

Financial Statements of

**KAWARTHA REGION CONSERVATION  
AUTHORITY**

December 31, 2020

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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, 2020 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, 2020, 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  
September 23, 2021



# KAWARTHA REGION CONSERVATION AUTHORITY

## STATEMENT OF FINANCIAL POSITION

December 31, 2020

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	\$ 2,734,969	\$ 1,857,674
Accounts receivable (note 4)	314,821	233,050
	<b>\$ 3,049,790</b>	<b>\$ 2,090,724</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 401,627	\$ 344,428
Source water protection	121,961	109,942
Deferred revenue (note 7)	915,355	422,169
Deferred planning and regulation	418,509	415,841
	<b>1,857,452</b>	<b>1,292,380</b>
<b>NET FINANCIAL ASSETS</b>	<b>1,192,338</b>	<b>798,344</b>
<b>NON-FINANCIAL ASSETS AND LIABILITIES</b>		
Tangible capital assets (note 8)	3,772,173	3,816,035
less: deferred tangible capital contributions (note 6)	629,492	648,999
Net tangible capital assets	3,142,681	3,167,036
Prepaid expenditures	14,368	11,239
	<b>3,157,049</b>	<b>3,178,275</b>
<b>NET ASSETS</b>	<b>\$ 4,349,387</b>	<b>\$ 3,976,619</b>

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, 2020

	Balance - Beginning of year	Excess of Revenue over Expenditures	Additions	Balance - end of year
<b>UNRESTRICTED NET ASSETS</b>				
This reserve reflects the accumulated excess of revenue over expenditures not allocated to reserves.	\$ 297,800	\$ 230,172	\$ -	\$ 527,972
<b>CAPITAL ASSETS ACQUISITIONS</b>				
This reserve was established for the purchase and replacement of capital assets.	287,798	33,066	-	320,864
<b>CONSERVATION INITIATIVES</b>				
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.	65,000	(12,958)	-	52,042
<b>EXTERNALLY RESTRICTED</b>				
<b>DURHAM EAST CROSS FOREST CONSERVATION AREA</b>				
This reserve was established for the purchases of additional land within East Cross Forest.	39,600	-	-	39,600
<b>WINDY RIDGE CONSERVATION AREA</b>				
This reserve was established originally from a bequest for Windy Ridge and earns interest on the original funding for Windy Ridge Conservation Area.	29,935	(3,157)	-	26,778
<b>KEN REID CONSERVATION AREA</b>				
This reserve was established originally from a private donation for Ken Reid Conservation Area Outdoor Education Infrastructure.	89,450	-	-	89,450
<b>SCUGOG LAND ACQUISITIONS</b>				
This reserve was established by a donation to obtain conservation lands in Scugog.	-	-	150,000	150,000
	809,583	247,123	150,000	1,206,706
<b>CAPITAL</b>				
This reserve reflects the investment in tangible capital assets	3,167,036	(24,355)	-	3,142,681
	\$ 3,976,619	\$ 222,768	\$ 150,000	\$ 4,349,387

See accompanying notes to the financial statements



**KAWARTHA REGION CONSERVATION AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended December 31, 2020

	Budget 2020	Actual 2020	Actual 2019
<b>REVENUES</b>			
Municipal levies			
- general operating	\$ 1,573,700	\$ 1,573,700	\$ 1,573,700
- special operating	119,300	82,436	96,635
- general benefiting	35,000	20,415	26,391
- special benefiting	682,000	372,246	656,018
Source water protection	68,200	46,585	61,035
Municipal agreements	61,800	41,251	59,086
Planning and regulation	429,800	343,454	391,812
Integrated watershed management	36,900	91,724	56,210
Stewardship and conservation lands	172,200	141,079	316,612
Corporate services	23,000	44,845	37,444
Special projects management	317,050	195,107	367,583
Grants and other -special operating and benefiting projects	195,300	67,255	132,173
Amortization of deferred capital contributions	-	33,432	28,324
	<u>3,714,250</u>	<u>3,053,529</u>	<u>3,803,023</u>
<b>EXPENDITURES</b>			
Corporate services	747,300	779,253	760,805
Planning and regulation	725,600	470,243	541,509
Integrated watershed management	622,100	495,222	633,451
Stewardship and conservation lands	457,650	383,030	619,690
Vehicle and equipment operations	(25,000)	367	(25,524)
Amortization of tangible capital assets	60,000	72,868	70,840
Source water protection	68,200	46,585	49,999
Municipal agreements	61,800	40,841	64,550
Special operating (note 7)	119,300	82,546	100,305
Special and general benefiting projects (note 7)	912,300	459,806	808,260
	<u>3,749,250</u>	<u>2,830,761</u>	<u>3,623,885</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR</b>	\$ (35,000)	\$ 222,768	\$ 179,138

