

**FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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**Rideau Valley
Conservation Authority
Financial Statements
December 31, 2018**

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Rideau Valley Conservation Authority are the responsibility of the Authority's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Authority's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of financial statements. These systems are monitored and evaluated by management.

The Audit Committee and management meet with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters. The Board of Directors meets with management subsequently to review these same matters prior to the Board's approval of the financial statements.

The financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Authority. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.



Sommer Casgrain-Robertson, General Manager



Sarah Wayne, Manager, Financial Services



INDEPENDENT AUDITOR'S REPORT

To the Members of the Rideau Valley Conservation Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of Rideau Valley Conservation 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 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 an audit to obtain reasonable assurance about whether the 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 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 Rideau Valley Conservation Authority as at December 31, 2018 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in cursive script that reads "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
March 28, 2019.

**Rideau Valley Conservation Authority
Statement of Financial Position**

| December 31 | 2018 | 2017 |
|---|-------------------|-------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash and short term investments | 5,165,686 | 4,401,478 |
| Accounts receivable (note 3) | 944,143 | 858,354 |
| | 6,109,829 | 5,259,832 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 770,650 | 705,368 |
| Vacation pay and sick leave entitlements | 183,304 | 206,965 |
| Deferred revenues (note 4) | 1,563,418 | 1,699,886 |
| Non pension post retirement benefit obligation (note 8) | 420,844 | 399,810 |
| Obligation under capital lease (note 12) | 2,840,665 | 3,104,332 |
| | 5,778,881 | 6,116,361 |
| Net Financial Assets (Debt) | 330,948 | (856,529) |
| Non-Financial Assets | | |
| Tangible capital assets (note 16) | 11,205,350 | 11,340,356 |
| Prepaid expenses | 57,964 | 49,057 |
| | 11,263,314 | 11,389,413 |
| Accumulated Surplus (note 11) | 11,594,262 | 10,532,884 |
| Contingent Liabilities and Commitments (note 13) | | |

The accompanying notes are an integral part of these financial statements.

Rideau Valley Conservation Authority Statement of Operations

| For the year ended December 31 | (Note 17) (unaudited) Budget | 2018 | 2017 |
|--|------------------------------------|-------------------|------------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Municipal levies | 5,647,004 | 5,647,004 | 5,466,606 |
| Special municipal levies | | | |
| Rideau River Ice Management | 567,670 | 793,014 | 616,628 |
| Water Control Infrastructure ▶ Reserve | 10,000 | 10,000 | 10,000 |
| ▶ Operation and maintenance | 23,500 | 23,500 | 23,500 |
| Provincial Funding | | | |
| Ministry of Natural Resources | | | |
| ▶ Operating Grant | 242,687 | 242,687 | 242,687 |
| ▶ Drinking Water Source Protection (note 14) | 172,402 | 201,874 | 172,021 |
| Program revenues (Schedule 2) | | | |
| Watershed Sciences and Engineering Services | 402,480 | 472,485 | 214,903 |
| Planning Advisory and Regulatory Services | 1,076,598 | 1,383,471 | 1,149,247 |
| Stewardship Services | 991,892 | 972,112 | 1,103,823 |
| Conservation Land Management Services | 340,954 | 332,999 | 345,605 |
| Corporate Services | 41,800 | 110,684 | 69,808 |
| Other income ▶ capital projects | 675,000 | 298,863 | 208,112 |
| Total Revenues | 10,191,987 | 10,488,693 | 9,622,940 |
| Expenditures | | | |
| Program expenditures (Schedule 3) | | | |
| Watershed Sciences and Engineering Services | 3,087,122 | 3,514,192 | 3,076,448 |
| Planning Advisory and Regulatory Services | 1,873,960 | 1,855,084 | 1,772,879 |
| Stewardship Services | 1,874,139 | 1,653,548 | 1,912,097 |
| Conservation Land Management Services | 1,202,975 | 1,114,254 | 1,047,934 |
| Corporate Services | 1,407,463 | 1,269,203 | 1,300,071 |
| Non Pension Post Retirement Benefit Obligation | --- | 21,034 | 25,637 |
| Total Expenditures | 9,445,659 | 9,427,315 | 9,135,066 |
| Annual Surplus | 746,328 | 1,061,378 | 487,874 |
| Accumulated Surplus, Beginning of Year | 10,532,884 | 10,532,884 | 10,045,010 |
| Accumulated Surplus, End of Year | 11,279,212 | 11,594,262 | 10,532,884 |

The accompanying notes are an integral part of these financial statements.

