TERM INVESTMENTS – beginning of year	1,604,345	1,501,253
CASH AND SHORT-TERM INVESTMENTS – end of year	$ 1,857,674	$ 1,604,345

See accompanying notes to the financial statements

KAWARTHA REGION CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

1. PURPOSE OF THE ORGANIZATION

Kawartha Region Conservation Authority is a corporate body established on October 31, 1979 under the Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources throughout the watershed in partnership with its member municipalities and the Province. The accompanying financial statements comprise all the activities of the Authority.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting principles

Financial statements of the Authority have been prepared by management in accordance with Canadian public sector accounting standards for organizations operating in the local government sector.

(b) Revenue recognition

Government transfers received, including municipal levies, are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is an obligation to complete defined services. In that case, the transfer is recorded as deferred revenue and recognized as revenue as the services are performed.

User charges, including property rental income, and contract services revenue are recognized as revenue in the year in which the related services are performed. Amounts collected for which the related services have not been performed are recognized as deferred revenue and recognized as revenue when the related services are performed.

Donations are recorded as revenue in the year they are received or receivable, when a reasonable estimate can be made of the amount involved, unless the donation is designed by an external party for a specific purpose. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for land are recognized as direct increases to unrestricted net assets. Donated property, plant, and equipment are recorded at fair market value when fair value can be reasonably estimated.

(c) Contaminated sites

Contaminated sites are defined as 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:

(i) An environmental standard exists;
(ii) Contamination exceeds the environmental standard;
(iii) The organization is directly responsible or accepts responsibility for the liability;
(iv) Future economic benefits will be given up, and
(v) A reasonable estimate of the liability can be made.

2. **SIGNIFICANT ACCOUNTING POLICIES** cont'd...

(d) **Expenditures**

Expenditures are reported using the accrual basis of accounting under which they are recognized in the fiscal year to which they relate.

(e) **Tangible capital assets**

The Authority records tangible capital assets at cost which includes all amounts that are directly related to the acquisition, construction, development or betterment of the asset. The cost of the tangible capital asset is amortized on a straight-line basis over its estimated useful life as follows:

Buildings	10 to 40 years
Conservation Area Improvements	10 to 50 years
Vehicles	10 years
Equipment	5 to 10 years
Computers and computer software	3 to 10 years
Furniture and fixtures	7 to 10 years
Gauge stations and monitoring wells	10 to 50 years

(f) **Internally Restricted Net Assets**

Net assets that are restricted by the board of directors of the Authority are shown as internally restricted. Internally restricted amounts cannot be utilized for other than the specified purpose without specific direction from the board of directors.

(g) **Volunteer services**

The programs of the Kawartha Region Conservation Authority are dependent on the voluntary services of many individuals. Since these services are not normally purchased by Kawartha Region Conservation Authority and because of the difficulty of determining their fair market value, donated services are not recognized in these statements.

(h) **Vehicles and Equipment**

The Authority allocates vehicles and equipment expenses to various programs by internal charges for usage based upon approved rates.

(i) **Use of estimates**

The preparation of financial statements in accordance with public sector accounting standards requires the Authority to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from the Authority's best estimates as additional information becomes available in the future. The most significant item that involves the use of estimates is life of tangible capital assets.

3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Liquidity risk

Liquidity risk is the risk that the authority will not be able to meet its obligations associated with financial liabilities. Cash flow from operations is budgeted to cover the authority's cash requirements. The $350,000 revolving demand facility described in note 5 provides flexibility in the short term. The authority's borrowing arrangements are with a single Canadian financial institution.

Credit risk

The credit risk is limited to the balance of accounts receivable which is primarily due from municipal parties or government sources.

Interest rate risk

The authority's exposure to interest rate risk relates to the revolving demand facility described in note 5. The facility was not being utilized at year-end.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2019	2018
Municipal levies	$ 85,755	$ 82,683
HST receivable	72,110	74,888
Other	75,185	147,526
	$ 233,050	$ 305,097

5. BORROWING FACILITIES

The Authority has a $350,000 revolving demand facility at an interest rate of prime, secured by a $700,000 mortgage.

KAWARTHA REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

6. DEFERRED TANGIBLE CAPITAL CONTRIBUTIONS

Tangible capital contributions include by definition government grants, municipal levies and donations that have been received specifically designated for tangible capital assets.

Deferred tangible capital contributions consist of the unamortized portion of the contributions with which tangible capital assets were purchased. The contributions are recognized as revenue at the same rate as the related tangible capital contributions are depreciated.

