

GANARASKA REGION CONSERVATION AUTHORITY
Financial Statements
December 31, 2019

GANARASKA REGION CONSERVATION AUTHORITY
Index to Financial Statements
Year Ended December 31, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Accumulated Surplus	5
Statement of Cash Flows	6
Statement of Changes in Net Financial Assets	7
Notes to Financial Statements	8 - 13



LYNCH
RUTHERFORD
TOZER

CHARTERED
PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Ganaraska Region Conservation Authority

Opinion

We have audited the financial statements of Ganaraska Region Conservation Authority (the Authority), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in accumulated surplus, cash flows and changes in net financial assets 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, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 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 PSAS, 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.



Port Hope, Ontario
February 20, 2020

Chartered Professional Accountants
Licensed Public Accountants

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Financial Position
As at December 31, 2019

	2019	2018
Financial assets		
Cash	\$ 1,571,100	\$ 1,421,547
Accounts receivable (Note 3)	523,268	424,222
Term deposits (Notes 4, 8)	61,044	60,009
	2,155,412	1,905,778
Liabilities		
Accounts payable	407,289	405,086
Deferred revenue	528,562	505,622
	935,851	910,708
Net financial assets	1,219,561	995,070
Non-financial assets		
Tangible capital assets (Note 7)	6,625,708	6,808,407
Prepaid expenses	-	-
Accumulated surplus (Note 9)	\$ 7,845,269	\$ 7,803,477

ON BEHALF OF THE BOARD

_____ Chair

_____ Vice-Chair

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Operations
Year Ended December 31, 2019

	Budget (Unaudited) 2019 (Note 12)	Total (Audited) 2019	Total (Audited) 2018
Revenues			
Municipal levies			
General	\$ 1,133,476	\$ 1,099,997	\$ 959,403
Benefiting	429,855	373,309	461,522
Government grants			
MNR transfer payments	51,863	51,863	100,462
Employment programs and other	17,700	17,546	19,184
Other grants	4,000	-	4,523
User fees and sales			
Ganaraska Forest timber sales	273,000	227,940	154,692
Watershed Stewardship	418,915	267,805	218,417
Ganaraska Forest Centre	526,600	509,875	577,768
Watershed Services	540,898	553,414	365,787
Forest Membership and Sales	314,750	325,792	305,909
Water Resources fees	101,000	84,305	155,900
Other			
Investment income	1,000	5,763	19,137
GFC Conservation Dinner	29,500	25,668	23,710
Sundry and other income	750	33,889	12,943
Trent Conservation Coalition Source Protection	104,000	72,419	58,604
Treetop Trekking lease and rental space	48,000	45,331	43,750
Donations	4,250	4,849	22,526
Building for Change donations	8,000	7,494	2,199
	<u>4,007,557</u>	<u>3,707,259</u>	<u>3,506,436</u>
Expenditures			
Watershed Management and Health Monitoring	1,260,253	1,064,897	922,254
Environmental Advisory Services	218,934	180,480	237,995
Watershed Stewardship	435,615	245,688	229,123
Passive Recreation	163,188	107,706	132,390
Ganaraska Forest	518,804	413,569	348,033
Ganaraska Forest Centre	747,888	719,723	699,524
Corporate Services	757,575	691,220	652,507
Amortization of tangible capital assets	-	242,184	249,577
	<u>4,102,257</u>	<u>3,665,467</u>	<u>3,471,403</u>
Annual surplus (deficit)	<u>\$ (94,700)</u>	<u>\$ 41,792</u>	<u>\$ 35,033</u>

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2019

	2019	2018
Accumulated surplus - beginning of year	\$ 7,803,477	\$ 7,768,444
Surplus for the year	41,792	35,033
Accumulated surplus - end of year	\$ 7,845,269	\$ 7,803,477

