

OTONABEE REGION CONSERVATION AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

**To the Members of
Otonabee Region Conservation Authority**

Opinion

I have audited the accompanying financial statements of **Otonabee Region Conservation Authority** (the Authority) which comprise the statement of financial position as at December 31, 2018, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Otonabee Region Conservation Authority as at December 31, 2018, and the results of its operations and its changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I have conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my auditor's report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statement. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 of the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

**Peterborough, Ontario
June 7, 2019**

garland-hickey
**Chartered Professional Accountant
Licensed Public Accountant**

OTONABEE REGION CONSERVATION AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash and cash equivalents	\$ 339,867	\$ 497,468
Marketable investments (fair market value \$nil - 2018, \$705,915 - 2017) (Note 2)	-	705,915
Accounts receivable (Note 3)	<u>817,236</u>	<u>344,193</u>
	<u>1,157,103</u>	<u>1,547,576</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	1,273,360	565,435
Due to Otonabee Region Conservation Foundation (Note 4)	-	55,509
Deferred revenue (Note 8)	85,290	218,592
Long-term debt (Note 9)	<u>63,156</u>	<u>76,393</u>
	<u>1,421,806</u>	<u>915,929</u>
Net Financial Assets	<u>(264,703)</u>	<u>631,647</u>
Non-Financial Assets		
Tangible capital assets (Note 10)	8,699,327	5,447,407
Prepaid expenses	<u>31,209</u>	<u>31,244</u>
	<u>8,730,536</u>	<u>5,478,651</u>
Accumulated Surplus (Note 11)	<u>\$ 8,465,833</u>	<u>\$ 6,110,298</u>

Commitments and Contingencies (Notes 12 and 13)

OTONABEE REGION CONSERVATION AUTHORITY
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018		2017
	<u>Actual</u>	<u>Budget</u> (Note 14)	<u>Actual</u>
Revenues			
General municipal levy - operating	\$ 1,090,034	\$ 1,090,034	\$ 1,059,876
General municipal levy - capital projects	100,000	100,000	100,000
Special municipal levies	569,125	535,600	153,307
Provincial grant - operations	179,660	179,660	179,660
Provincial grant - other	1,918,359	2,218,250	373,507
Federal grant	-	-	1,560
Employment grants	43,195	24,300	23,315
Grants - other	234,595	313,200	72,403
Otonabee Region Conservation Foundation (Note 4)	45,203	19,400	21,361
Authority Generated:			
Planning and regulation fees	291,463	264,000	329,932
User fees and other income	747,630	887,475	823,135
Investment income	1,565	2,500	3,953
Donations and Donations-in-kind	3,728	-	2,998
	<u>5,224,557</u>	<u>5,634,419</u>	<u>3,145,007</u>
Expenses (Note 17)			
Plan Review & Permitting Services	858,037	958,340	651,648
Watershed Management Program	561,996	589,790	549,462
Conservation Lands Program	779,122	747,779	777,651
Corporate Services	652,680	612,660	654,785
Capital Projects	17,187	-	17,223
	<u>2,869,022</u>	<u>2,908,569</u>	<u>2,650,769</u>
Annual Surplus	2,355,535	\$ <u>2,725,850</u>	494,238
Accumulated Surplus - beginning of year	<u>6,110,298</u>		<u>5,616,060</u>
Accumulated Surplus - end of year	<u>\$ 8,465,833</u>		<u>\$ 6,110,298</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OTONABEE REGION CONSERVATION AUTHORITY
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>		<u>2017</u>
	<u>Actual</u>	<u>Budget</u> (Note 14)	
Annual Surplus	\$ 2,355,535	\$ 2,725,850	\$ 494,238
Amortization of tangible capital assets	99,802	-	87,374
Change in prepaid expenses	35	-	(9,159)
Disposal of tangible capital assets	23,784	-	40,008
Acquisition of tangible capital assets	<u>(3,375,506)</u>	<u>(3,631,500)</u>	<u>(585,352)</u>
Increase (Decrease) In Net Financial Assets	(896,350)	(905,650)	27,109
Net Financial Assets - beginning of year	<u>631,647</u>	<u>631,647</u>	<u>604,538</u>
Net Financial Assets - end of year	<u>\$ (264,703)</u>	<u>\$ (274,003)</u>	<u>\$ 631,647</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OTONABEE REGION CONSERVATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating Transactions		
Annual surplus	\$ 2,355,535	\$ 494,238
Non-cash charges to operations		
Amortization	99,802	87,374
Loss (gain) on sale/impairment of tangible capital assets	-	40,008
Changes in non-cash working capital balances related to operations		
Accounts receivable	(473,043)	(69,289)
Due from / to Otonabee Region Conservation Foundation	(55,509)	58,190
Prepaid expenses	35	(9,159)
Deferred revenue	(133,302)	122,491
Accounts payable	<u>707,925</u>	<u>72,790</u>
Cash Provided By Operations	<u>2,501,443</u>	<u>796,643</u>
Capital Transactions		
Proceeds on capital asset disposal	23,784	-
Purchase of tangible capital assets	<u>(3,375,506)</u>	<u>(585,352)</u>
	<u>(3,351,722)</u>	<u>(585,352)</u>
Investment Transactions		
Investments - drawdowns (purchases) - net	<u>705,915</u>	<u>(200,777)</u>
Financing Transactions		
Capital lease	-	10,554
Debt repayment	<u>(13,237)</u>	<u>(11,742)</u>
	<u>(13,237)</u>	<u>(1,188)</u>
Increase (Decrease) In Cash During The Year	(157,601)	9,326
Cash and Cash Equivalents - beginning of year	<u>497,468</u>	<u>488,142</u>
Cash and Cash Equivalents - end of year	<u>\$ 339,867</u>	<u>\$ 497,468</u>
 Represented By:		
Cash and cash equivalents	<u>\$ 339,867</u>	<u>\$ 497,468</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**OTONABEE REGION CONSERVATION AUTHORITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management Responsibility

