

Financial Statements of

**THE CROWE VALLEY
CONSERVATION AUTHORITY**

December 31, 2017

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Independent auditor's report

To the Board of Directors of The Crowe Valley Conservation Authority

We have audited the accompanying financial statements of The Crowe Valley Conservation Authority, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, statement of changes in cash flows and net financial assets for the year then ended, 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, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the [consolidated] 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Crowe Valley Conservation Authority as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

The financial statements of The Crowe Valley Conservation Authority for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements dated March 16, 2017.

Peterborough, Ontario
April 19, 2018

Chartered Professional Accountants
Licensed Public Accountants

DRAFT

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF FINANCIAL POSITION

December 31, 2017

	2017 \$	2016 \$
FINANCIAL ASSETS		
Cash	463,021	415,891
Accounts receivable	50,943	47,220
	<u>513,964</u>	<u>463,111</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 5)	76,925	62,368
Deferred revenue	18,761	20,905
	<u>95,686</u>	<u>83,273</u>
NET FINANCIAL ASSETS	<u>418,278</u>	<u>379,838</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	11,039	12,954
Tangible capital assets (note 4)	377,265	416,939
	<u>388,304</u>	<u>429,893</u>
ACCUMULATED SURPLUS (note 8)	<u>806,582</u>	<u>809,731</u>

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF OPERATIONS

Year Ended December 31, 2017

	Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
REVENUES			
Ministry of Natural Resources grants			
Operating	116,741	116,741	116,741
Other projects	64,000	39,304	9,221
Municipal levies	513,202	513,202	455,851
Crowe Bridge Conservation Area	2,182	2,399	2,182
Authority generated regulation administration fees	95,550	106,750	118,894
Operating agreements	35,809	41,861	51,690
Hydro project	10,000	13,368	11,560
Source Water Protection project	46,505	39,523	58,830
Monitoring projects	8,514	20,622	15,896
Miscellaneous revenues	14,486	17,069	12,716
Grants and donations	1,200	6,773	5,145
Interest earned	2,000	2,588	1,733
	910,189	920,200	860,459
EXPENDITURE			
Program administration and operation (schedule)	698,083	672,741	658,622
Capital projects (schedule)	1,500	-	1,549
Other projects (schedule)	246,131	210,934	136,590
Amortization of tangible capital assets	-	39,674	45,943
	945,714	923,349	842,704
ANNUAL SURPLUS (DEFICIT) FOR THE YEAR	(35,525)	(3,149)	17,755

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

	2017 \$	2016 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Annual surplus (deficit) for the year	(3,149)	17,755
Add amortization, an item not involving cash	39,674	45,943
	36,525	63,698
Changes in non-cash working capital items:		
Accounts receivable	(3,723)	(17,203)
Prepaid expenses	1,915	-
Accounts payable and accrued liabilities	14,557	771
Deferred revenue	(2,144)	(9,835)
INCREASE IN CASH DURING THE YEAR	47,130	37,431
CASH POSITION - beginning of year	415,891	378,460
CASH POSITION - end of year	463,021	415,891

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

Year Ended December 31, 2017

	Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
Annual surplus (deficit) for the year	(33,495)	(3,149)	17,755
Amortization	-	39,674	45,943
Change in prepaid expenses	-	1,915	-
Change in net financial assets	(33,495)	38,440	63,698
NET FINANCIAL ASSETS - beginning of year	379,838	379,838	316,140
NET FINANCIAL ASSETS - end of year	346,343	418,278	379,838

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

1. PURPOSE OF THE ORGANIZATION

The Crowe Valley Conservation Authority is a corporate body established on November 6, 1958 under the Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources throughout the watershed within its area of jurisdiction in partnership with its member municipalities and the Province. The accompanying financial statements comprise all the activities of the Authority.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Crowe Valley Conservation Authority are the representation of management, prepared in accordance with Canadian public sector accounting standards for organizations operating in the local government sector as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). The significant accounting policies adopted by the Authority are as follows:

(a) *Accrual accounting*

These statements reflect the incorporation of the full accrual basis of accounting and the reporting of the change in net financial assets and accumulated surplus. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and event occur, regardless of whether there has been a receipt of payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation or condition(s) underlying the liability is partially or wholly satisfied. Accrual accounting recognizes as asset until the future economic benefit underlying the assets is partially or wholly used or lost.

