

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Financial Statements**  
**December 31, 2018**

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Index to Financial Statements**  
**Year Ended December 31, 2018**

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LYNCH  
RUTHERFORD  
TOZER

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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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, 2018, and the statements of operations, changes in net financial assets, changes in accumulated surplus 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, 2018, 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 those 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 relating 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 21, 2019



Chartered Professional Accountants  
Licensed Public Accountants

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Statement of Financial Position**  
**As at December 31, 2018**

	2018	2017
<b>Financial Assets</b>		
Cash	\$ 1,421,547	\$ 1,386,306
Accounts receivable (Note 3)	424,222	264,537
Term deposit (Notes 4, 8)	60,009	44,084
	<u>1,905,778</u>	<u>1,694,927</u>
<b>Liabilities</b>		
Accounts payable (Note 6)	405,086	422,340
Deferred revenue	505,622	521,638
	<u>910,708</u>	<u>943,978</u>
<b>Net Financial Assets</b>	<u>995,070</u>	<u>750,949</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 7)	6,808,407	6,985,216
Prepaid expenses	-	32,279
	<u>6,808,407</u>	<u>7,017,495</u>
<b>Accumulated Surplus (Note 9)</b>	<u>\$ 7,803,477</u>	<u>\$ 7,768,444</u>

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, 2018**

	Budget (Unaudited) 2018 (Note 14)	Actual (Audited) 2018	Actual (Audited) 2017
<b>Revenues</b>			
Municipal levies			
General	\$ 959,403	\$ 959,403	\$ 940,084
Benefiting	493,882	461,522	254,443
Government grants			
MNR transfer payments	100,462	100,462	100,462
Employment programs and other	20,259	19,184	20,299
Other grants	4,523	4,523	123,239
User fees and sales			
Ganaraska Forest timber sales	153,700	154,692	339,767
Watershed Stewardship	412,895	218,417	202,989
Ganaraska Forest Centre	526,082	577,768	505,506
Watershed Services	515,900	365,787	285,039
Forest Membership and Sales	324,500	305,909	317,164
Water Resources fees	128,000	155,900	133,265
Other			
Investment income	5,000	19,137	8,337
GFC Conservation Dinner	24,000	23,710	25,943
Sundry and other income	1,500	12,943	5,982
Trent Conservation Coalition Source Protection	64,200	58,604	74,461
Treetop Trekking lease and rental space	48,000	43,750	50,096
Donations	14,500	22,526	15,360
Building for Change donations	11,000	2,199	7,472
	<u>3,807,806</u>	<u>3,506,436</u>	<u>3,409,908</u>
<b>Expenditures</b>			
Watershed Management and Health Monitoring	1,208,262	922,254	881,527
Environmental Advisory Services	210,134	237,995	219,769
Watershed Stewardship	430,118	229,123	221,835
Conservation Land Management			
Passive Recreation	148,271	132,390	104,379
Ganaraska Forest	431,394	348,033	426,683
Ganaraska Forest Centre	721,677	699,524	645,120
Corporate Services	697,950	652,507	616,589
Amortization of tangible capital assets	-	249,577	255,089
	<u>3,847,806</u>	<u>3,471,403</u>	<u>3,370,991</u>
<b>Surplus (deficit) for the year</b>	<u>\$ (40,000)</u>	<u>\$ 35,033</u>	<u>\$ 38,917</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, 2018**

	2018	2017
<b>Accumulated surplus, beginning of year</b>	<b>\$ 7,768,444</b>	<b>\$ 7,729,527</b>
Surplus for the year	35,033	38,917
<b>Accumulated surplus, end of year</b>	<b>\$ 7,803,477</b>	<b>\$ 7,768,444</b>