The financial statements of the Otonabee Region Conservation Authority (ORCA) are prepared by management in accordance with Canadian generally accepted accounting principles for organizations operating in the local government sector as recommended by the Chartered Professional Accountants (CPA) Canada Public Sector Accounting Handbook and as established by the Public Sector Accounting Board. The significant accounting policies are summarized as follows:

Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Accrual accounting recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Revenue Recognition

General municipal levies - operating - recognized as revenue when the amounts are levied on the municipalities
 General municipal levies - capital - recognized as revenue in the year in which the related expenses are incurred
 Government grants and special levies related to operations - recognized as revenue in the year in which the related expenses are incurred
 Government transfers - recognized in the financial statement 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 amount can be made. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.
 Unrestricted donations - recorded as income in the period they are received
 Externally restricted donations - are deferred and recognized as revenue in the year in which the related expenses are recognized
 Revenue from employment programs - recognized in the same period as the related expenditure
 Other grants - recognized as revenue in the year in which the related expenses are incurred provided their collectability is reasonably assured
 Investment income - recognized when earned
 Planning and regulation fees - recognized as revenue when they are received
 User charges and other fees - recognized as revenue when the price is fixed or determinable, collectability is reasonably assured and the related services are provided to customers.

Classification of Expenses

Expenses are reported in five main categories based on the type of services provided:

Plan Review & Permitting Services - includes activities related to reviewing official plans, zoning bylaws, development plans and other planning proposal, issuance of permits, flood plain mapping, technical reviews and other related services

Watershed Management Program - includes activities related to water quality and quantity monitoring programs, special research and technical studies, stewardship activities, deliver of water safety and other water related education programs, provision of the Risk Management Office to ensure compliance with the Clean Water Act, operation of the Flood Forecasting and Warning system

Conservation Lands Program - includes activities related to the operation and maintenance of several free-use conservation areas and two large seasonal Campgrounds, stewardship and management of 10,300 acres of land owned by the Authority, operate and maintain and ensure the safe working order of water and ice control structures, implementation of public safety measures

Corporate Services - includes support to staff, management and Board of Directors, financial and management accounting, creation and monitoring of budgets, sales, purchases, payroll, human resources, IT, GIS, vehicle, equipment and facility management, provision of communication and marketing services

Capital Projects - includes the acquisitions of tangible capital assets, and special projects carried out on behalf of members and other related services

**OTONABEE REGION CONSERVATION AUTHORITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash and Cash Equivalents

The Authority considers cash, deposits in banks, certificates of deposit and short-term investments with original maturities of 90 days or less, and bank overdrafts repayable on demand as cash and cash equivalents.

Marketable Securities

Marketable securities consist of Guaranteed Investment Certificates. These investments are carried at cost and include accrued interest.

Deferred Revenue

The Authority receives certain amounts principally from other public sector bodies, the proceeds of which may only be used in the completion of specific work or for specific programs. In addition, some user charges and fees are collected in advance for services that have not been performed by year end. When revenue is received in advance of the related expenses the appropriate portion will be deferred and not recognized as revenue until the related expenses are incurred or services are performed.

