

Financial Statements of

**THE CROWE VALLEY
CONSERVATION AUTHORITY**

December 31, 2018

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Independent Auditor's Report

To the Board of Directors of The Crowe Valley Conservation Authority

Opinion

We have audited the financial statements of The Crowe Valley Conservation Authority ("the Authority"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets 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 Crowe Valley Conservation Authority as at December 31, 2018, and the results of its financial performance 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 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.

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 a 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 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 Hamilton Region Conservation 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.

Peterborough, Canada
May 16, 2019

Chartered Professional Accountants
Licensed Public Accountants

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THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF FINANCIAL POSITION

December 31

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash	730,367	463,021
Accounts receivable	91,014	50,943
	821,381	513,964
LIABILITIES		
Accounts payable and accrued liabilities (note 5)	80,011	76,925
Deferred revenue	105,414	18,761
	185,425	95,686
NET FINANCIAL ASSETS	635,956	418,278
NON-FINANCIAL ASSETS		
Prepaid expenses	8,950	11,039
Tangible capital assets (note 4)	381,558	377,265
	390,508	388,304
ACCUMULATED SURPLUS (note 8)	1,026,464	806,582

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF OPERATIONS

Year Ended December 31

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
REVENUES			
Ministry of Environment, Conservation and Parks			
Operating	116,741	116,741	116,741
Other projects	55,125	4,000	39,304
Municipal levies	697,744	697,743	513,202
Crowe Bridge Conservation Area	2,399	-	2,399
Authority generated regulation administration fees	116,432	121,433	106,750
Operating agreements	35,864	41,094	41,861
Hydro project	15,658	3,660	13,368
Source Water Protection project	47,848	38,296	39,523
Monitoring projects	16,989	21,805	20,622
Miscellaneous revenues	13,055	13,208	17,069
Grants and donations	1,100	4,553	6,773
Interest earned	1,500	6,135	2,588
	1,120,455	1,068,668	920,200
EXPENDITURE			
Program administration and operation (schedule)	844,122	671,193	672,741
Capital projects (schedule)	1,500	18,937	-
Other projects (schedule)	248,143	117,831	210,934
Amortization of tangible capital assets	-	40,825	39,674
	1,093,765	848,786	923,349
ANNUAL SURPLUS (DEFICIT) FOR THE YEAR	26,690	219,882	(3,149)

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF CASH FLOWS

Year Ended December 31

	2018 \$	2017 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Annual surplus (deficit) for the year	219,882	(3,149)
Add amortization, an item not involving cash	40,825	39,674
	260,707	36,525
Changes in non-cash working capital items:		
Accounts receivable	(40,071)	(3,723)
Prepaid expenses	2,089	1,915
Accounts payable and accrued liabilities	3,086	14,557
Deferred revenue	86,653	(2,144)
CAPITAL ACTIVITIES		
Purchase of capital assets	(45,118)	-
INCREASE IN CASH DURING THE YEAR	267,346	47,130
CASH POSITION - beginning of year	463,021	415,891
CASH POSITION - end of year	730,367	463,021

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

Year Ended December 31

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Annual surplus (deficit) for the year	26,960	219,882	(3,149)
Amortization	-	40,825	39,674
Change in prepaid expenses	-	2,089	1,915
Purchase of capital assets	-	(45,118)	-
Change in net financial assets	26,960	217,678	38,440
NET FINANCIAL ASSETS - beginning of year	418,278	418,278	379,838
NET FINANCIAL ASSETS - end of year	445,238	635,956	418,278

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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 ('PSAS'). 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 an 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.

Government transfers are recognized in the financial statements as revenues in the period in which the event giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

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, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Tangible capital assets*

In accordance with PSAS 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 PSAS 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, 2018

3. FINANCIAL ASSETS AND LIABILITIES

(a) *Measurement of financial instruments*

The Authority considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Authority accounts for the following as financial instruments:

- cash
- accounts receivable
- accounts payable

A financial asset or liability is recognized when the Authority becomes a party to a contractual provision of the instrument.

The Authority initially measures its financial assets and financial liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for cash and short term investments, cash surrender value of life insurance and investments, which are subsequently measured at fair value.

The Authority removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets or liabilities obtained in related party transactions are measured at the exchange amount.

(b) *Risks*

The Authority is exposed to various risks associated with its financial instruments as described below. It is management's opinion that the Authority is not exposed to any significant interest or currency risk. Unless otherwise noted, there has been no change in risk exposure from the prior year.

(i) *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 provides a substantial portion of the Authority's cash requirements.

(ii) *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 is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The maximum exposure to credit risk is the carrying value of accounts receivable. At December 31, 2018, there is no impairment allowance as management believes the amounts are fully collectible.