The accompanying notes form an integral part of these financial statements

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

	2018	2017
<b>Operating activities</b>		
Surplus for the year	\$ 35,033	\$ 38,917
Items not affecting cash:		
Amortization of tangible assets	249,577	255,089
(Gain) loss on disposal of tangible capital assets	2,364	1,232
	<u>286,974</u>	<u>295,238</u>
Changes in non-cash working capital:		
Accounts receivable	(159,685)	(70,805)
Prepaid expenses	32,279	31,292
Accounts payable	(17,254)	(883)
Deferred revenue	(16,016)	160,603
	<u>(160,676)</u>	<u>120,207</u>
Cash flow from operating activities	<u>126,298</u>	<u>415,445</u>
<b>Capital activities</b>		
Purchase of tangible capital assets	(75,132)	(119,213)
Purchase of term deposit	(15,925)	(587)
Cash flow used by capital activities	<u>(91,057)</u>	<u>(119,800)</u>
<b>Increase in cash</b>	<b>35,241</b>	<b>295,645</b>
Cash, beginning of year	<u>1,386,306</u>	<u>1,090,661</u>
<b>Cash, end of year</b>	<b>\$ 1,421,547</b>	<b>\$ 1,386,306</b>

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, 2018**

	2018	2017
<b>Surplus for the year</b>	<b>\$ 35,033</b>	<b>\$ 38,917</b>
Amortization of tangible capital assets	249,577	255,089
Purchase of tangible capital assets	(75,132)	(119,213)
(Gain) loss on disposal of tangible capital assets	2,364	1,232
Change in prepaid expenses	32,279	31,292
	<u>209,088</u>	<u>168,400</u>
<b>Increase in net financial assets</b>	<b>244,121</b>	<b>207,317</b>
Net financial assets, beginning of year	<u>750,949</u>	<u>543,632</u>
<b>Net financial assets, end of year</b>	<b>\$ 995,070</b>	<b>\$ 750,949</b>

The accompanying notes form an integral part of these financial statements

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2018**

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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.

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**GANARASKA REGION CONSERVATION AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2018**

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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, 2018**

3. ACCOUNTS RECEIVABLE

	2018	2017
Government receivables	\$ 198,900	\$ 84,195
Conservation authorities receivables	114,880	100,070
Other receivables	110,442	80,272
	\$ 424,222	\$ 264,537

4. TERM DEPOSIT

	2018	2017
Redeemable GIC, Bank of Montreal, 1.75%, maturing December 10, 2020	\$ 44,745	\$ 44,084
Non-Redeemable GIC, Bank of Montreal, 1.65%, maturing July 9, 2023	15,264	-
	\$ 60,009	\$ 44,084

The redeemable 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 8 for further details of the bequest)

The non-redeemable term deposit noted above represents the balance money received from the Save the Ganaraska Again (SAGA) organization to be used to subsidize students who cannot afford to attend outdoor education programs.

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, 2018.

6. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX

Included in accounts payable is a Government remittance payable of \$0 (2017 \$3,269) due to the Minister of Finance.

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2018**

7. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 935,531	\$ -	\$ 935,531	\$ 935,531
Land improvements	139,649	71,251	<b>68,398</b>	72,830
Building and building improvements	4,519,237	1,545,399	<b>2,973,838</b>	3,065,958
Vehicles	243,684	191,561	<b>52,123</b>	61,351
Computers and computer software	280,591	167,555	<b>113,036</b>	105,223
Machinery and equipment	303,515	247,110	<b>56,405</b>	59,575
Furniture and fixtures	566,917	352,281	<b>214,636</b>	251,121
Infrastructure	3,940,205	1,545,765	<b>2,394,440</b>	2,433,627
	<b>\$ 10,929,329</b>	<b>\$ 4,120,922</b>	<b>\$ 6,808,407</b>	<b>\$ 6,985,216</b>

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. In 2018, the revenues for the Forest Centre did exceed the budgeted amount and the expenditures were in line so \$20,000 has been allocated to this existing reserve.
- (c) **BARBARA YOUNG BEQUEST** 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 externally 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 3) and created a reserve account in the accumulated surplus to segregate the remaining funds.
- (d) **SAVE THE GANARASKA AGAIN (SAGA)** In 2018, the Authority received funds from the Save the Ganaraska Again organization. The total amount received was \$15,264. The funds are to be used to subsidize students who cannot afford to attend outdoor education programs.