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
Operating activities		
Surplus for the year	\$ 41,792	\$ 35,033
Items not affecting cash:		
Amortization of tangible assets	242,184	249,577
(Gain) loss on disposal of tangible capital assets	1,762	2,364
	<u>285,738</u>	<u>286,974</u>
Changes in non-cash working capital:		
Accounts receivable	(99,046)	(159,685)
Prepaid expenses	-	32,279
Accounts payable	2,203	(17,254)
Deferred revenue	22,940	(16,016)
	<u>(73,903)</u>	<u>(160,676)</u>
Cash flow from operating activities	<u>211,835</u>	<u>126,298</u>
Investing activities		
Purchase of tangible capital assets	(63,247)	(75,132)
Proceeds on disposal of tangible capital asset	2,000	-
Purchase of term deposit	(1,035)	(15,925)
Cash flow used by investing activities	<u>(62,282)</u>	<u>(91,057)</u>
Increase in cash flow	149,553	35,241
Cash, beginning of year	<u>1,421,547</u>	<u>1,386,306</u>
Cash, end of year	\$ 1,571,100	\$ 1,421,547

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2019

	2019	2018
Surplus for the year	\$ 41,792	\$ 35,033
Amortization of tangible capital assets	242,184	249,577
(Gain) loss on disposal of tangible capital assets	1,762	2,364
Purchase of tangible capital assets	(63,247)	(75,132)
Proceeds on disposal of tangible capital asset	2,000	-
Decrease in prepaid expenses	-	32,279
	<u>182,699</u>	<u>209,088</u>
Increase in net financial assets	224,491	244,121
Net financial assets, beginning of year	995,070	750,949
Net financial assets, end of year	\$ 1,219,561	\$ 995,070

The accompanying notes form an integral part of these financial statements

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2019

1. NATURE OF OPERATIONS

The Ganaraska Region Conservation Authority (the "Authority") is established under the Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources other than gas, oil, coal and minerals for the watersheds within its area of jurisdiction. The Authority's area of jurisdiction includes areas in the Municipality of Clarington, Town of Cobourg, Municipality of Port Hope, Township of Hamilton, Township of Alnwick/Haldimand, Township of Cavan Monaghan and the City of Kawartha Lakes.

As a registered charity the Authority is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority are prepared by management in accordance with Canadian generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Authority are as follows:

Accrual accounting

Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the year in which they have been earned and incurred, respectively, whether or not such transactions have been settled by the receipt or payment of money.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible capital assets are recorded at fair market value at the date of contribution. The cost of the tangible capital assets is amortized on a straight-line basis (except land which is not amortized).

Service life of tangible capital assets is as follows:

Land improvements	15 to 40 years	straight-line method
Building and building improvements	25 to 40 years	straight-line method
Furniture and fixtures	10 to 40 years	straight-line method
Machinery and equipment	5 to 30 years	straight-line method
Vehicles	5 to 25 years	straight-line method
Computers and computer software	3 to 10 years	straight-line method
Infrastructure	20 to 100 years	straight-line method

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenditures as incurred.

(continues)

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reserves

Reserves for future expenditures and contingencies are established as required at the discretion of the members of the Authority. Increases or decreases in these reserves are made by appropriations to or from operations.

Cash and cash equivalents

The Authority considers deposits in bank as cash and cash equivalents.

Revenue recognition

Government transfers are recognized in the financial statements as revenue in the period in which events 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.

User charges and fees are recognized as revenue in the period in which the related services are performed.

Revenue from the lease of a specific section of the Ganaraska Forest and office space to an outside company is recognized monthly as set out in the terms of the lease agreement.

Deferred revenue

The Authority receives certain amounts principally from other public sector bodies, the proceeds of which may only be used in the conduct of certain programs or completion of specific work. Further, certain user charges and fees are collected but for which the related services have yet to be performed. These amounts are recognized as revenue when the related expenditures are incurred or services performed.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts and useful lives of capital assets. Actual results could differ from these estimates.

Donated capital assets, materials and services

Donated capital assets are recorded at fair value when fair value can be reasonably estimated. Donated materials and services are not recorded.