(b) *Revenue recognition*

The Authority recognizes revenue as follows:

Municipal levies are generally recognized in the fiscal year in which they are levied.

Provincial government annual operating grants are recognized in the fiscal year to which the grant relates to the extent that eligible expenditures have been incurred.

Other grants and specified donations follow the accrual method of accounting for contributions and are recognized as revenue in the year in which the related expenditures are made or the related expenses are incurred.

User fees are recognized when the service has been performed.

General donations are recognized when received.

Any contributions received for which the related services have not been performed and/or the related expenditures have not been incurred in the fiscal year are recorded as deferred revenue.

THE CROWE VALLEY CONSERVATION AUTHORITY

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Tangible capital assets*

In accordance with PSAB guidelines, the Authority records tangible capital assets at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 years
Buildings	40 years
Furniture, tools and equipment	20 years
Automotive equipment	10 years
Computer hardware and software	3 to 10 years
Infrastructure	50 to 100 years

(d) *Allocation of expenses and vehicle recoveries*

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

(e) *Estimates*

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make certain estimates and assumptions that affect the reported amount of asset and liabilities and disclosure of contingencies at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Items requiring the use of significant estimates include determining the estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

(f) *Reserves*

Reserves for future expenditures and contingencies are established as required at the discretion of the Authority.

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

3. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and deferred revenue. The fair value of the Authority's financial instruments approximates their carrying values due to their short term maturities. It is management's opinion that the Authority is not exposed to any significant interest, currency or credit risks.

4. TANGIBLE CAPITAL ASSETS

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

	December 31, 2017							2016	
	Cost			Accumulated Amortization				Net book value	Net book value
	Opening \$	Net change \$	Ending \$	Opening \$	Disposal \$	Amort'n \$	Ending \$	\$	\$
Land	56,216	-	56,216	-	-	-	-	56,216	56,216
Land improvements	9,648	-	9,648	8,270	-	344	8,614	1,034	1,378
Buildings	290,883	-	290,883	175,745	-	5,866	181,611	109,272	115,138
Furniture, tools and equipment	53,904	-	53,904	53,904	-	-	53,904	-	-
Automotive equipment	87,234	-	87,234	60,337	-	5,812	66,149	21,085	26,897
Computer hardware and software	456,305	-	456,305	456,304	-	-	456,304	1	1
Infrastructure	1,406,926	-	1,406,926	1,189,617	-	27,652	1,217,269	189,657	217,309
	2,361,116	-	2,361,116	1,944,177	-	39,674	1,983,851	377,265	416,939

5. GOVERNMENT REMITTANCES PAYABLE

Included in accounts receivable and accounts payable and accrued liabilities are net government remittances payable of \$6,780 (2016 - \$10,448)

THE CROWE VALLEY CONSERVATION AUTHORITY

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

6. PENSION AGREEMENTS

The Authority makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of full-time members of staff and eligible part-time staff. The plan is a defined benefit pension plan, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Contributions are split equally between the employees and the Authority. The Authority's share of contributions for the year was \$41,240 (2016 - \$29,124) and is included as an expenditure on the statement of operations. The most recent audited financial statement completed by OMERS as of December 31, 2016 disclosed net assets available for benefits of \$85,360 million with pension obligations of \$88,293 million, resulting in a deficit of \$2,933 million.