Non-financial Assets

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 in revenues over expenses, provides the consolidated change in net financial assets during the year.

a) Tangible Capital Assets

Tangible capital assets, in excess of the capitalization thresholds, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. Tangible capital assets, except land, are amortized on a straight-line basis over the estimated useful lives as follows:

	Estimated Useful Life	Capitalization Threshold
Building and building improvements	40 years	\$ 5,000
Land improvements	40 years	5,000
Infrastructure - Dams	80 years	5,000
Infrastructure - Other	40 years	5,000
Machinery and equipment	7 years	1,000
Vehicles	7 years	1,000
Furniture and fixtures	5 years	1,000
Computers	3 years	1,000

Annual amortization is charged in the year of acquisition.

Capital works in progress are assets under construction and are not amortized. They are transferred to another category when they are available for productive use.

When a tangible capital asset is no longer able to contribute to the Authority's ability to provide services or the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital assets is reduced to reflect the asset's remaining value.

Works of art and cultural and historic assets are not recorded as tangible capital assets.

b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, when fair value can be reasonably determined, and are also recorded as revenue. When a fair value cannot be determined, the tangible capital asset is recorded at a nominal value.

**OTONABEE REGION CONSERVATION AUTHORITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Non-financial Assets (continued)

c) 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.

d) Prepaid expenses

Prepaid expenses are recorded at cost and are charged to expense over the periods expected to benefit from it.

e) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Vehicles and Equipment

The Authority operates a pool of vehicles and equipment. Internal charges for the use of the vehicles and equipment are made to various projects and programs based on an hourly, per item or distance traveled rate, which is designed to recover the costs of operating the pool including the replacement of equipment. These internal charges are included in the appropriate expense classifications.

Reserves

The Authority has established a number of reserves by appropriating amounts to earmark them for specific future purposes.

The intended purposes of the individual reserves are as follows:

- capital reserve - for the initial purchase, repair and / or replacement of tangible capital assets
- general reserve - for the payment of unanticipated operating expenditures and legal fees, the payment of significant amounts of short-term sick credits, to offset significant shortfalls in non-levy revenue sources, etc.
- gravel pit rehabilitation reserve - is to provide for the rehabilitation of the ORCA owned gravel pit upon the closure of the site and the cancellation of the licence issued under the Aggregates Resources Act.
- proceeds from disposition of lands reserve - is monies derived from the sale of lands that is subject to specific obligations as directed from the province, amounts held in this reserve will be subject to annual increases at a rate equivalent to current interest rates

All increases or decreases in any of the reserves must be authorized and approved by the Board of Directors.

Financial Instruments

The Authority classifies its financial instruments as either fair value or amortized cost.

Cash and cash equivalents, marketable investments, bank indebtedness and derivatives are initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, at which time they are transferred to the statement of operations. Transaction costs related to financial instruments measured at fair value are expensed as incurred. Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from the accumulated remeasurement gains and losses and is recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and is recognized in the statement of operations.

Accounts receivable, due from Otonabee Regional Conservation Foundation, accounts payable and accrued liabilities and long term debt are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value. Transaction costs related to these financial instruments are added to the carrying value of the instrument. Write downs on these financial assets are recognized when the amount of the loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

**OTONABEE REGION CONSERVATION AUTHORITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Contributed Services

Certain services have been contributed by volunteers to assist the Authority in carrying out its activities. Since these services are not normally purchased by the Authority and because of the difficulty of determining their value, contributed services are not recognized in these financial statements.

Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies are converted to Canadian dollars at the foreign exchange rate prevailing at the year end date. Other foreign currency transactions are converted to Canadian dollars at the foreign exchange rate in effect at the time the transaction occurred.

Contaminated Sites

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material of live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries when all five of the following criteria are met:

- an environmental standard exists
- contamination exceeds the environmental standard
- the Authority is directly responsible or accepts responsibility for the liability
- future economics benefits will be given up
- a reasonable estimate of the liability can be made

Changes in this estimate are recorded in the statement of operations and accumulated surplus.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Areas where estimations are used include accrued receivables, allowance for doubtful accounts, accrued liabilities, deferred revenue, and useful life of tangible capital assets.

Accounting standards and amendments issued but not yet effective

The Authority is currently evaluating the impact of the changes, if any, to its financial statements of the following accounting standards which are not currently in effect:

	Effective for periods beginning on or after	
PS 3430 - Restructuring Transactions	April 1, 2018	
PS 1201 - Financial Statement Presentation	April 1, 2021	where PS 2601 and PS 3450 are adopted
PS 2601 - Foreign Currency Translation	April 1, 2021	
PS 3041 - Portfolio Investments	April 1, 2021	where PS 1201, PS 2601 and PS 3450 are adopted
PS 3280 - Asset Retirement Obligations	April 1, 2021	
PS 3450 - Financial Instruments	April 1, 2021	
PS 3400 - Revenue	April 1, 2022	

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Nature of the Organization

The Otonabee Region Conservation Authority is a corporate body established in 1959 under the Conservation Authorities Act of Ontario to manage renewable resources on a watershed basis in concert with its eight member municipalities and the province. The watersheds include area in the Municipalities of Asphodel-Norwood, Cavan Monaghan, Douro-Dummer, Otonabee South Monaghan, Selwyn and Trent Hills and the Cities of Peterborough and Kawartha Lakes.