Contributed services

Volunteers contribute significant time to the governance and delivery of the Authority programs. Due to the difficulty in determining the fair value of these contributions, contributed services are not recognized in the financial statements.

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2019

3. ACCOUNTS RECEIVABLE

	2019	2018
Government receivables	\$ 300,960	\$ 198,900
Conservation authorities receivables	103,134	114,880
Other receivables	119,174	110,442
	\$ 523,268	\$ 424,222

4. TERM DEPOSITS

	2019	2018
Redeemable GIC, Bank of Montreal, 2.25%, maturing December 10, 2020	\$ 45,528	\$ 44,745
Non-Redeemable GIC, Bank of Montreal, 2.05%, maturing July 9, 2023	15,516	15,264
	\$ 61,044	\$ 60,009

The first term deposit noted above represents the balance remaining in the Barbara Young reserve. The Authority has internally restricted these funds for use in the Trappers and Traders program and therefore the above GIC was purchased to segregate the remaining funds. (See Note 7 for further details of the bequest).

The second term deposit noted above represents the money received from the Save the Ganaraska Again (SAGA) reserve. The Authority has internally restricted these funds for use to subsidize students in need to attend the outdoor education program and therefore the above GIC was purchased to segregate the funds. (See Note 7 for further details of the donation.)

5. BANK INDEBTEDNESS

The operating line of credit is secured by a general security agreement. The authorized line of credit is \$250,000 with interest charged at prime plus 0.50%, of which \$250,000 remained unused as at December 31, 2019.

6. PENSION AGREEMENTS

The Authority has a pension agreement with the Ontario Municipal Employee Retirement System ("OMERS") which is a multi-employer plan. The plan is a defined benefit pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Authority remits monthly to OMERS the employee withholdings and matching contributions.

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2019

7. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 935,531	\$ -	\$ 935,531	\$ 935,531
Land improvements	145,502	75,638	69,864	68,398
Building and building improvements	4,519,237	1,655,305	2,863,932	2,973,838
Vehicles	240,809	202,153	38,656	52,123
Computers and computer software	295,190	193,430	101,760	113,036
Machinery and equipment	298,020	252,865	45,155	56,405
Furniture and fixtures	566,306	382,756	183,550	214,636
Infrastructure	3,940,205	1,584,953	2,355,252	2,394,440
Capital works in progress	32,008	-	32,008	-
	\$ 10,972,808	\$ 4,347,100	\$ 6,625,708	\$ 6,808,407

8. RESERVES

- (a) **CAPITAL ASSET REPLACEMENT RESERVE** In 2016, the Authority implemented a capital asset management plan. The plan identified what assets the Authority has, the condition they are in and what the anticipated needs are to maintain the infrastructure. It also estimates the future needs both from the perspective of preserving existing infrastructure and also anticipates future new asset acquisitions and capacity enhancements. A determination was made of which assets need to be managed and replaced on a 20 year cycle, except for dam infrastructure which has a longer 40 year cycle.
- (b) **RESERVE FOR FOREST CENTRE** Years ago, the Authority set up a reserve in the event that the revenues for the Forest Centre exceeded the budgeted revenues and the expenditures were in line. This was to be used as needed at the Forest Centre, in particular, if there was a time when schools, due to strikes or other situations, did not participate in the programs and a shortfall in revenues was created.
- (c) **BARBARA YOUNG RESERVE** In 2015, the Authority received a bequest from the estate of Barbara Young. The total amount received was \$57,981. Although the amount was not restricted, the Authority has elected to spend the funds on a new Trappers and Traders program. In 2015, \$15,000 was spent on the Trappers and Traders program leaving a balance of \$42,981 at December 31, 2015. The Authority purchased a term deposit (Note 4) and created a reserve account (Note 8) in the accumulated surplus to segregate the remaining funds.
- (d) **SAVE THE GANARASKA AGAIN (SAGA) RESERVE** In 2018, the Authority received a donation from the Save the Ganaraska Again organization. The total amount received was \$15,264. The funds are to be used to subsidize students in need to attend the outdoor education program. The Authority purchased a term deposit (Note 4) and created a reserve account (Note 8) in the accumulated surplus to segregate the funds.