**Rideau Valley Conservation Authority
Statement of Changes in Net Financial Assets**

| For the year ended December 31 | (Note 17) unaudited Budget | 2018 | 2017 |
|---|----------------------------------|------------------|-------------|
| | \$ | \$ | \$ |
| Annual Surplus | 746,328 | 1,061,378 | 487,874 |
| Amortization of tangible capital assets | 370,314 | 370,447 | 377,757 |
| Acquisition of tangible capital assets | --- | (243,866) | (190,385) |
| Change in prepaid expenses | --- | (8,907) | (9,718) |
| Gain on disposal of tangible capital assets | --- | (4,447) | (10,679) |
| Proceeds on disposal of tangible capital assets | --- | 12,872 | 22,148 |
| | 370,314 | 126,099 | 189,123 |
| Decrease in Net Debt | 1,116,642 | 1,187,477 | 676,997 |
| Net Debt, Beginning of Year | (856,529) | (856,529) | (1,533,526) |
| Net Financial Assets (Debt), End of Year | 260,113 | 330,948 | (856,529) |

The accompanying notes are an integral part of these financial statements.

**Rideau Valley Conservation Authority
Statement of Cash Flows**

| For the year ended December 31 | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| Operating Activities | | |
| Annual surplus | 1,061,378 | 487,874 |
| Amortization of tangible capital assets | 370,447 | 377,757 |
| Gain on disposal of tangible capital assets | (4,447) | (10,679) |
| | 1,427,378 | 854,952 |
| Net Change in Non-Cash Working Capital Balances Related to Operations | | |
| Accounts receivable | (85,789) | (40,896) |
| Prepaid expenses | (8,907) | (9,718) |
| Accounts payable and accrued liabilities | 65,282 | (99,439) |
| Deferred revenues | (136,468) | (145,674) |
| Vacation pay and sick leave entitlements | (23,661) | 31,501 |
| Non pension post retirement benefit obligation | 21,034 | 25,637 |
| | (168,509) | (238,589) |
| Working Capital from Operations | 1,258,869 | 616,363 |
| Capital Activities | | |
| Proceeds on disposal of tangible capital assets | 12,872 | 22,148 |
| Acquisition of tangible capital assets | (243,866) | (190,385) |
| Net investment in tangible capital assets | (230,994) | (168,237) |
| Financing Activities | | |
| Capital lease repayments | (263,667) | (252,667) |
| Net Increase in Cash and Cash Equivalents | 764,208 | 195,459 |
| Cash and Cash Equivalents, Beginning of Year | 4,401,478 | 4,206,019 |
| Cash and Cash Equivalents, End of Year | 5,165,686 | 4,401,478 |

The accompanying notes are an integral part of these financial statements.

Rideau Valley Conservation Authority

Notes to the Financial Statements

December 31, 2018

1. Status of the Authority

The Rideau Valley Conservation Authority (the 'Authority') is established under the Conservation Authorities Act of Ontario to maintain and improve the quality of the valley environment through watershed planning, cooperative resource management and conservation awareness. The Authority is exempt from income taxes.

2. Summary of Significant Accounting Policies

The financial statements of the Rideau Valley Conservation Authority are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards.

Basis of Accounting

The financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Authority.

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

| | Estimated Useful Life |
|---------------------------------------|-----------------------|
| Buildings | 20 - 50 years |
| Infrastructure ▶ Dams / Berms / Dykes | 25 years |
| ▶ Bridges / Boardwalks | 20 - 30 years |
| ▶ Vehicles | 7 years |
| ▶ Machinery and Equipment | 5 - 15 years |
| ▶ Computer and IT Equipment | 5 years |
| ▶ Office and Audio Equipment | 5 - 20 years |

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use.

Rideau Valley Conservation Authority

Notes to the Financial Statements

December 31, 2018

2. Summary of Significant Accounting Policies / continued

Tangible Capital Assets / continued

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Authority's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the statement of operations.