The Authority is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. Marketable Securities

Marketable securities held at year end are \$nil. In the prior year they consisted of Guaranteed Investment Certificates with interest rates of .80% -.85% and all matured in 2018.

3. Accounts Receivable

Accounts receivable consists of the following:

	<u>2018</u>	<u>2017</u>
Municipal	\$ 267,333	\$ 139,508
Federal	3,537	6,054
Provincial	365,115	95,253
HST rebates - federal and provincial	104,357	31,616
Other	<u>76,894</u>	<u>71,762</u>
	<u>\$ 817,236</u>	<u>\$ 344,193</u>

4. Affiliated Organization

The Authority was affiliated with the Otonabee Region Conservation Foundation (ORCF). The Foundation was an independent organization and a Registered Charity which had its own Board of Directors. The Authority's financial statements do not include the activities of the Foundation.

The Foundation shared office space and support functions with the Authority for which there was no compensation. The Foundation made annual contributions to the conservation projects of the Authority. The Foundation held an endowment of funds. A portion of the interest on these funds was transferred to the Authority annually as a contribution for purposes related to the Authority and management of land.

	<u>2018</u>	<u>2017</u>
Received during the year from ORCF as support for projects		
Corporate Services - donation of remaining funds	\$ 10,800	\$ -
Environmental & Technical Services - projects	5,269	-
Young's Point CA	<u>29,134</u>	<u>21,361</u>
	<u>\$ 45,203</u>	<u>\$ 21,361</u>
Expenses paid on behalf of ORCF during the year	<u>\$ 35,001</u>	<u>\$ 2,863</u>
Amount owing from (owing to) ORCF end of year	<u>\$ -</u>	<u>\$ (55,509)</u>

The Foundation surrendered its Charter for Dissolution effective December 14, 2018.

5. Bank Indebtedness

Bank indebtedness to a limit of \$1,000,000 is approved by the Board and is in accordance with section 3(5) of the Conservation Authority Act RSO 1990.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	<u>2018</u>	<u>2017</u>
Accounts payable and accrued liabilities	\$ 940,978	\$ 253,291
Salaries and benefits payable	38,919	43,259
Employee future benefits (Note 7)	248,677	228,677
Due to governments	<u>44,786</u>	<u>40,208</u>
	<u>\$ 1,273,360</u>	<u>\$ 565,435</u>

7. Employee Future Benefits

The Authority makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of full-time members of staff and eligible part-time staff.

The plan is a defined benefit pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute equally to the plan.

Since OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are the joint responsibility of all the Ontario municipal organizations and their employees. The Authority does not recognize any share of the OMERS pension surplus or deficit at this time, as their portion is not determinable.

The latest available report for the OMERS plan (December 31, 2018) indicates that there are approximately 496,000 active and retired members and nearly 1,000 participating employers. The OMERS plan has reported a \$4.2 billion actuarial funding deficit at the end of 2018 (\$5.4 billion at the end of 2017), represented by net actuarial assets of \$94.9 billion (\$88.2 billion - 2017) and pension obligations of \$99.1 billion (\$93.6 billion - 2017). It is currently 96% funded (94% funded in 2017) and is expected to be fully funded by 2025.

The amount contributed to OMERS for 2018 was \$121,276 (2017 - \$109,523) for current service and is included as an expense on the Statement of Operations. Ongoing adequacy of current contribution rates are regularly monitored and may lead to increased future funding requirements.

The Authority is committed to provide limited future health benefits for employees with more than ten years of service who retire after age of 55. The retired employees are eligible for benefits for a maximum of five years after retirement, or the age 65, whichever occurs first. Additionally, employees accrue sick days which may be paid out at a future date. Sick day accumulations are not paid out when employees leave or retire nor can they be converted to cash. Long term disability entitlement begins after 85 days of continual sick leave. An estimated liability of \$248,677 (\$228,677 in 2017) has been set up in accounts payable and accrued liabilities based on the current benefit rates for those employees eligible for these coverages. The liability represents management's best estimate as to the future liability.

