

Financial Statements of

**KAWARTHA REGION CONSERVATION
AUTHORITY**

December 31, 2021

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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, 2021 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, 2021, 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.

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 Bennett Professional Corporation

Chartered Professional Accountant, Authorized to practise public accounting by
Chartered Professional Accountants of Ontario
Orillia, Ontario
April 21, 2022



KAWARTHA REGION CONSERVATION AUTHORITY

STATEMENT OF FINANCIAL POSITION

December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and short-term investments	\$ 3,006,757	\$ 2,734,969
Accounts receivable (note 4)	343,307	314,821
	\$ 3,350,064	\$ 3,049,790
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 466,391	\$ 401,627
Source water protection	129,909	121,961
Deferred revenue (note 7)	894,846	915,355
Deferred planning and regulation	403,261	418,509
	1,894,407	1,857,452
NET FINANCIAL ASSETS	1,455,657	1,192,338
NON-FINANCIAL ASSETS AND LIABILITIES		
Tangible capital assets (note 8)	3,677,190	3,772,173
less: deferred tangible capital contributions (note 6)	648,417	629,492
Net tangible capital assets	3,028,773	3,142,681
Prepaid expenditures	21,602	14,368
	3,050,375	3,157,049
NET ASSETS	\$ 4,506,032	\$ 4,349,387

See accompanying notes to the financial statements



KAWARTHA REGION CONSERVATION AUTHORITY

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STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2021

	Balance - Beginning of year	Excess of Revenue over Expenditures	Additions	Balance - end of year
UNRESTRICTED NET ASSETS				
This reserve reflects the accumulated excess of revenue over expenditures not allocated to reserves.	\$ 527,972	\$ 178,322	\$ -	\$ 706,294
CAPITAL ASSETS ACQUISITIONS				
This reserve was established for the purchase and replacement of capital assets.	320,864	79,668	-	400,532
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.	52,042	31,552	-	83,594
EXTERNALLY RESTRICTED				
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.	26,778	(2,654)	-	24,124
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
SCUGOG LAND ACQUISITIONS				
This reserve was established by a donation to obtain conservation lands in Scugog.	150,000	(27,060)	10,724	133,664
	1,206,706	259,828	10,724	1,477,258
CAPITAL				
This reserve reflects the investment in tangible capital assets	3,142,681	(113,907)	-	3,028,774
	\$ 4,349,387	\$ 145,921	\$ 10,724	\$ 4,506,032

See accompanying notes to the financial statements



KAWARTHA REGION CONSERVATION AUTHORITY

STATEMENT OF OPERATIONS

Year ended December 31, 2021

	Budget 2021	Actual 2021	Actual 2020
REVENUES			
Municipal levies			
- general operating	\$ 1,613,000	\$ 1,613,000	\$ 1,573,700
- special operating	154,200	81,243	82,436
- general benefiting	35,000	4,502	20,415
- special benefiting	656,700	473,955	372,246
Source water protection	68,200	50,393	46,585
Municipal agreements	61,800	41,449	41,251
Planning and regulation	505,000	474,739	343,454
Integrated watershed management	75,400	62,074	91,724
Stewardship and conservation lands	325,200	276,961	141,079
Corporate services	15,000	27,382	44,845
Special projects management	326,700	330,508	195,107
Grants and other -special operating and benefiting projects	326,400	243,016	67,255
Amortization of deferred capital contributions	-	29,905	33,432
	4,162,600	3,709,127	3,053,529
EXPENDITURES			
Corporate services	855,300	765,337	779,253
Planning and regulation	763,150	598,566	470,243
Integrated watershed management	674,950	624,964	495,222
Stewardship and conservation lands	566,900	441,351	383,030
Vehicle and equipment operations	(25,000)	(648)	367
Amortization of tangible capital assets	60,000	74,433	72,868
Source water protection	68,200	50,393	46,585
Municipal agreements	61,800	41,771	40,841
Special operating (note 7)	154,200	81,243	82,546
Special and general benefiting projects (note 7)	1,018,100	721,151	459,806
	4,197,600	3,398,561	2,830,761
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEM	(35,000)	310,566	222,768
OTHER ITEM			
Donation of conservation land (note 10)	-	(164,645)	-
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	\$ (35,000)	\$ 145,921	\$ 222,768