7. RELATED PARTY TRANSACTIONS

Transactions between related parties for the year and the balances receivable or payable at year end are as follows:

	2017	2016
	\$	\$
Municipal funding recognized as revenue	513,202	455,851
Project funding received from Municipality of Highlands East	13,041	21,645
Municipal taxes paid to various municipalities	10,508	10,230
Receivable from Municipality of Trent Hills	2,399	2,182
Receivable from Municipality of Highlands East	-	12,183

The Authority controls The Crowe Valley Conservation Foundation. The Foundation is incorporated as a public foundation and is a registered charity under the Income Tax Act (Canada). It was established to develop and manage a base of capital to provide for operational and capital requirements of the Authority. The Foundation presently has no activity, hence there are no balances to consolidate with the Authority.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

8. ACCUMULATED SURPLUS

The components of accumulates surplus are classified as follows:

	2017 \$	2016 \$
Reserve funds		
Land operations	12,000	12,000
McGeachie Conservation Area	11,937	11,937
Contingencies	79,338	70,863
Capital	128,968	144,877
	232,243	239,677
Tangible capital assets	377,265	416,939
Operating surplus	197,074	153,115
	806,582	809,731

9. CONTINGENCIES

The Authority owns a number of water control structures. As such, the Authority has undertaken dam safety assessments on the three largest water control structures to meet pending Provincial Dam Safety Legislation. The assessments have identified deficiencies in safety and infrastructure issues that will require future remediation. Health and safety issues will be addressed in the short term and infrastructure concerns will be addressed in the longer term in accordance with the Long Range Plan adopted by the Authority in 2012. Estimated costs of addressing these deficiencies are \$110,250 in 2018 with infrastructure deficiencies expected to cost \$1,045,000 over a number of years to 2020. The Authority's share of these expenditures will vary depending upon contributions from the Province.

The Authority has been named as a defendant in a lawsuit during the year. It is management's position that the Authority has valid defences and appropriate insurance coverage in place.

10. COMMITMENTS

The Authority has leased the Crowe Bridge Conservation Area to The Corporation of the Municipality of Trent Hills for a period of 10 years ending March 2021. Under the terms of the lease, the Crowe Bridge Conservation Area shall be operated solely as a public park. The annual rent is \$2 per year and Trent Hills has assumed responsibility for the property taxes, insurance, utilities, operating and maintenance costs of the park.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

11. BUDGET FIGURES

The budget figures are presented for comparison purposes and were approved by the Authority on March 16, 2017. The adopted budget conforms to the Canadian Public Sector Accounting Standards except for the effect of transfers to and from reserve funds. A reconciliation of the approved and reported budgets is as follows:

Adopted budget	\$
Budgeted annual surplus for the year	-
Adjustment to adopted budget	
Increase in flood management reserve	5,000
Increase in contingency reserve	3,475
<u>Transfers from capital reserve</u>	<u>(44,000)</u>
	<u>(35,525)</u>

THE CROWE VALLEY CONSERVATION AUTHORITY
SCHEDULE OF EXPENDITURE - PROGRAM ADMINISTRATION AND OPERATION
Year Ended December 31, 2017

	Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
Wages and benefits	368,970	371,278	367,839
Office and administration	52,283	55,277	44,436
Generic regulations	175,524	150,703	131,145
Travel, professional development	4,000	1,831	1,619
Insurance	44,931	46,071	53,490
Legal fees	1,000	1,252	13,670
Communications	15,384	14,654	16,521
Utilities	21,684	15,778	16,926
Municipal taxes	6,507	6,050	5,974
Dam operations	5,000	5,811	3,787
Board expenses	2,800	4,036	3,215
	698,083	672,741	658,622

THE CROWE VALLEY CONSERVATION AUTHORITY

SCHEDULE OF OTHER EXPENDITURE - CAPITAL PROJECTS

Year Ended December 31, 2017

	Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
ADMINISTRATION OFFICE	1,500	-	1,549

SCHEDULE OF OTHER EXPENDITURE - OTHER PROJECTS

Year Ended December 31, 2017

	Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
Maintenance and operation of			
Crowe Bridge Conservation Area	2,182	2,399	2,182
McGeachie Conservation Area	9,950	13,160	12,146
The "Gut" Conservation Area	1,195	1,101	522
Operating agreements - MNR and Hydro projects	31,015	37,440	26,466
Source Water Protection project	41,505	39,523	45,773
Water and erosion control infrastructure (WECI)	138,000	87,552	24,412
Monitoring projects	9,284	20,576	14,622
Automotive fuel, maintenance and licences	13,000	13,728	13,906
	246,131	215,479	140,029
Deduct vehicle and other recoveries	-	(4,545)	(3,439)
	246,131	210,934	136,590