(iii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is not exposed to any significant interest rate risk.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

4. TANGIBLE CAPITAL ASSETS

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

	December 31, 2018							2017	
	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	8,614	-	345	8,959	689	1,034
Buildings	290,883	-	290,883	181,611	-	5,866	187,477	103,406	109,272
Furniture, tools and equipment	53,904	-	53,904	53,904	-	-	53,904	-	-
Automotive equipment	87,234	32,599	119,834	66,149	-	4,876	71,025	48,809	21,085
Computer hardware and software	456,305	12,519	468,824	456,304	-	2,087	458,391	10,433	1
Infrastructure	1,406,926	-	1,406,926	1,217,269	-	27,652	1,244,920	162,006	189,657
	2,361,116	45,118	2,406,234	1,983,853	-	40,825	2,024,676	381,558	377,265

5. GOVERNMENT REMITTANCES PAYABLE

Included in accounts receivable and accounts payable and accrued liabilities are net government remittances payable of \$7,898 (2017 - \$6,691)

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 \$32,388 (2017 - \$41,240) and is included as an expenditure on the statement of operations. The most recent audited financial statements completed by OMERS as of December 31, 2018 disclosed net assets available for benefits of \$97,439 million with pension obligations of \$100,932 million, resulting in a deficit of \$3,493 million.

7. RELATED PARTY TRANSACTIONS

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

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

	2018 \$	2017 \$
Municipal funding recognized as revenue	697,743	513,202
Project funding received from Municipality of Highlands East	8,034	13,041
Municipal taxes paid to various municipalities	8,536	10,508
Receivable from Municipality of Trent Hills	-	2,399

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, accordingly there are no balances to consolidate with the Authority.

8. ACCUMULATED SURPLUS

The components of accumulated surplus are classified as follows:

	2018 \$	2017 \$
Reserve funds		
Land operations	12,000	12,000
McGeachie Conservation Area	11,937	11,937
Contingencies	89,813	79,338
Capital	217,765	128,968
Legal	20,500	-
	352,015	232,243
Tangible capital assets	381,558	377,265
Operating surplus	292,891	197,074
	1,026,464	806,582

THE CROWE VALLEY CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

9. CONTINGENCIES

The Authority owns a number of water control structures. As such, the Authority has undertaken dam safety assessments on its larger water control structures to meet Provincial Dam Safety Legislation. The assessments have identified deficiencies in safety and infrastructure issues that will require future remediation. Estimated costs of addressing these deficiencies are \$56,000 in 2019. The Authority's share of these expenditures will vary depending upon contributions from the Province.

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.

11. BUDGET FIGURES

The budget figures are presented for comparison purposes and were approved by the Authority on March 15, 2018. The adopted budget conforms to the Canadian Public Sector Accounting Standards except for the effect of the acquisition of tangible capital assets and 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	7,000
Increase in contingency reserve	3,475
Transfers to capital reserve	24,215
Transfers from capital reserve	(40,000)
<u>Capital expenditure</u>	<u>32,000</u>
	<u>26,690</u>

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

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Wages and benefits	382,750	363,954	371,278
Office and administration	52,950	50,703	55,277
Generic regulations	223,106	158,724	150,703
Travel, professional development	4,000	2,540	1,831
Insurance	39,065	37,888	46,071
Legal fees	83,500	3,201	1,252
Communications	15,000	14,781	14,654
Utilities	19,000	17,337	15,778
Municipal taxes	6,251	6,351	6,050
Dam operations	15,000	11,443	5,811
Board expenses	3,500	4,271	4,036
	844,122	671,193	672,741

THE CROWE VALLEY CONSERVATION AUTHORITY

SCHEDULE OF OTHER EXPENDITURE - CAPITAL PROJECTS

Year Ended December 31

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
ADMINISTRATION OFFICE	1,500	18,937	-

SCHEDULE OF OTHER EXPENDITURE - OTHER PROJECTS

Year Ended December 31

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Maintenance and operation of			
Crowe Bridge Conservation Area	2,399	-	2,399
McGeachie Conservation Area	13,050	11,770	13,160
The "Gut" Conservation Area	-	2,456	1,101
Operating agreements - MNR and Hydro projects	32,212	32,243	37,440
Source Water Protection project	48,836	38,296	39,523
Water and erosion control infrastructure (WECI)	125,250	1,771	87,552
Monitoring projects	15,901	20,613	20,576
Automotive fuel, maintenance and licences	10,495	13,436	13,728
	248,143	120,585	215,479
Deduct vehicle and other recoveries	-	(2,754)	(4,545)
	248,143	117,831	210,934