The Authority has a capitalization threshold of \$5,000 so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operating reasons.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

Leases

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 expenses as incurred.

Pension and Employee Benefits

The Authority accounts for its participation in the Ontario Municipal Employees Benefit Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Authority's policy.

The Authority provides Post-Retirement Benefits in the form of employer paid group insurance premiums commencing on retirement and payable until the attainment of age 65. The annual cost of the benefit obligation will be charged as a program expenditure.

Cash and Cash Equivalents

The Authority considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Rideau Valley Conservation Authority

Notes to the Financial Statements

December 31, 2018

2. Summary of Significant Accounting Policies / continued

Deferred Revenues

The Authority receives restricted contributions under the authority of Federal and Provincial legislation and Authority by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Authority has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

Revenue Recognition

Government transfers are recognized in the financial statements as revenues 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.

The Authority defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

Reserves

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

Investments

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Financial Instruments

All financial instruments are initially recognized at fair value on the balance sheet. The Authority has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Authority classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Rideau Valley Conservation Authority

Notes to the Financial Statements

December 31, 2018

2. Summary of Significant Accounting Policies / continued

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

Corporate Services Program Revenues and Expenditures

Internal charges are made to allocate common overhead expenses, payroll burden and vehicle charges to all program areas. Actual expenditures are applied to these recovery revenues at year end which results in a net surplus or expenditure each year. These net amounts are included in Corporate Services – Administration and Finance – Program Expenditures.

Contaminated Sites

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceed 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: a) an environmental standard exists; b) contamination exceeds the environmental standard; c) the organization is directly responsible or accepts responsibility for the liability; d) future economic benefits will be given up; and e) a reasonable estimate of the liability can be made.

3. Accounts Receivable

| | 2018 | 2017 |
|---------------------------------------|----------------|---------|
| | \$ | \$ |
| Trade and other | 281,310 | 273,866 |
| Rideau Valley Conservation Foundation | 211,460 | 287,967 |
| City of Ottawa | 451,373 | 296,521 |
| | 944,143 | 858,354 |

Rideau Valley Conservation Authority Notes to the Financial Statements

December 31, 2018

4. Deferred Revenues

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| Conservation Land Management Services | 5,662 | 7,315 |
| Watershed Sciences and Engineering Services | 173,649 | 312,901 |
| Planning Advisory & Regulatory Services | 153,354 | 120,544 |
| Stewardship Services | 1,230,753 | 1,259,126 |
| | 1,563,418 | 1,699,886 |

5. Special Levy on Member Municipalities

The Authority's share of the cost of the Rideau River Ice Management – City of Ottawa was funded by a special levy on the benefiting municipality for 2018 of \$793,014 (2017 \$616,628). Other special levies in 2018 from the City of Ottawa include Water Control Infrastructure \$10,000 (2017 \$10,000) and Water Control Infrastructure Operation and Maintenance \$23,500 (2017 \$23,500).

6. Related Party

The Rideau Valley Conservation Authority (RVCA) has an economic interest in the Rideau Valley Conservation Foundation. During the year, the Rideau Valley Conservation Foundation contributed \$211,460 (2017 \$287,967) to the Authority. The Foundation funds are used to support the conservation programs of the Authority to protect and conserve the lands and waters of the valley of the Rideau River in Eastern Ontario.

7. Pension Contributions

The Authority makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit 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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Authority does not recognize any share of the OMERS pension surplus or deficit in these financial statements. The amount contributed to OMERS was \$369,244 (2017 \$367,138) for current services and is included as an expenditure on the Statement of Operations classified under the appropriate functional expenditure.

Rideau Valley Conservation Authority

Notes to the Financial Statements

December 31, 2018

8. Non Pension Post Retirement Benefit Obligation

The Authority provides extended health care benefits to certain of its employees and extends this coverage to the post-retirement period. The accrued benefit obligation at December 31, 2018 was \$420,844 (\$399,810 in 2017).

9. Public Sector Salary Disclosure

Rideau Valley Conservation Authority is subject to The Public Sector Salary Disclosure Act, 1996. Salaries and benefits that have been paid by the Authority and reported to the Province of Ontario in compliance with this legislation are listed on the Ontario Ministry of Finance website at <https://www.ontario.ca/page/public-sector-salary-disclosure> or can be provided in an alternate format upon request from the Authority.