8. Deferred Revenue

Deferred revenue consists of the following:

	<u>Balance</u> <u>01/01/2018</u>	<u>2018</u> <u>Receipts</u>	<u>2018</u> <u>Revenue</u>	<u>Balance</u> <u>31/12/2018</u>
Capital projects levy	\$ -	\$ 100,000	\$ 100,000	\$ -
Provincial grant - water and erosion control	8,899	135,389	126,077	18,211
Provincial grant - source water protection	8,354	59,381	53,588	14,147
Other grants (less than \$10,000 each)	11,894	11,180	6,174	16,900
Municipal NDMP Contributions	-	96,120	60,088	36,032
Special Levy	189,445	379,680	569,125	-
	<u>\$ 218,592</u>	<u>\$ 781,750</u>	<u>\$ 915,052</u>	<u>\$ 85,290</u>

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

9. Long-term Debt

Long-term Debt is comprised of the following:

	<u>2018</u>	<u>2017</u>
Promissory Note payable to the Greater Peterborough Business Development Centre Inc., due on demand, interest calculated at prime (now 6%), repayable in blended monthly principal and interest payments of \$1,093, secured by a first mortgage on the property located at 250 Milroy Drive, Peterborough ON which has a carrying value of \$203,419 used for the construction of the Warsaw Caves Comfort Station	\$ 56,563	\$ 65,976
Equipment Capital Lease payable to Dell Financial Services Canada, interest at 0%, repayable in 36 payments of \$288, 23 payments remaining, secured by a computer server which has a carrying value of \$5,738	<u>6,593</u>	<u>10,417</u>
	<u>\$ 63,156</u>	<u>\$ 76,393</u>

Principal repayments are due as follows:

	Debt	Capital Lease	Total
2019	\$ 56,563	\$ 3,456	\$ 60,019
2020	<u>-</u>	<u>3,137</u>	<u>3,137</u>
	<u>\$ 56,563</u>	<u>\$ 6,593</u>	<u>\$ 63,156</u>

10. Tangible Capital Assets

Tangible Capital Assets consist of the following:

	Balance <u>01/01/2018</u>	Additions / transfers <u>during 2018</u>	Disposals <u>during 2018</u>	Balance <u>31/12/2018</u>
Cost				
Land	\$ 3,036,614	\$ 2	\$ -	\$ 3,036,616
Building and building improvements	958,169	9,772	-	967,941
Infrastructure	1,587,127	211,098	-	1,798,225
Machinery and equipment	202,031	32,500	-	234,531
Vehicles	164,412	50,170	53,054	161,528
Furniture and fixtures	25,861	-	-	25,861
Computers	<u>34,244</u>	<u>7,278</u>	<u>-</u>	<u>41,522</u>
	6,008,458	310,820	53,054	6,266,224
Capital works in progress	<u>654,190</u>	<u>3,064,686</u>	<u>-</u>	<u>3,718,876</u>
	<u>\$ 6,662,648</u>	<u>\$ 3,375,506</u>	<u>\$ 53,054</u>	<u>\$ 9,985,100</u>
Accumulated Amortization				
Land	\$ -	\$ -	\$ -	\$ -
Building and building improvements	297,598	24,199	-	321,797
Infrastructure	635,721	27,218	-	662,939
Machinery and equipment	140,913	17,907	-	158,820
Vehicles	96,732	20,676	29,270	88,138
Furniture and fixtures	22,048	1,097	-	23,145
Computers	<u>22,229</u>	<u>8,705</u>	<u>-</u>	<u>30,934</u>
	<u>\$ 1,215,241</u>	<u>\$ 99,802</u>	<u>\$ 29,270</u>	<u>\$ 1,285,773</u>

OTONABEE REGION CONSERVATION AUTHORITY
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FOR THE YEAR ENDED DECEMBER 31, 2018

10. Tangible Capital Assets (continued)

	<u>Balance</u> <u>31/12/2018</u>	<u>Balance</u> <u>31/12/2017</u>
Net Book Value of Tangible Capital Assets		
Land	\$ 3,036,616	\$ 3,036,614
Building and building improvements	646,144	660,571
Infrastructure	1,135,286	951,406
Machinery and equipment	75,711	61,118
Vehicles	73,390	67,680
Furniture and fixtures	2,716	3,813
Computers	<u>10,588</u>	<u>12,015</u>
	4,980,451	4,793,217
Capital works in progress	<u>3,718,876</u>	<u>654,190</u>
	<u>\$ 8,699,327</u>	<u>\$ 5,447,407</u>

