MISSISSIPPI VALLEY CONSERVATION AUTHORITY
Financial Statements

Year Ended December 31, 2019

MISSISSIPPI VALLEY CONSERVATION AUTHORITY
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Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors and Members of MISSISSIPPI VALLEY CONSERVATION AUTHORITY

I have audited the accompanying financial statements of MISSISSIPPI VALLEY CONSERVATION AUTHORITY, which comprise the statement of financial position as at December 31, 2019 and the statements of net assets, operations and cash flow for the year ended December 31, 2019 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements present fairly, in all material respects, the financial position of MISSISSIPPI VALLEY CONSERVATION AUTHORITY as at December 31, 2019 and the results of its operations and its cash flow for the year ended December 31, 2019 in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Cross Street Professional Corporation
Authorized to practise public accounting by Chartered Professional Accountants of Ontario

February 7, 2020
Perth, Ontario

MISSISSIPPI VALLEY CONSERVATION AUTHORITY

(Incorporated under the Laws of Ontario)

Statement of Financial Position as at December 31,

		2019	2018
ASSETS			
Current			
Cash	$	973,835	1,081,397
Term deposits (note 3)		1,096,421	1,071,454
Accounts receivable, trade and other (note 4)		401,631	200,052
Prepaid expenses and other assets		3,048	-
		2,474,935	2,352,903
Term deposits (note 3)		501,447	-
Capital assets (note 5)		6,720,642	6,985,150
		7,222,089	6,985,150
	$	9,697,024	9,338,053
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	$	191,988	155,167
Current portion of long-term debt (note 7)		139,960	135,320
Deferred revenue (note 6)		365,509	120,505
		697,457	410,992
Long-term			
Long-term debt (note 7)		3,925,464	4,065,424
Deferred contributions for capital assets (note 8)		2,493,214	2,182,491
Retirement benefit liability (note 9)		150,916	149,121
		6,569,594	6,397,036
		7,267,051	6,808,028
Net assets			
Invested in capital assets		162,003	601,914
Reserves (note 10)		1,349,001	1,208,700
Unrestricted		918,969	719,411
		2,429,973	2,530,025
	$	9,697,024	9,338,053

See accompanying notes to the financial statements

Approved by:

Director: Janet M

Director: ______________________

MISSISSIPPI VALLEY CONSERVATION AUTHORITY

Statement of Net Assets for the year ended December 31,

	Invested in Capital Assets	(note 10) Reserves	Unrestricted	2019 Total	2018 Total
Net assets, beginning of the year	$ 601,914	1,208,700	719,411	2,530,025	2,550,214
Excess (Deficiency) of revenue over expenses	(229,158)	-	129,106	(100,052)	(20,189)
Investment in capital assets	(20,253)	-	20,253	-	-
Reserve transfers	(190,500)	140,301	50,199	-	-
Net assets, end of the year	$ 162,003	1,349,001	918,969	2,429,973	2,530,025

See accompanying notes to the financial statements

MISSISSIPPI VALLEY CONSERVATION AUTHORITY

Statement of Operations for the year ended December 31,		2019	2018
Revenue			
Municipal levy - general	$	3,027,850	2,798,554
Municipal levy - special		55,961	-
Deferred for capital contributions		(527,005)	(277,005)
		2,556,806	2,521,549
Other revenue (Schedule 1)		879,574	657,096
Government grant - Ministry of Natural Resources		128,438	248,792
Government grant - other provincial		13,445	13,445
Conservation area - fees, sales and rental		80,180	68,339
Supplementary programs		22,224	50,900
Donations		8,582	1,325
		3,689,249	3,561,446
Expenses			
Corporate services (Schedule 2)		705,061	568,534
Watershed management (Schedule 2)		1,515,467	1,410,001
Flood and erosion control (Schedule 2)		672,624	688,228
Conservation services (Schedule 2)		644,767	630,858
Supplementary programs (Schedule 2)		22,224	50,900
		3,560,143	3,348,521
Excess of revenue over expenses before capital items		129,106	212,925
Capital items			
Amortization of capital assets		(303,755)	(304,305)
Amortization of deferred contributions		216,282	210,362
Gain on disposal of assets		-	7,000
Interest on loan		(141,685)	(146,171)
		(229,158)	(233,114)
Deficiency of revenue over expenses	$	(100,052)	(20,189)