10. Risk Management

In the normal course of operations, the Authority is exposed to a variety of financial risks which are actively managed by the Authority.

The Authority's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Authority's exposure to and management of risk has not changed materially from December 31, 2017.

Credit Risk

Credit risk arises from the possibility that the entities to which the Authority provides services to may experience difficulty and be unable to fulfill their obligations. The Authority is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Authority does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Authority is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Authority's operating results.

Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its obligations as they fall due. The Authority requires working capital to meet day-to-day operating activities. Management expects that the Authority's cash flows from operating activities will be sufficient to meet these requirements.

**Rideau Valley Conservation Authority
Notes to the Financial Statements**

December 31, 2018

11. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

| | 2018 | 2017 |
|--|-------------------|-------------|
| | \$ | \$ |
| Invested in Tangible Capital Assets | | |
| Tangible capital assets | 11,205,350 | 11,340,356 |
| Obligation under capital lease | (2,840,665) | (3,104,332) |
| | 8,364,685 | 8,236,024 |
| Unrestricted Surplus (Deficit) | 100,288 | 99,676 |
| Reserves | | |
| Capital Reserves | 707,011 | 506,005 |
| Building Life Cycle Reserve | 728,895 | 658,895 |
| Working Fund Reserve | 555,000 | 355,000 |
| Program Reserves ▶ Stewardship | 122,555 | 45,342 |
| ▶ Part VIII Program | 224,493 | 89,786 |
| ▶ LRC Production Centre | 100,800 | 90,799 |
| ▶ ORWC | 107,463 | 96,383 |
| ▶ Conservation Lands | 91,443 | 91,443 |
| ▶ Planning and Regulations | 333,015 | 183,017 |
| ▶ Watershed Science and Engineering | 67,500 | 17,500 |
| ▶ Corporate Communications | 90,491 | 62,491 |
| ▶ Part IV | 523 | 523 |
| Total Reserves | 3,129,289 | 2,197,184 |
| Accumulated Surplus | 11,594,262 | 10,532,884 |

12. Obligation Under Capital Lease

The Rideau Valley Conservation Authority is committed to a capital lease obligation as outlined below:

| Year | Annual Payment \$ |
|----------------|----------------------|
| 2019 | 274,667 |
| 2020 | 255,568 |
| 2021 | 202,704 |
| 2022 | 202,704 |
| 2023 | 202,704 |
| and thereafter | 1,702,320 |

The Authority has entered into a twenty year lease agreement with the City of Ottawa for the new office building located in Beryl Gaffney Park which expires August 2030. Minimum annual payments are based on the annual debt charges that the City will incur on a twenty year debenture of \$4,735,000 calculated at 4.804% per annum. In addition, an annual park development fee of \$32,000 will be paid to the City for the term of the lease. Rent and park development fees (excluding HST) in the amount of \$446,338 were paid for 2018 (2017 \$445,030).

Rideau Valley Conservation Authority Notes to the Financial Statements

December 31, 2018

12. Obligation Under Capital Lease / continued

In accordance with Article 2.04 of the building lease, monthly payments are based on estimated debt charges and will be amended to reflect actual debt charges.

The present value of the obligation at December 31, 2018, under the terms of the capital lease, is \$2,840,665 (2017 \$3,104,332).

At the end of the term, the Authority shall have the option to purchase the building for \$1. In no event shall acquisition of the building include the demised lands.

13. Contingent Liabilities and Commitments

The nature of conservation authority activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2018, management believes that the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the financial statements.

14. Source Water Protection

The Source Water Protection Program is a joint program with Mississippi Valley Conservation Authority. There is a Source Water Protection team supported by staff from both Conservation Authorities. Revenues are shared accordingly.

15. Segmented Information

Certain allocation methodologies are employed in the preparation of segmented financial information. Government grants, user charges, transfers from other funds, and other revenues are allocated to the specific program or service they relate to. Expense allocations are both internal and external. Activity based costing is used to allocate internal support costs to departments. These costs include the net expenditures for departments, such as human resources, information systems, finance and others, commonly referred to as overhead.