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2018**

9. ACCUMULATED SURPLUS

	<b>2018</b>	<b>2017</b>
<u>Tangible capital assets surplus</u>		
Balance, beginning of year	<b>\$ 6,985,216</b>	\$ 7,122,324
Purchase of tangible capital assets from unallocated accumulated surplus	<b>17,926</b>	36,021
Purchase of tangible capital assets from capital asset replacement reserve	<b>57,206</b>	83,192
Amortization of tangible capital assets	<b>(249,577)</b>	(255,089)
Gain (loss) on disposal of tangible capital assets	<b>(2,364)</b>	(1,232)
	<b>6,808,407</b>	6,985,216
 <u>Unallocated accumulated surplus</u>		
Balance, beginning of year	<b>314,836</b>	226,294
Surplus for the year	<b>35,033</b>	38,917
Purchase of tangible capital assets	<b>(17,926)</b>	(36,021)
Amortization of tangible capital assets	<b>249,577</b>	255,089
(Gain) loss on disposal of capital assets	<b>2,364</b>	1,232
Allocation to capital asset replacement reserve	<b>(150,088)</b>	(150,088)
Allocation to reserve for forest centre	<b>(20,000)</b>	(20,000)
Allocation to Save the Ganaraska Again (SAGA) reserve	<b>(15,264)</b>	-
Interest allocated to Barbara Young reserve	<b>(661)</b>	(587)
	<b>397,871</b>	314,836
 <u>Capital asset replacement reserve</u>		
Balance, beginning of year	<b>190,024</b>	123,128
Allocation from unallocated accumulated surplus	<b>150,088</b>	150,088
Purchase of tangible capital assets	<b>(57,206)</b>	(83,192)
Transfer from reserve for equipment purchase	<b>154,284</b>	-
	<b>437,190</b>	190,024
 <u>Reserve for equipment purchase</u>		
Balance, beginning of year	<b>154,284</b>	154,284
Transfer to capital asset replacement reserve	<b>(154,284)</b>	-
	<b>-</b>	154,284
 <u>Reserve for forest centre</u>		
Balance, beginning of year	<b>70,000</b>	50,000
Allocation from unallocated accumulated surplus	<b>20,000</b>	20,000
	<b>90,000</b>	70,000

*(continues)*

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2018**

	<u>2018</u>	<u>2017</u>
<u>Barbara Young reserve</u>		
Balance, beginning of year	44,084	43,497
Interest earned	661	587
	<u>44,745</u>	<u>44,084</u>
<u>Reserve for forest purchase</u>		
Balance, beginning of year	<u>10,000</u>	10,000
<u>Save the Ganaraska Again (SAGA) reserve</u>		
Balance, beginning of year	-	-
Allocation from unallocated accumulated surplus	15,264	-
	<u>15,264</u>	<u>-</u>
<b>TOTAL ACCUMULATED SURPLUS</b>	<b><u>\$ 7,803,477</u></b>	<b><u>\$ 7,768,444</u></b>

10. 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.

The Authority staff eligible for OMERS had the choice of joining OMERS or remaining a member of the existing group registered retirement savings plan ("RRSP"). Some members of staff chose to remain with the RRSP and employer contributions are being made to this plan rather than OMERS on behalf of those employees.

11. COMMITMENTS

- (a) The Authority has lease commitment expenditures on various equipment. The future minimum lease payments as at December 31, 2018 are as follows:

2019	\$ 5,644
2020	5,644
2021	2,432
2022	2,432
2023	2,432

- (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, 2018 is as follows:

2019	\$ 31,026
2020	31,026
2021	23,380

**GANARASKA REGION CONSERVATION AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2018**

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12. CONTINGENT LIABILITY

From time to time the Authority is subject to claims and legal actions arising in the normal course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings will not have a material adverse effect on the financial position of the Authority.

13. 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.

14. BUDGET FIGURES

The 2018 budget figures included in these financial statements are those adopted by the Authority on May 17, 2018. The budget figures are unaudited.