See accompanying notes to the financial statements

MISSISSIPPI VALLEY CONSERVATION AUTHORITY

Statement of Cash Flow for the year ended December 31,		2019	2018
Cash flow from operating activities			
Deficiency of revenue over expenses	$	(100,052)	(20,189)
Items not affecting cash:			
Amortization of capital assets		303,755	304,305
Amortization of deferred contributions		(216,282)	(210,362)
Gain on disposal of assets		-	(7,000)
Retirement benefit expense		1,795	17,987
		(10,784)	84,741
Changes in non-cash working capital:			
Accounts receivable, trade and other		(201,579)	(39,603)
Prepaid expenses and other assets		(3,048)	-
Accounts payable and accrued liabilities		36,821	(4,607)
Deferred revenue		245,004	50,221
Net cash provided by operating activities		66,414	90,752
Cash flow from investing activities			
Purchase of capital assets		(39,247)	(154,441)
Proceeds from disposal of capital assets		-	7,000
Purchase of term deposits		(1,597,868)	(1,000,000)
Proceeds from redemption of term deposits		1,071,454	1,501,687
Net cash provided by (used in) investing activities		(565,661)	354,246
Cash flow from financing activities			
Repayment of long-term debt		(135,320)	(130,834)
Proceeds from deferred contributions for capital assets		527,005	277,005
Net cash provided by financing activities		391,685	146,171
Net increase (decrease) in cash and equivalents		(107,562)	591,169
Cash and equivalents at the beginning of the year		1,081,397	490,228
Cash and equivalents at the end of the year	$	973,835	1,081,397
Supplemental disclosure of cash flow information:			
Cash received (paid)			
Interest expense	$	(141,685)	(146,171)
Interest revenue		56,697	25,217

See accompanying notes to the financial statements

MISSISSIPPI VALLEY CONSERVATION AUTHORITY

Schedule 1 - Other Revenue for the year ended December 31,		2019	2018
Other revenue			
Bell Canada - K&P	$	1,460	1,650
Busing grants - MVCF		1,950	1,200
Carp River action plan		-	7,449
Carp River Planting		-	14,501
Conservation Centre rentals		325	125
Eastern Region Safety Committee		450	-
Federation of Cdn Municipalities - Asset Management		77,330	-
Freedom of information		335	-
Grants - Special:County of Lanark Forestry Program		11,470	12,378
Grants - Special:Federal - Harwood Creek Study		44,521	21,199
Grants - Special:Floodplain Mapping Grant - Ottawa		48,785	48,785
Grants - Special:MNRF-Drought & Low Water Grant		-	2,000
Grants - Special:MOK - Mississippi Mills		11,716	5,771
Grants - Special:Ontario Wildlife Foundation		2,000	-
Grants - Special:Ottawa - Baseline WQ Monitor		-	36,821
Grants - Special:Ottawa - Carp Erosion Control		31,693	36,313
Grants - Special:Ottawa Rural Clean Water Project		3,100	-
Grants - Special:Prov Grant - Miss R Fl Pl Map S		-	8,858
Grants - Special:TD Planting Program Grant		2,655	-
Insurance claim		61,146	-
Interest		48,609	33,305
MNR - Water & erosion control infrastructure		17,825	44,942
MNR dams - preventative maintenance		8,106	9,300
Ontario Hydro Operating		48,402	29,549
Planning and regulation fees		264,343	244,407
Poole Creek study		45,590	-
R. Tait McKenzie sculpture		2,550	-
RTM trust fund		1,173	1,150
Septic inspection program		110,963	75,276
Sundry revenue		9,077	22,117
WISKI contributions		24,000	-
	$	879,574	657,096

See accompanying notes to the financial statements

MISSISSIPPI VALLEY CONSERVATION AUTHORITY

Schedule 2 - Expenses for the year ended December 31,		2019	2018
Corporate services			
Administration	$	646,176	496,205
Communications		93,197	95,797
Operations		(34,312)	(23,468)
	$	705,061	568,534
Watershed management			
Information management	$	249,396	185,189
Plan review		216,024	207,772
Section 28 regulation enforcement		283,662	273,077
Septic inspection program		111,342	75,333
Surveys and studies		134,391	130,074
Watershed monitoring		213,204	221,896
Watershed planning		307,448	316,660
	$	1,515,467	1,410,001
Flood and erosion control			
Flood forecasting and warning	$	224,597	222,646
Operation/maintenance flood control structures		292,460	309,327
Preventative maintenance flood control structures		155,567	156,255
	$	672,624	688,228
Stewardship services			
Conservation education	$	105,419	103,886
Stewardship services		94,405	83,664
Property management		313,066	311,221
Visitor services		131,877	132,087
	$	644,767	630,858
Supplementary programs			
Canada summer job	$	8,859	25,668
Canadian Parks & Recreation		3,089	-
Clean Tech Internship program		-	13,352
Learning Tree		10,276	-
MNR - summer experience program		-	7,609
Youth Canada Works		-	4,271
	$	22,224	50,900

See accompanying notes to the financial statements

1. Description of Organization

The Authority is established under the Conservation Authorities Act - Ontario. It acts as the agent for water and land conservation and management for its member municipalities. The Authority is a registered charity which is exempt from income tax and may issue tax receipts to donors.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Cash and cash equivalents
Cash and cash equivalents consist primarily of bank balances and cash on hand.