See accompanying notes to the financial statements



KAWARTHA REGION CONSERVATION AUTHORITY

STATEMENT OF CASH FLOWS

Year ended December 31, 2021

	2021	2020
CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 145,921	\$ 222,768
Add (deduct) items not involving an outlay of cash:		
Amortization of tangible capital assets	74,433	72,868
Amortization of deferred capital contributions	(29,905)	(33,432)
Donation of capital assets	163,394	-
	<u>353,843</u>	<u>262,204</u>
Cash provided from (invested in) non-cash working capital items:		
Accounts receivable	(28,486)	(81,771)
Prepaid expenditures	(7,234)	(3,129)
Accounts payable and accrued liabilities	64,764	57,199
Source water protection	7,948	12,019
Deferred revenue	(20,509)	493,186
Deferred planning and regulation	(15,248)	2,668
	<u>1,235</u>	<u>480,172</u>
CASH FLOW FROM OPERATING ACTIVITIES	<u>355,078</u>	<u>742,376</u>
CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES		
Additions to net assets for non-amortized capital assets	10,724	150,000
Additions to deferred tangible capital contributions	48,830	13,925
	<u>59,554</u>	<u>163,925</u>
CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES		
Additions to tangible capital assets	(142,844)	(29,006)
INCREASE IN CASH DURING THE YEAR	<u>271,788</u>	<u>877,295</u>
CASH AND SHORT-TERM INVESTMENTS – beginning of year	<u>2,734,969</u>	<u>1,857,674</u>
CASH AND SHORT-TERM INVESTMENTS – end of year	<u>\$ 3,006,757</u>	<u>\$ 2,734,969</u>

See accompanying notes to the financial statements



KAWARTHA REGION CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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 tangible capital assets 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.
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KAWARTHA REGION CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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) 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. Net assets that are restricted by external funders are shown as externally restricted. Externally restricted amounts can only be utilized for the specific purpose identified by donors.

(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.



KAWARTHA REGION CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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:

	2021	2020
Municipal levies	\$ 86,576	\$ 36,441
HST receivable	62,626	108,810
Other	194,105	169,570
	\$ 343,307	\$ 314,821

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, 2021

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.

	2021	2020
Deferred tangible capital contributions, beginning of year	\$ 629,492	\$ 648,999
Additions to deferred tangible capital contributions	48,830	13,925
Amortization of deferred tangible capital contributions	(29,905)	(33,432)
Deferred tangible capital contributions, end of year	\$ 648,417	\$ 629,492

7. DEFERRED REVENUE

Deferred revenue consists of the following:

	Dec 31, 2020	2021 Receipts	2021 Expenditures	Dec 31, 2021
Special Operating Project				
Durham East Cross Forest	\$ 47,513	\$ 104,199	\$ (81,243)	\$ 70,469
Special Benefiting Capital Projects				
Durham Watershed Implementation	173,441	107,500	(133,271)	147,670
CKL - Lake Dalrymple	-	90,200	(80,889)	9,311
CKL - Lake Stewardship	432,751	275,884	(200,062)	508,573
CKL - Flood Plain Mapping	23,549	15,809	(39,358)	-
CKL - Fenelon Falls Well	4,925	-	-	4,925
Trent Lakes - Stewardship	8,521	-	-	8,521
CKL - Durham Region	-	63,100	(40,850)	22,250
General Benefiting Projects	8,680	11,260	(4,502)	15,438
General Operating Stability Fund (Durham)	4,860	4,851	-	9,711
	656,727	568,604	(498,932)	726,399
Deferred Revenue - other	211,115	188,351	(301,488)	97,978
	\$ 915,355	\$ 756,955	\$ (800,420)	\$ 894,846



KAWARTHA REGION CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

8. TANGIBLE CAPITAL ASSETS

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

	Cost	2021		2020
		Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2,593,934	\$ -	\$ 2,593,934	\$ 2,730,268
Land custodianship and options	35,000	-	35,000	35,000
Conservation area improvements	379,911	260,598	119,313	61,489
Buildings	1,204,955	454,541	750,414	781,070
Vehicles	180,788	144,881	35,907	42,188
Equipment	219,133	165,562	53,571	19,426
Computers and computer software	191,974	123,376	68,598	78,293
Furniture and fixtures	121,068	115,603	5,465	8,202
Gauge stations and monitoring wells	33,634	18,646	14,988	16,237
	\$ 4,960,397	\$ 1,283,207	\$ 3,677,190	\$ 3,772,173

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 is an outstanding lawsuit the Authority has not yet resolved. The matter is not deemed to be of sufficient merit to accrue damages and penalties. An estimate of anticipated legal defence costs have been accrued.



KAWARTHA REGION CONSERVATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

10. DONATION OF CONSERVATION LAND

During the year, the Authority donated land to Kawartha Land Trust, a registered charity dedicated to preserving land of ecological value. The donation has been recorded at cost, being the book value of the land plus transaction costs.

11. 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.

12. 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.

13. 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.

14. 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 temporary changes and restricted access to the public to help curtail the spread of the COVID-19 virus.