Rideau Valley Conservation Authority segments its activities into six main program areas which are reported in the accompanying supplementary schedules to the financial statements

Watershed Sciences and Engineering Services

Watershed management and health monitoring program costs and revenues are those required to develop the framework and management strategy to provide a rational approach to natural systems protection, restoration and use. The main activities included in this segment are watershed and sub watershed plans, resource inventory and environmental monitoring, flood protection services and source water protection.

**Rideau Valley Conservation Authority
Notes to the Financial Statements**

December 31, 2018

15. Segmented Information / continued

Planning Advisory and Regulatory Services

Planning advisory and regulatory services include costs and revenues associated with the approval of development applications or rendering of opinions on the impact of development applications on natural hazards, natural heritage resources and water resources as provided under provincial legislation which includes the Planning Act, Conservation Authorities Act and the Environmental Assessment Act.

Stewardship Services

The stewardship services costs and revenues are those associated with providing service and assistance to private and public landowners on sound environmental practices that will enhance, restore or protect lands and natural features. This category includes activities such as fisheries rehabilitation, tree planting and reforestation, wildlife habitat improvements, management plans, agricultural best practices and erosion control services.

Conservation Land Management Services

The conservation land management services includes all expenses and revenues associated with lands, improvements, buildings and structures owned by Rideau Valley Conservation Authority. It also includes active programming on some Authority lands.

Corporate Services

Corporate services includes management and non-program specific costs and revenues. These include internal support service costs such as senior management costs, board costs, office services, financial services, human resources, information technology and corporate communications.

16. Tangible Capital Assets

| Cost | Opening | Additions | Disposals | Closing |
|-------------------------------------|-------------------|------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Land | 1,971,309 | --- | --- | 1,971,309 |
| Buildings | 9,036,466 | --- | --- | 9,036,466 |
| Infrastructure ▶ Dams/Berms/Dykes | 7,958,980 | --- | (87,150) | 7,871,830 |
| Infrastructure ▶ Bridges/Boardwalks | 538,212 | --- | --- | 538,212 |
| Vehicles | 738,292 | 68,803 | (64,698) | 742,397 |
| Machinery and Equipment | 385,746 | 14,714 | (16,886) | 383,574 |
| Computers and IT Equipment | 454,792 | 57,834 | (74,161) | 438,465 |
| Office and Audio Visual Equipment | 151,572 | 11,588 | --- | 163,160 |
| Assets Under Construction | 1,436,339 | 90,926 | --- | 1,527,265 |
| | 22,671,708 | 243,865 | (242,895) | 22,672,678 |

**Rideau Valley Conservation Authority
Notes to the Financial Statements**

December 31, 2018

16. Tangible Capital Assets / continued

| Accumulated Amortization | Opening | Additions | Disposals | Closing |
|-------------------------------------|-------------------|------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Buildings | 2,570,571 | 175,473 | --- | 2,746,044 |
| Infrastructure ▶ Dams/Berms/Dykes | 7,285,732 | 45,687 | (87,150) | 7,244,269 |
| Infrastructure ▶ Bridges/Boardwalks | 292,242 | 22,701 | --- | 314,943 |
| Vehicles | 448,901 | 70,607 | (60,236) | 459,272 |
| Machinery and Equipment | 260,165 | 22,457 | (13,158) | 269,464 |
| Computers and IT Equipment | 362,724 | 27,898 | (73,929) | 316,693 |
| Office and Audio Visual Equipment | 111,016 | 5,626 | --- | 116,642 |
| | 11,331,351 | 370,449 | (234,473) | 11,467,327 |

| Net Book Value | 2018 | 2017 |
|-------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Land | 1,971,309 | 1,971,309 |
| Buildings | 6,290,421 | 6,465,895 |
| Infrastructure ▶ Dams/Berms/Dykes | 627,561 | 673,248 |
| Infrastructure ▶ Bridges/Boardwalks | 223,270 | 245,970 |
| Vehicles | 283,124 | 289,384 |
| Machinery and Equipment | 114,109 | 125,581 |
| Computers and IT Equipment | 121,773 | 92,074 |
| Office and Audio Visual Equipment | 46,518 | 40,556 |
| Assets Under Construction | 1,527,265 | 1,436,339 |
| | 11,205,350 | 11,340,356 |

Rideau Valley Conservation Authority Notes to the Financial Statements

December 31, 2018

17. Budget Amounts

The 2018 budget amounts that were approved on March 23, 2018 are unaudited.