Financial instruments
Initial and subsequent measurement
The Authority initially measures its financial assets and liabilities at fair value except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Authority subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost on a straight-line basis include cash, term deposits, and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and long term debt.

Transaction costs
Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the the straight-line method.

Impairment
For financial assets measured at cost or amortized cost, the Authority determines whether there are indications of possible impairment. When there is an indication of impairment, and the Authority determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Capital assets
Capital assets are accounted for at cost and amortized on the basis of their useful life using the following methods and rates or duration.

	Years
Roads and bridges	40
Water control structures	40
Buildings	40
Leasehold improvements	lease term
Equipment	10
Motor vehicles	5
Computer equipment	5
Furniture and fixtures	10

Revenue recognition

The Authority follows the deferral method of accounting for government contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from conservation areas, supplementary programs and other revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recognized when received.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to impairment of financial assets, the useful life of capital assets and retirement benefit assumptions.

3. Term Deposits

Guaranteed Investment Certificates held by Scotiabank

	2019	2018
Current:		
Matures January 7, 2020 and earns interest at rate of 2.0% per annum	$ 254,918	-
Matures January 7, 2020 and earns interest at rate of 2.75% per annum	256,762	-
Matures February 15, 2020 and earns interest at rate of 2.48% per annum	80,923	-
Matures June 20, 2020 and earns interest at rate of 2.08% per annum	503,818	-
Matures January 19, 2019 and earns interest at rate of 1.7% per annum	-	71,454
Matures February 14, 2019 and earns interest at rate of 2.1% per annum	-	500,000
Matures November 13, 2019 and earns interest at rate of 2.49% per annum	-	500,000
	$ 1,096,421	1,071,454
Matures May 14, 2021 and earns interest at rate of 2.2% per annum	$ 501,447	-

4. Accounts Receivable

	2019	2018
Government and trade receivables	$ 300,504	177,701
Special levy	55,961	-
HST	45,166	14,263
Interest receivable	-	8,088
	$ 401,631	200,052

5. Capital Assets

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Land	$ 903,066	-	903,066	903,066
Roads and bridges	97,131	64,931	32,200	27,622
Water control structures	2,564,528	1,880,134	684,394	708,537
Buildings	6,204,710	1,361,379	4,843,331	4,996,137
Leasehold improvements	433,240	433,240	-	-
Equipment	397,627	274,219	123,408	150,550
Motor vehicles	284,222	241,908	42,314	76,478
Computer equipment	143,040	125,842	17,198	22,796
Furniture and fixtures	273,170	198,439	74,731	99,964
	$ 11,300,734	4,580,092	6,720,642	6,985,150

6. Deferred Revenue

	2019	2018
Beginning balance, related to operating funding	$ 120,505	70,284
Add amount received related to the following year	300,444	91,045
	420,949	161,329
Less amount recognized as revenue in the year	55,440	40,824
Ending balance, related to operating funding	$ 365,509	120,505

Deferred revenue consists of:	2019	2018
Bell Canada - K&P trail easement	$ 962	962
City of Ottawa - Upper Poole Creek study	12,000	57,590
City of Ottawa - general levy	228,194	-
Developer deposits	15,000	9,750
Eastern Region Asset Management project	-	5,200
Eastern Region Safety Committee	3,146	3,596
Enbridge	5,000	-
Mississippi Mills - Naismith Foundation	5,693	5,693
MVC Foundation	20,764	22,714
Ontario Power Generation	2,500	-
RBC Foundation	15,000	15,000
WECI	57,250	-
	$ 365,509	120,505

7. Long-Term Debt

		2019	2018
The Corporation of the Town of Carleton Place loan bearing interest at 3.4% per annum, repayable in semi-annual blended payments of $138,502. The loan matures June 1, 2040. Secured by mortgage on property at 10970 Highway 7, Carleton Place, ON with a net book value of $4,795,578.	$	4,065,424	4,200,744
Current portion		139,960	135,320
Long-term portion	$	3,925,464	4,065,424

Loan principal payments over the next five years are as follows:

2020	$	139,960
2021		144,759
2022		149,722
2023		154,856
2024		160,166
	$	749,463

8. Deferred Contributions for Capital Assets

		2019	2018
Beginning balance, related to capital assets	$	2,182,491	2,115,848
Add contributions for capital assets		527,005	277,005
		2,709,496	2,392,853
Less amount amortized to revenue		216,282	210,362
Ending balance, related to capital assets	$	2,493,214	2,182,491

Deferred contributions for capital assets consists of municipal levies received specifically for capital funding.