	<u>Balance</u> <u>01/01/2017</u>	<u>Additions</u> <u>/ transfers</u> <u>during 2017</u>	<u>Disposals</u> <u>during 2017</u>	<u>Balance</u> <u>31/12/2017</u>
Cost				
Land	\$ 3,036,614	\$ -	\$ -	\$ 3,036,614
Building and building improvements	958,169	-	-	958,169
Infrastructure	1,583,880	90,162	86,915	1,587,127
Machinery and equipment	204,842	32,095	34,906	202,031
Vehicles	141,999	22,413	-	164,412
Furniture and fixtures	23,255	2,606	-	25,861
Computers	<u>23,758</u>	<u>17,213</u>	<u>6,727</u>	<u>34,244</u>
	5,972,517	164,489	128,548	6,008,458
Capital works in progress	<u>233,327</u>	<u>420,863</u>	<u>-</u>	<u>654,190</u>
	<u>\$ 6,205,844</u>	<u>\$ 585,352</u>	<u>\$ 128,548</u>	<u>\$ 6,662,648</u>

	<u>Balance</u> <u>01/01/2017</u>	<u>Amortization</u>	<u>Accum Amort</u> <u>on disposals</u>	<u>Balance</u> <u>31/12/2017</u>
Accumulated Amortization				
Land	\$ -	\$ -	\$ -	\$ -
Building and building improvements	273,644	23,954	-	297,598
Infrastructure	661,208	22,050	47,537	635,721
Machinery and equipment	158,873	16,316	34,276	140,913
Vehicles	79,746	16,986	-	96,732
Furniture and fixtures	20,598	1,450	-	22,048
Computers	<u>22,338</u>	<u>6,618</u>	<u>6,727</u>	<u>22,229</u>
	<u>\$ 1,216,407</u>	<u>\$ 87,374</u>	<u>\$ 88,540</u>	<u>\$ 1,215,241</u>

During the year the Authority wrote off fully amortized tangible capital assets of \$53,054 resulting in a net loss of \$nil.

OTONABEE REGION CONSERVATION AUTHORITY
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10. Tangible Capital Assets (continued)

Many of the Authority's land holdings were acquired, through purchase and/or donation, to be maintained in a natural state for conservation and recreational purposes, subject to conditions restricting the ability to sell or otherwise dispose of them and limiting the amount that the Authority would be able to retain in the event of their sale.

11. Accumulated Surplus

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

	<u>Balance</u> <u>01/01/2018</u>	<u>2018</u> <u>Surplus</u> <u>(Deficit)</u>	<u>Appropriated</u> <u>from (to)</u> <u>reserves</u>	<u>Balance</u> <u>31/12/2018</u>
Surplus				
Other	\$ 34,272	\$ 2,455,337	\$ (3,095,209)	\$ (605,600)
Invested in tangible capital assets	<u>5,371,014</u>	<u>(99,802)</u>	<u>3,364,959</u>	<u>8,636,171</u>
	<u>5,405,286</u>	<u>2,355,535</u>	<u>269,750</u>	<u>8,030,571</u>
			<u>Appropriated</u> <u>from (to)</u> <u>general</u>	
Reserves				
Capital reserve	171,111	-	(169,750)	1,361
General reserve	403,849	-	(100,000)	303,849
Gravel pit rehabilitation reserve	28,223	-	-	28,223
Proceeds from disposition of land reserve	<u>101,829</u>	<u>-</u>	<u>-</u>	<u>101,829</u>
Total Reserves	<u>705,012</u>	<u>-</u>	<u>(269,750)</u>	<u>435,262</u>
Accumulated surplus	<u>\$ 6,110,298</u>	<u>\$ 2,355,535</u>	<u>\$ -</u>	<u>\$ 8,465,833</u>

12. Commitments

The Authority is committed to total annual lease payments on equipment as follows:

2019	\$ 8,548
2020	4,329
2021	-

The Authority generally enters into contracts for the construction of large infrastructure type projects. The Millbrook Dam project should be completed in 2019. Additional costs expected are less than \$200,000.

13. Contingencies

The Authority owns a number of water control structures. Provincial Dam Safety Legislation requires dam safety assessments which may identify deficiencies that will require future remediation. The Authority recognizes that liabilities may arise due to certain contract and labour relations matters that are outstanding at year end, in the normal course of business. It is management's opinion that the Authority's insurance coverage will adequately cover any potential liabilities arising from these matters.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

14. Budget Figures

The budget figures reflect the final budget as approved by the Board of Directors at a meeting on December 14, 2017. These figures are unaudited.

The 2018 budget amounts approved by the Authority's Board was not prepared on a basis consistent with that used to report actual results under the Canadian Public Sector Accounting Standards. These standards require a full accrual basis budget while this budget was prepared on a modified accrual basis. This budget expenses all tangible capital assets rather than capitalizing the assets and including amortization expenses. This budget also anticipated the use of surpluses accumulated in previous years to reduce current year expenses, the repayment of principal loan repayments and additional borrowing.