The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

| | Approved Budget | Actual |
|---|--------------------|-------------|
| | \$ | \$ |
| Surplus for the Year Per Statement of Operations | 746,329 | 1,061,379 |
| Assets Capitalized as TCA | (795,000) | (243,866) |
| Gain on Disposal of Tangible Capital Assets | --- | (4,447) |
| Amortization | 370,314 | 370,448 |
| Proceeds on Disposal of Tangible Capital Assets | --- | 12,871 |
| Repayment of Obligation Under Capital Lease | (263,667) | (263,667) |
| Transfers from Reserves | 100,000 | 68,803 |
| Transfers to Reserves | (157,976) | (1,000,909) |
| Adjusted Surplus for the Year | --- | 612 |

18. Credit Facility

The Authority maintains an operating line facility with the Bank of Montreal of \$750,000 which bears interest at prime + 0.25% and is due on demand. As of December 31, 2018 no balance (2017 \$Nil) was payable under the facility.

19. Liabilities for Contaminated Sites

The Authority reports environmental liabilities related to the management and remediation of contaminated sites where the Authority is obligated or likely obligated to incur such costs. A contaminated site liability of \$Nil (2017 \$Nil) has been recorded based on environmental assessments or estimations for those sites where an assessment has not been conducted. The Authority's ongoing efforts to assess contaminated sites may result in additional environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Authority's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

**Rideau Valley Conservation Authority
Notes to the Financial Statements**

December 31, 2018

20. Segmented Disclosures

| | Watershed Sciences & Engineering Services | Planning Advisory & Regulatory Services | Stewardship Services | Conservation Land Management Services | Corporate Services & Internal Recoveries | Grand Total |
|--|--|--|-------------------------|--|---|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | | |
| Levies | 2,533,942 | 784,050 | 879,951 | 860,381 | 1,415,194 | 6,473,518 |
| Recovery | | | | | | |
| – production centre | --- | --- | 73,787 | --- | --- | 73,787 |
| User fees, program revenues & other | 1,137,239 | 1,395,470 | 753,123 | 314,517 | 141,184 | 3,741,533 |
| Donations | 36,171 | --- | 145,202 | 18,482 | --- | 199,855 |
| | 3,707,352 | 2,179,520 | 1,852,063 | 1,193,380 | 1,556,378 | 10,488,693 |
| Expenditures | | | | | | |
| Compensation | 1,768,146 | 1,466,551 | 795,129 | 670,756 | 1,003,303 | 5,703,885 |
| Other operating expenses | 1,401,020 | 95,407 | 690,103 | 234,238 | 887,295 | 3,308,063 |
| Amortization | 51,143 | 2,736 | 2,667 | 50,898 | 263,003 | 370,447 |
| Internal charge | | | | | | |
| – common costs | 247,610 | 230,803 | 133,087 | 85,431 | 159,882 | 856,813 |
| Internal charge | | | | | | |
| – vehicles & equipment | 49,761 | 59,587 | 32,562 | 72,931 | 19,140 | 233,981 |
| Recovery – common costs | --- | --- | --- | --- | (810,599) | (810,599) |
| Recovery | | | | | | |
| – vehicle & equipment | (3,488) | --- | --- | --- | (231,787) | (235,275) |
| | 3,514,192 | 1,855,084 | 1,653,548 | 1,114,254 | 1,290,237 | 9,427,315 |
| Net Surplus | 193,160 | 324,436 | 198,515 | 79,126 | 266,141 | 1,061,378 |

21. Comparative Information

Some reclassification of accounts was necessary to conform to this year's presentation.