Deferred contributions consist of:		2019	2018
Administration office building	$	2,288,464	2,182,491
Water control structures		175,500	-
Conservation area infrastructure		29,250	-
	$	2,493,214	2,182,491

9. Retirement Benefit Liability

The Authority sponsors a plan for retiree life and health benefits. Retirees are eligible for benefits from age 60 to age 65 after 25 years of service. Total benefit payments for retirees during the year were $11,099 (2018 - $5,517). The plan is unfunded and requires no contribution from employees.

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. The most recent actuarial report was prepared at January 1, 2019.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, and employee turnover and mortality. The assumptions used reflect the Authority's best estimates. The expected inflation rate is 2.5%. The discount rate used to determine the accrued benefit obligation is 3.75%.

The total expenses related to retirement benefits include the following components:

		2019	2018
Current service cost	$	8,828	8,509
Interest on obligation		6,783	6,524
Amortize losses		2,800	2,954
	$	18,411	17,987

The total expense related to retirement benefits is included in the statement of operations as a component of Corporate services - administration.

Unamortized (gains) losses related to retirement benefits:

		2019	2018
Unamortized loss at start of year	$	38,400	41,354
(Gain) Loss in period		(46,571)	-
		(8,171)	41,354
Less amortization of losses		2,800	2,954
Unamortized (gain) loss at end of year	$	(10,971)	38,400

10. Reserves

		2019	2018
Reserves consist of:			
Building	$	338,701	298,701
Conservation areas		17,000	-
Information technology		32,000	24,000
Museum Building & Art		4,398	2,868
Sick pay		73,843	73,843
Vehicles		95,403	36,903
Water control structures		208,885	75,385
Water management priorities (Glen Cairn Provincial funding)		578,771	697,000
	$	1,349,001	1,208,700

11. Related Parties

Mississippi Valley Conservation Foundation raises funds and provides volunteer support for the conservation and education programs of Mississippi Valley Conservation Authority. The Foundation is a charitable public foundation and may issue tax receipts to donors. The Foundation is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act as a registered charity. The Foundation is subject to significant influence by the Authority due to Board membership and administrative support. During the year the Foundation disbursed $7,086 (2018 - $1,200) to the Authority to support the Authority's programs.

R. Tait McKenzie Trust raises funds for the R. Tait McKenzie museum operated as part of the Authority's programs. The Trust is a charitable private foundation and may issue tax receipts to donors. The Trust is exempt from income taxes as a registered charity. The Trust is subject to significant influence by the organization due to Board membership and administrative support. During the year the Trust disbursed $1,173 (2018 - $1,150) to the Authority to support the Authority's programs.

12. Pension Plan

The Authority has a group registered retirement savings plan with London Life. Authority contributions to the plan amounted to $96,999 (2018 - $107,200).

Effective March 5, 2012 the Authority established an employee pension plan with Ontario Municipal Employees Retirement System (OMERS). The plan is a multi-employer defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on the length of service and rates of pay. As of the effective date all current full time employees had the option to remain with the group registered retirement savings plan or enrol with OMERS. OMERS is mandatory for all employees hired after the effective date. Authority contributions to the plan amounted to $98,911 (2018 - $78,454).

13. Financial Instruments

The Authority is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

(a) Credit risk:
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's credit risk is primarily attributable to its accounts receivable. The Authority provides credit to some of its clients in the normal course of its operations.

(b) Interest rate risk:
Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Authority to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating rate instruments subject the Authority to related cash flow risk.

(c) Liquidity risk:
Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The Authority is exposed to this risk mainly in respect of its long-term debt and accounts payable.

14. Commitments

The organization, in the normal course of operations, enters into a number of contracts for goods or services all of which contain short-term cancellation clauses.

15. Economic Dependence

The Authority is dependent on municipal levies for a significant portion of its revenue. As the Authority's main source of income is derived from these levies, its ability to continue viable operations is dependent upon the renewal of those levies on an annual basis.