	<u>2018</u>	<u>2017</u>
Budgeted Revenues	\$ 5,634,419	\$ 3,570,220
Budgeted Expenses	<u>(2,908,569)</u>	<u>(2,610,220)</u>
Per Statement of Operations and Accumulated Surplus	2,725,850	960,000
Budgeted Tangible Capital Asset Purchases	(3,631,500)	(974,000)
Budgeted Drawdown of Reserves	269,750	17,500
Budgeted Drawdown of Capital Levy from prior years	-	10,000
Budgeted Loans	649,400	-
Budgeted Loan Repayment	<u>(13,500)</u>	<u>(13,500)</u>
	<u>\$ -</u>	<u>\$ -</u>

15. Capital Disclosures

The Authority's objective when managing capital is to safeguard the Authority's ability to continue as a going concern. The objective is dependent on the support of all levels of government and other not-for-profits through continued grants and levies. The Authority is not in a position to raise additional capital with share or debt issuance. The Authority includes in its definition of capital its cash, receivables and marketable investments. The investment policy is to invest its excess cash in interest-bearing government bonds and term deposits. To facilitate the management of its capital requirements, the Authority prepares annual revenue and expenditure budgets that are approved by the Board of Directors. There were no changes in the Authority's approach to capital management during the year.

16. Public Sector Salary Disclosure

The 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#section-0>

17. Segment Information

The Authority prepares segmented financial information on the following basis: government grants, users charges and other revenues are allocated to the specific program of service to which they relate; expenses, internal and external, are allocated to the segment to which they relate. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in the Summary of Significant Accounting Policies (page 6).

For details of Segment Information - see Schedule A and B.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

17. Segment Information (continued)

For internal financial reporting, administration provides for charges of technical services, vehicle expenses and equipment usage between segments.

	Technical Services (included in salaries and wages)	Vehicle Charges (included in vehicle costs)	Equipment Charges (included in materials and supplies)
Expenses			
Plan Review & Permitting Services	\$ 4,345	\$ 5,260	\$ 2,480
Watershed Management Program	106,910	9,820	4,505
Conservation Lands Program	43,310	11,940	5,929
Corporate Services	-	3,960	-
Capital Projects	-	-	-
	<u>\$ 154,565</u>	<u>\$ 30,980</u>	<u>\$ 12,914</u>
Included in other income	<u>\$ -</u>	<u>\$ 30,980</u>	<u>\$ 12,914</u>

18. Risk Management

The Authority is exposed to a number of financial risks in the normal course of its business operations, including market risk, interest rate risk, credit risk and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of management is to manage market risk within acceptable parameters while optimizing the return on risk.

Currency risk refers to the risk that the fair value of financial instruments of future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of the Authority is the Canadian dollar. It occasionally transacts in US dollars. The US dollar amounts are converted and recorded as Canadian dollars using the exchange rate in effect as of the date of the transaction. US dollar amounts on hand at the end of the year are converted to Canadian dollars using the exchange rate in effect as of the end of the year. This risk is minimal.

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments would fluctuate due to changes in the interest rate. Fluctuations in interest rates do not have an immediate impact on the Authority's operations, however, a prolonged decline in interest rates related to the investments of one percentage point would reduce the interest revenue by approximately \$1,500. The primary objective of the Authority with respect to its fixed income investments is to ensure the security of the principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return. A one percentage point change in interest would affect the current debt exposure by less than \$1,000.

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management has determined that the organization is not subject to any significant price risks.

Credit risk is the risk of counterparties being unable to fulfill their obligations. The Authority's main credit risk relates to its accounts receivables. The organization provides credit to its members and others in the normal course of its operations. Accounts receivable are primarily due from the member municipalities and the Province of Ontario. Credit risk is mitigated by the financial solvency of these creditors. Management has determined that credit risk is minimal. There have been no changes from the previous year in the exposure to this risk or policies, procedures and methods used to measure the risk.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

18. Risk Management (continued)

Liquidity risk is the risk that the Authority will encounter difficulties in meeting its financial liabilities when they become due. The Authority manages liquidity risk by forecasting cash flows to identify liquidity requirements, and monitoring activity levels which affect cash flow while maintaining adequate cash balances to cover daily expenses. Management has determined that this risk is minimal.

19. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule A - Segmented Information 2018

	Plan Review & Permitting Services	Watershed Management Program	Conservation Lands Program	Corporate Services	Capital Projects	Total
Revenues						
General levy - operating	\$ 257,138	\$ 155,276	\$ 123,460	\$ 554,160	\$ -	\$ 1,090,034
General levy - capital projects	-	-	-	-	100,000	100,000
Special municipal levies	-	-	-	-	569,125	569,125
Provincial grant - operations	59,700	81,015	38,945	-	-	179,660
Provincial grants - other	93,861	1,000	-	-	1,823,498	1,918,359
Federal grant	-	-	-	-	-	-
Employment grants	3,797	39,098	300	-	-	43,195
Grants - other	99,290	100,305	-	-	35,000	234,595
Otonabee Region Conservation Foundation (Note 4)	-	5,269	29,134	-	10,800	45,203
Authority Generated:						
Planning and regulation fees	291,463	-	-	-	-	291,463
User fees and other income	45,736	145,118	511,934	44,842	-	747,630
Investment income	-	-	-	1,565	-	1,565
Donations and Donations-in-kind	-	-	578	3,150	-	3,728
	850,985	527,081	704,351	603,717	2,538,423	5,224,557
Budgeted Amount - (Note 14)	899,340	563,790	747,779	597,660	2,825,850	5,634,419
Expenses						
Salaries, wages and employee benefits	655,497	412,718	505,029	390,299	-	1,963,543
Operating material and supplies	13,063	38,664	85,372	103,363	-	240,462
Utilities, communications, property taxes and insurance	18,817	10,984	58,896	27,665	-	116,362
Vehicle costs	10,246	20,517	12,071	36,542	-	79,376
Contracted services	16,652	32,150	5,157	13,184	-	67,143
Other expenses	137,394	41,262	51,294	36,871	13,531	280,352
Interest, merchant fees and bank charges	1,572	179	13,145	3,430	3,656	21,982
Amortization of tangible capital assets	4,796	5,522	48,158	41,326	-	99,802
	858,037	561,996	779,122	652,680	17,187	2,869,022
Budgeted Amount - (Note 14)	958,340	589,790	747,779	612,660	-	2,908,569
Net Surplus (Deficit)	\$ (7,052)	\$ (34,915)	\$ (74,771)	\$ (48,963)	\$ 2,521,236	\$ 2,355,535
Budgeted Amount - (Note 14)	(59,000)	(26,000)	-	(15,000)	2,825,850	2,725,850

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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Schedule B - Segmented Information 2017

	Plan Review & Permitting Services	Watershed Management Program	Conservation Lands Program	Corporate Services	Capital Projects	Total
Revenues						
General levy - operating	\$ 270,346	\$ 132,580	\$ 104,418	\$ 552,532	\$ -	\$ 1,059,876
General levy - capital projects	-	-	-	-	100,000	100,000
Special municipal levies	-	-	-	-	153,307	153,307
Provincial grant - operations	59,700	79,960	40,000	-	-	179,660
Provincial grants - other	79,510	69	-	-	293,928	373,507
Federal grant	-	1,560	-	-	-	1,560
Employment grants	-	11,447	11,868	-	-	23,315
Grants - other	-	69,603	2,800	-	-	72,403
Otonabee Region Conservation Foundation (Note 4)	-	-	21,361	-	-	21,361
Authority Generated:						
Planning and regulation fees	329,932	-	-	-	-	329,932
User fees and other income	50,824	192,393	535,297	44,621	-	823,135
Investment income	-	-	-	3,953	-	3,953
Donations and Donations-in-kind	-	2,500	48	450	-	2,998
	790,312	490,112	715,792	601,556	547,235	3,145,007
Budgeted Amount - (Note 14)	756,030	518,740	707,418	598,032	990,000	3,570,220
Expenses						
Salaries, wages and employee benefits	500,336	367,958	455,411	382,003	-	1,705,708
Operating material and supplies	12,858	56,100	91,591	116,245	-	276,794
Utilities, communications, property taxes and insurance	43,165	11,004	53,932	27,879	-	135,980
Vehicle costs	6,463	13,808	12,893	32,725	-	65,889
Contracted services	32,660	31,153	14,312	15,147	-	93,272
Other expenses	51,988	60,738	57,284	42,379	13,018	225,407
Interest, merchant fees and bank charges	179	9	12,858	3,086	4,205	20,337
Loss on disposal/impairment of assets	-	630	39,378	-	-	40,008
Amortization of tangible capital assets	3,999	8,062	39,992	35,321	-	87,374
	651,648	549,462	777,651	654,785	17,223	2,650,769
Budgeted Amount - (Note 14)	756,030	518,740	707,418	598,032	30,000	2,610,220
Net Surplus (Deficit)	\$ 138,664	\$ (59,350)	\$ (61,859)	\$ (53,229)	\$ 530,012	\$ 494,238
Budgeted Amount - (Note 14)	-	-	-	-	960,000	960,000