**Rideau Valley Conservation Authority
Continuity of Reserves ▶ Schedule 1**

| For the year ended December 31 | 2018 | 2017 |
|--|-----------|-----------|
| | \$ | \$ |
| Net Transfers From / (To) Other Funds | | |
| Transfers from operations | 932,105 | 340,433 |
| Total Net Transfers Approved By Board | 932,105 | 340,433 |
| | | |
| Reserves and Reserve Fund Balances, Change in Year | 932,105 | 340,433 |
| Reserves and Reserve Fund Balances, Beginning of Year | 2,197,184 | 1,856,751 |
| Reserves and Reserve Fund Balances, End of Year | 3,129,289 | 2,197,184 |

Composition of Reserves

| For the year ended December 31 | 2018 | 2017 |
|-------------------------------------|-----------|-----------|
| | \$ | \$ |
| Reserves | | |
| Capital Reserves | 707,111 | 506,005 |
| Building Life Cycle Reserve | 728,895 | 658,895 |
| Working Fund Reserve | 555,000 | 355,000 |
| Program Reserves ▶ Stewardship | 122,555 | 45,342 |
| ▶ Part VIII Program | 224,493 | 89,786 |
| ▶ LRC Production Centre | 100,800 | 90,799 |
| ▶ ORWC | 107,463 | 96,383 |
| ▶ Conservation Lands | 91,443 | 91,443 |
| ▶ Planning and Regulations | 333,015 | 183,017 |
| ▶ Watershed Science and Engineering | 67,500 | 17,500 |
| ▶ Corporate Communications | 90,491 | 62,491 |
| ▶ Part IV | 523 | 523 |
| Total Reserves | 3,129,289 | 2,197,184 |

Rideau Valley Conservation Authority Program Revenues ▶ Schedule 2

| For the year ended December 31 | (Note 17) (unaudited) Budget | 2018 | 2017 |
|--|------------------------------------|------------------|-----------|
| | \$ | \$ | \$ |
| Watershed Sciences and Engineering Services | | | |
| Surface Water Quality Monitoring | 8,300 | 113,001 | 10,333 |
| Hydrometric Monitoring and Forecasting | --- | 8,000 | 3,219 |
| Flood Erosion and Drought Studies | 123,930 | 125,015 | 52,243 |
| Ground Water Monitoring | 140,000 | 141,144 | 98,160 |
| Aquatic and Terrestrial Habitat Monitoring | 130,250 | 82,513 | 50,948 |
| Water Control Operations | --- | 2,812 | --- |
| | 402,480 | 472,485 | 214,903 |
| Planning Advisory and Regulatory Services | | | |
| Plan Review | 335,000 | 369,038 | 348,636 |
| Section 28 Conservation Authorities Act | 227,000 | 295,273 | 232,668 |
| Septic Re-Inspection Program | 6,743 | 19,854 | 23,246 |
| Part VIII Building Code Act | 488,539 | 678,707 | 536,671 |
| Part IV Clean Water Act | 19,316 | 20,599 | 8,026 |
| | 1,076,598 | 1,383,471 | 1,149,247 |
| Stewardship Services | | | |
| Landowner Resource Centre | --- | 538 | 645 |
| Landowner Resource Centre ▶ Production Centre | 47,000 | 73,787 | 105,350 |
| Private Land Forestry | 573,648 | 598,546 | 618,115 |
| Clean Water Program | 205,825 | 138,043 | 135,012 |
| Other | 165,419 | 161,198 | 244,701 |
| | 991,892 | 972,112 | 1,103,823 |
| Conservation Land Management Services | | | |
| Program Management and Land Donations | 13,000 | 4,207 | 9,183 |
| Baxter | 142,700 | 161,813 | 157,922 |
| Foley Mountain | 80,254 | 88,711 | 67,813 |
| Other Developed Conservation Areas | 59,000 | 40,259 | 65,508 |
| Other Conservation Areas | 15,000 | 3,766 | 12,639 |
| Lease and Management Agreements | 31,000 | 34,243 | 32,540 |
| | 340,954 | 332,999 | 345,605 |
| Corporate Services | | | |
| Administration and Finance | 40,000 | 107,433 | 65,908 |
| Communications | 1,800 | 3,251 | 3,900 |
| | 41,800 | 110,684 | 69,808 |
| Net Program Revenues | 2,853,723 | 3,271,751 | 2,883,386 |