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2019

9. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
<u>Tangible capital assets surplus</u>		
Balance, beginning of year	\$ 6,808,407	\$ 6,985,216
Purchase of tangible capital assets from capital asset replacement reserve	63,247	57,206
Purchase of tangible capital assets from unallocated accumulated surplus	-	17,926
Amortization of tangible capital assets	(242,184)	(249,577)
Gain (loss) on disposal of tangible capital assets	(1,762)	(2,364)
Proceeds on disposal of tangible capital asset	(2,000)	-
	<u>6,625,708</u>	<u>6,808,407</u>
<u>Unallocated accumulated surplus</u>		
Balance, beginning of year	397,871	314,836
Surplus for the year	41,792	35,033
Purchase of tangible capital assets	-	(17,926)
Amortization of tangible capital assets	242,184	249,577
(Gain) loss on disposal of capital assets	1,762	2,364
Proceeds from disposal of tangible capital asset	2,000	-
Allocation to capital asset replacement reserve	(150,088)	(150,088)
Allocation to reserve for forest centre	-	(20,000)
Allocation to Save the Ganaraska Again (SAGA) reserve	-	(15,264)
Interest allocated to Barbara Young reserve	(783)	(661)
Interest allocated to Save the Ganaraska (SAGA) reserve	(252)	-
	<u>534,486</u>	<u>397,871</u>
<u>Capital asset replacement reserve</u>		
Balance, beginning of year	437,190	190,024
Allocation from unallocated accumulated surplus	150,088	150,088
Purchase of tangible capital assets	(63,247)	(57,206)
Transfer from reserve for equipment purchase	-	154,284
	<u>524,031</u>	<u>437,190</u>
<u>Reserve for equipment purchase</u>		
Balance, beginning of year	-	154,284
Transfer to capital asset replacement reserve	-	(154,284)
	<u>-</u>	<u>-</u>
<u>Reserve for forest centre</u>		
Balance, beginning of year	90,000	70,000
Allocation from unallocated accumulated surplus	-	20,000
	<u>90,000</u>	<u>90,000</u>

(continues)

GANARASKA REGION CONSERVATION AUTHORITY
Notes to Financial Statements
December 31, 2019

	2019	2018
<u>Barbara Young reserve</u>		
Balance, beginning of year	44,745	44,084
Interest earned	783	661
	45,528	44,745
 <u>Reserve for forest purchase</u>		
Balance, beginning of year	10,000	10,000
 <u>Save the Ganaraska Again (SAGA) reserve</u>		
Balance, beginning of year	15,264	-
Interest earned	252	-
Allocation from unallocated accumulated surplus	-	15,264
	15,516	15,264
 TOTAL ACCUMULATED SURPLUS	\$ 7,845,269	\$ 7,803,477

10. COMMITMENTS

(a) The Authority has lease commitment expenditures on various equipment. The future minimum lease payments as at December 31, 2019 are as follows:

2020	\$ 5,644
2021	2,432
2022	2,432
2023	1,824

(b) The Authority has entered into a lease agreement with an outside company for a specific section of the Ganaraska Forest as well as some office space. The lease has an initial term of ten years, ending in June 2021, and an option to renew for a further five years. The future minimum lease revenue to be received by the Authority as at December 31, 2019 is as follows:

2020	\$ 31,026
2021	23,380

11. FINANCIAL INSTRUMENTS

The fair value of cash, temporary investments, accounts receivable, accounts payable and deferred revenue are approximately equal to their carrying value due to their short-term maturity date.

12. BUDGET FIGURES

The 2019 budget figures included in these financial statements are those adopted by the Authority on May 16, 2019. The budget figures are unaudited.