See accompanying notes to the financial statements



# KAWARTHA REGION CONSERVATION AUTHORITY

## STATEMENT OF CASH FLOWS

Year ended December 31, 2020

	2020	2019
<b>CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures for the year	\$ 222,768	\$ 179,138
Add (deduct) items not involving an outlay of cash:		
Amortization of tangible capital assets	72,868	70,840
Amortization of deferred capital contributions	(33,432)	(28,324)
	<u>262,204</u>	<u>221,654</u>
Cash provided from (invested in) non-cash working capital items:		
Accounts receivable	(81,771)	72,047
Prepaid expenditures	(3,129)	632
Accounts payable and accrued liabilities	57,199	(12,469)
Source water protection	12,019	16,161
Deferred revenue	493,186	16,620
Deferred planning and regulation	2,668	(24,156)
	<u>480,172</u>	<u>68,835</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<u>742,376</u>	<u>290,489</u>
<b>CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES</b>		
Additions to net assets for non-amortized capital assets	150,000	-
Additions to deferred tangible capital contributions	13,925	45,863
	<u>163,925</u>	<u>45,863</u>
<b>CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES</b>		
Additions to tangible capital assets	(29,006)	(83,023)
<b>INCREASE IN CASH DURING THE YEAR</b>	877,295	253,329
<b>CASH AND SHORT-TERM INVESTMENTS – beginning of year</b>	1,857,674	1,604,345
<b>CASH AND SHORT-TERM INVESTMENTS – end of year</b>	<u>\$ 2,734,969</u>	<u>\$ 1,857,674</u>

See accompanying notes to the financial statements



# KAWARTHA REGION CONSERVATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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### 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.

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### 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, 2020

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### 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.

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**KAWARTHA REGION CONSERVATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 December 31, 2020

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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.

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4. **ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following:

	2020	2019
Municipal levies	\$ 36,441	\$ 85,755
HST receivable	108,810	72,110
Other	169,570	75,185
	\$ 314,821	\$ 233,050

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5. **BORROWING FACILITIES**

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

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# KAWARTHA REGION CONSERVATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

### 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.

	2020	2019
Deferred tangible capital contributions, beginning of year	\$ 648,999	\$ 631,460
Additions to deferred tangible capital contributions	13,925	45,863
Amortization of deferred tangible capital contributions	(33,432)	(28,324)
Deferred tangible capital contributions, end of year	\$ 629,492	\$ 648,999

### 7. DEFERRED REVENUE

Deferred revenue consists of the following:

	Dec 31, 2019	2020 Receipts	2020 Expenditures	Dec 31, 2020
<b>Special Operating Project</b>				
Durham East Cross Forest	\$ 27,869	\$ 102,080	\$ 82,436	\$ 47,513
<b>Special Benefiting Capital Projects</b>				
Durham Watershed Implementation	110,818	138,000	75,377	173,441
CKL - Lake Management Plan	32,981	-	32,981	-
CKL - Lake Stewardship	198,621	417,100	182,970	432,751
CKL - Flood Plain Mapping	-	112,810	89,261	23,549
CKL - Fenelon Falls Well	4,925	-	-	4,925
Trent Lakes - Stewardship	8,521	-	-	8,521
<b>General Benefiting Projects</b>	7,607	14,413	13,340	8,680
<b>General Operating Stability Fund (Durham)</b>	-	4,860	-	4,860
	363,473	687,183	393,929	656,727
<b>Deferred Revenue - other</b>	30,827	246,225	65,937	211,115
	\$ 422,169	\$ 1,035,488	\$ 542,302	\$ 915,355



# KAWARTHA REGION CONSERVATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

### 8. TANGIBLE CAPITAL ASSETS

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

	2020		2019	
	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	256,263	61,489	65,860
Buildings	1,204,955	423,885	781,070	811,726
Vehicles	180,788	138,600	42,188	48,468
Equipment	191,774	172,348	19,426	25,356
Computers and computer software	179,366	101,073	78,293	65,311
Furniture and fixtures	121,068	112,866	8,202	16,559
Gauge stations and monitoring wells	33,634	17,397	16,237	17,487
	\$ 4,994,605	\$ 1,222,432	\$ 3,772,173	\$ 3,816,035

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. \$15,000 of anticipated legal defence costs have been accrued as the estimated cost to resolve the matter.



# KAWARTHA REGION CONSERVATION AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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### 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.

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### 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.

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### 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.

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

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### 14. COMPARATIVE FIGURES

Certain 2019 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2020.

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