**Rideau Valley Conservation Authority
Program Expenditures ▶ Schedule 3**

| For the year ended December 31 | (Note 17) (unaudited) Budget | 2018 | 2017 |
|--|------------------------------------|------------------|-----------|
| | \$ | \$ | \$ |
| Watershed Sciences and Engineering Services | | | |
| Program Management | 114,669 | 177,164 | 112,869 |
| Watershed Report Cards | 185,187 | 203,429 | 181,192 |
| Drinking Water Source Protection (note 13) | 172,902 | 201,874 | 171,740 |
| Surface Water Quality Monitoring | 270,686 | 320,871 | 262,568 |
| Hydrometric Monitoring and Forecasting | 243,039 | 224,025 | 253,305 |
| Flood, Erosion and Drought Studies | 355,564 | 321,262 | 256,684 |
| Groundwater Monitoring | 283,174 | 236,311 | 226,474 |
| Aquatic and Terrestrial Habitat Monitoring | 471,225 | 405,973 | 411,417 |
| Watershed Information System | 200,789 | 185,061 | 178,248 |
| Water Control Infrastructure ▶ operations | 41,817 | 89,574 | 112,676 |
| ▶ capital maintenance | 10,000 | 204,491 | 142,042 |
| Rideau River Ice Management | 691,170 | 893,014 | 716,628 |
| Amortization | 46,900 | 51,143 | 50,605 |
| | 3,087,122 | 3,514,192 | 3,076,448 |
| Planning Advisory and Regulatory Services | | | |
| Program Management | 115,733 | 92,283 | 72,253 |
| Plan Review | 713,874 | 580,356 | 654,928 |
| Section 28 Conservation Authorities Act | 527,155 | 595,153 | 526,470 |
| Part IV Clean Water Act | 6,743 | 20,599 | 9,342 |
| Part VIII Building Code Act | 488,540 | 544,000 | 483,343 |
| Septic Re inspection Program | 19,315 | 19,957 | 23,807 |
| Amortization | 2,600 | 2,736 | 2,736 |
| | 1,873,960 | 1,855,084 | 1,772,879 |
| Stewardship Services | | | |
| Program Management | 143,512 | 139,711 | 131,162 |
| Landowner Resource Centre | | | |
| ▶ Storefront | 176,912 | 159,592 | 185,181 |
| ▶ Production Centre | 80,757 | 84,367 | 105,641 |
| Private Land Forestry | 708,536 | 595,476 | 726,254 |
| Clean Water Program | 440,344 | 372,234 | 360,034 |
| Shoreline Stewardship Program | 250,003 | 202,070 | 327,548 |
| Other | 71,550 | 97,431 | 73,610 |
| Amortization | 2,525 | 2,667 | 2,667 |
| | 1,874,139 | 1,653,548 | 1,912,097 |

**Rideau Valley Conservation Authority
Program Expenditures ▶ Schedule 3**

| For the year ended December 31 | (Note 17) (unaudited) Budget | 2018 | 2017 |
|--|------------------------------------|------------------|-----------|
| | \$ | \$ | \$ |
| Conservation Land Management Services | | | |
| Program Management and Land Donations | 102,241 | 61,620 | 56,877 |
| Baxter Conservation Area | 312,106 | 309,759 | 328,053 |
| Foley Mountain Conservation Area | 272,803 | 265,735 | 238,002 |
| Other Developed Conservation Areas | 241,735 | 204,099 | 215,301 |
| Other Conservation Lands | 194,415 | 188,778 | 126,808 |
| Lease and Management Agreements | 31,000 | 33,365 | 31,445 |
| Amortization | 48,675 | 50,898 | 51,448 |
| | 1,202,975 | 1,114,254 | 1,047,934 |
| Corporate Services | | | |
| Management and Members | 290,499 | 265,241 | 272,003 |
| Finance and Administration | 385,810 | 433,946 | 394,212 |
| Communications | 197,803 | 150,842 | 163,468 |
| Foundation | 84,943 | 77,111 | 99,207 |
| Headquarter Lease and Maintenance | 259,964 | 189,965 | 203,551 |
| | 1,219,019 | 1,117,105 | 1,132,441 |
| Internal Cost ▶ Expenditures (Recoveries) | | | |
| Gain on Disposal | --- | (4,447) | (10,679) |
| Common Cost | (13,694) | (1,537) | 5,282 |
| Vehicles and Equipment | (67,476) | (104,921) | (97,274) |
| Amortization | 269,614 | 263,003 | 270,301 |
| | 188,444 | 152,098 | 167,630 |
| Total Corporate Services | 1,407,463 | 1,269,203 | 1,300,071 |
| Net Program Expenditures | 9,445,659 | 9,406,281 | 9,109,429 |