	2019	2018
Deferred tangible capital contributions, beginning of year	$ 631,460	$ 655,999
Additions to deferred tangible capital contributions	45,863	2,960
Amortization of deferred tangible capital contributions	(28,324)	(27,499)
Deferred tangible capital contributions, end of year	$ 648,999	$ 631,460

7. DEFERRED REVENUE

Deferred revenue consists of the following:

	Dec 31, 2018	2019 Receipts	2019 Expenditures	Dec 31, 2019
Special Operating Project				
Durham East Cross Forest	$ 35,404	$ 92,770	$ 100,305	$ 27,869
Special Benefiting Capital Projects				
Durham Watershed Implementation	84,650	227,761	201,593	110,818
CKL - Lake Management Plan	43,162	-	10,181	32,981
CKL - Lake Stewardship	106,301	396,908	304,588	198,621
CKL - Flood Plain Mapping	80,398	175,013	255,411	-
CKL - Fenelon Falls Well	4,925	-	-	4,925
Trent Lakes - Stewardship	8,521	-	-	8,521
CKL/Cavan - Digital Imagery Acquisition	10,093	-	10,093	-
General Benefiting Projects	20,000	14,001	26,394	7,607
	358,050	813,683	808,260	363,473
Deferred Revenue - other	12,095			30,827
	$ 405,549			$ 422,169

KAWARTHA REGION CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

8. TANGIBLE CAPITAL ASSETS

The major categories of tangible capital assets and accumulated amortization are classified as follows:

	2019			2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,730,268	$ -	$ 2,730,268	$ 2,730,268
Land custodianship and options	35,000	-	35,000	35,000
Conservation area improvements	317,752	251,892	65,860	57,157
Buildings	1,204,955	393,229	811,726	842,381
Vehicles	180,788	132,320	48,468	17,051
Equipment	191,774	166,418	25,356	31,712
Computers and computer software	150,359	85,048	65,311	43,001
Furniture and fixtures	121,068	104,509	16,559	28,546
Gauge stations and monitoring wells	33,634	16,147	17,487	18,736
	$ 4,965,598	$ 1,149,563	$ 3,816,035	$ 3,803,852

The Authority contributed to the acquisition of Dewey's Island by The Nature Conservancy of Canada in 1993. The Authority felt the acquisition was necessary to ensure the long-term protection of this Class 1 wetland. A custodial agreement was negotiated with The Nature Conservancy of Canada by the Authority. The agreement gives the Authority the management responsibilities for the property, as well as the first option to purchase in the case of any eventual sale by The Nature Conservancy of Canada.

The Authority contributed to the acquisition of the Tuckerman property by Ontario Heritage Trust in 2004. The Authority felt the acquisition was necessary to ensure the long-term protection of this Class 1 wetland. A custodial agreement was negotiated with Ontario Heritage Trust and Ducks Unlimited Canada by the Authority. The agreement gives the Authority the management responsibilities for the property, as well as the first option to purchase in the case of any eventual sale by Ontario Heritage Trust.

9. CONTINGENT LIABILITIES

The Authority, as is common with all regulatory agencies, may be subject to appeals and lawsuits in regard to decisions rendered. Legal defence costs are accrued when such an action commences but damages and penalties are only accrued when an action is considered to be of reasonable merit.

There are no lawsuits at December 31, 2019.

KAWARTHA REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

10. PENSION AND OTHER EMPLOYEE FUTURE BENEFITS

The authority has a pension agreement with OMERS (Ontario Municipal Employees Retirement System) which is a multi-employer contributory defined benefit pension plan. OMERS assumes all funding risks of the pension plan, and, in turn, establishes the employee contribution rate by wage level which is matched by the Authority. The Authority remits monthly to OMERS the employee withholdings and matching contribution.

No other employee future benefits are available.

11. COMMITMENTS

The authority enters into numerous agreements with municipal partners, other conservation authorities, governments and others that normally involve a cost sharing arrangement or a funding agreement for work to be done or acquisitions to be made. The respective revenues and expenditures are reflected in the fiscal year to which they relate.

12. RELATED ENTITY

Kawartha Conservation Foundation is a registered charitable organization whose mission is to support the vision and mandate of Kawartha Conservation, by raising funds, and promoting awareness to the community to restore and sustain a healthy environment for future generations.

13. SUBSEQUENT EVENT

In March 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve. As such, it is uncertain as to the full magnitude that the pandemic will have on the Authority. Management is actively monitoring the impact on financial condition, liquidity, operations, suppliers, industry and workforce. To date, Kawartha Region Conservation Authority has made emergency temporary leaves of employees and restricted access to the public to help curtail the spread of the COVID-19 virus. It is expected that a significant reduction in planning and regulation revenue will occur due to the general slowdown of the construction industry.

14. COMPARATIVE FIGURES

Certain 2018 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2019. This included the Flood and Water Level Monitoring and Maintenance reserve which had $5,000 at December 31, 2018 being included with the Capital Assets Acquisition reserve.