

**OTONABEE REGION CONSERVATION AUTHORITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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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, 2019, 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, 2019, 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 statements. 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  
November 2, 2020

*garland-hickey*  
Chartered Professional Accountant  
Licensed Public Accountant

**OTONABEE REGION CONSERVATION AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 122,181	\$ 339,867
Accounts receivable (Note 3)	<u>527,504</u>	<u>817,236</u>
	<u>649,685</u>	<u>1,157,103</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	574,685	1,273,360
Deferred revenue (Note 8)	95,556	85,290
Long-term debt (Note 9)	<u>49,505</u>	<u>63,156</u>
	<u>719,746</u>	<u>1,421,806</u>
<b>Net Financial Assets</b>	<u>(70,061)</u>	<u>(264,703)</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 10)	8,864,747	8,699,327
Prepaid expenses	<u>41,900</u>	<u>31,209</u>
	<u>8,906,647</u>	<u>8,730,536</u>
<b>Accumulated Surplus</b> (Note 11)	<u>\$ 8,836,586</u>	<u>\$ 8,465,833</u>

Commitments and Contingencies (Notes 12 and 13)

**OTONABEE REGION CONSERVATION AUTHORITY**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>		<u>2018</u>
	<u>Actual</u>	<u>Budget</u> (Note 14)	<u>Actual</u>
<b>Revenues</b>			
<b>Government Funding</b>			
Municipal			
General levy	\$ 1,121,088	\$ 1,121,088	\$ 1,090,034
Capital projects levy	100,000	100,000	100,000
Special levy	285,600	285,600	569,125
Non-levy service and project revenue	365,504	352,400	284,015
Provincial	532,247	465,285	2,105,628
Federal	5,049	-	10,724
<b>Authority Generated:</b>			
User fees income	718,927	752,605	726,921
Sales, rentals and other income	132,863	222,000	126,655
Grants and partnerships	205,507	154,500	160,959
Investment income	-	-	1,565
Donations	23,234	19,500	3,728
Otonabee Region Conservation Foundation (Note 4)	-	-	45,203
	<u>3,490,019</u>	<u>3,472,978</u>	<u>5,224,557</u>
<b>Expenses (Note 17)</b>			
Plan Review & Permitting Services	1,044,295	957,724	858,037
Watershed Management Program	602,584	640,853	561,996
Conservation Lands Program	820,337	770,467	779,122
Corporate Services	648,081	627,334	652,680
Capital Projects	3,969	-	17,187
	<u>3,119,266</u>	<u>2,996,378</u>	<u>2,869,022</u>
 <b>Annual Surplus</b>	 370,753	 <u>\$ 476,600</u>	 2,355,535
 <b>Accumulated Surplus - beginning of year</b>	 <u>8,465,833</u>		 <u>6,110,298</u>
 <b>Accumulated Surplus - end of year</b>	 <u>\$ 8,836,586</u>		 <u>\$ 8,465,833</u>

The accompanying 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, 2019**

	<u>2019</u>		<u>2018</u>
	<u>Actual</u>	<u>Budget</u> (Note 14)	
<b>Annual Surplus</b>	\$ 370,753	\$ 476,600	\$ 2,355,535
Amortization of tangible capital assets	160,474	-	99,802
Change in prepaid expenses	(10,691)	-	35
Disposal of tangible capital assets	-	-	23,784
Acquisition of tangible capital assets	<u>(325,894)</u>	<u>(882,600)</u>	<u>(3,375,506)</u>
<b>Increase (Decrease) In Net Financial Assets</b>	194,642	(406,000)	(896,350)
<b>Net Financial Assets - beginning of year</b>	<u>(264,703)</u>	<u>(264,703)</u>	<u>631,647</u>
<b>Net Financial Assets - end of year</b>	<u>\$ (70,061)</u>	<u>\$ (670,703)</u>	<u>\$ (264,703)</u>

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

**OTONABEE REGION CONSERVATION AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Operating Transactions</b>		
Annual surplus	\$ 370,753	\$ 2,355,535
Non-cash charges to operations		
Amortization	160,474	99,802
Changes in non-cash working capital balances related to operations		
Accounts receivable	289,732	(473,043)
Due from / to Otonabee Region Conservation Foundation	-	(55,509)
Prepaid expenses	(10,691)	35
Deferred revenue	10,266	(133,302)
Accounts payable	(698,675)	707,925
<b>Cash Provided By Operations</b>	<u>121,859</u>	<u>2,501,443</u>
<b>Capital Transactions</b>		
Proceeds on capital asset disposal	-	23,784
Purchase of tangible capital assets	(325,894)	(3,375,506)
	<u>(325,894)</u>	<u>(3,351,722)</u>
<b>Investment Transactions</b>		
Investments - drawdowns (purchases) - net	-	705,915
	<u>-</u>	<u>705,915</u>
<b>Financing Transactions</b>		
Debt repayment	(13,651)	(13,237)
	<u>(13,651)</u>	<u>(13,237)</u>
<b>Increase (Decrease) In Cash During The Year</b>	(217,686)	(157,601)
<b>Cash and Cash Equivalents - beginning of year</b>	<u>339,867</u>	<u>497,468</u>
<b>Cash and Cash Equivalents - end of year</b>	<u>\$ 122,181</u>	<u>\$ 339,867</u>
 <b>Represented By:</b>		
Cash and cash equivalents	<u>\$ 122,181</u>	<u>\$ 339,867</u>

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

**OTONABEE REGION CONSERVATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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. Significant Accounting Policies**

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:

**a) 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.

**b) 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.

**c) 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.

**d) Marketable Securities**

Marketable securities are carried at cost and include accrued interest, when they exist.

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2. Significant Accounting Policies (continued)**

**e) 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.

**f) 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.

**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 asset is reduced to reflect the asset's remaining value.

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

**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.

**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.

**OTONABEE REGION CONSERVATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**2. Significant Accounting Policies (continued)**

**Non-financial Assets (continued)**

**Prepaid expenses**

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

**Inventories**

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

**g) 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.

**h) 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.

**i) 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.

**j) Internal Charges**

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.

**k) 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 economic 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.

**OTONABEE REGION CONSERVATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**2. Significant Accounting Policies (continued)**

**l) 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.

**m) 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, 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.

**n) 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2. Significant Accounting Policies (continued)**

**o) New Accounting Standards and Amendments**

PS 3430 - Restructuring Transactions effective for periods beginning on or after April 1, 2018 has been adopted but does not result in any additional note disclosure.

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

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

**3. Accounts Receivable**

Accounts receivable consists of the following:

	<u>2019</u>	<u>2018</u>
Government funding		
Municipal	\$ 151,611	\$ 267,333
Federal	7,800	3,537
Provincial	257,736	365,115
HST rebates - federal and provincial	10,010	104,357
Authority generated	<u>100,347</u>	<u>76,894</u>
	<u>\$ 527,504</u>	<u>\$ 817,236</u>

**4. Affiliated Organization**

The Authority was affiliated with the Otonabee Region Conservation Foundation (ORCF) which surrendered its Charter for dissolution effective December 14, 2018.

ORCF was an independent organization and a Registered Charity which had its own Board of Directors.

ORCF made annual contributions to the conservation projects of the Authority. It also held endowment funds, and transferred a portion of the interest on these funds to the Authority annually to be used for land management.

ORCF previously shared office space and support functions with the Authority for no compensation.

	<u>2019</u>	<u>2018</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	-	29,134
	<u>\$ -</u>	<u>\$ 45,203</u>
Expenses paid on behalf of ORCF during the year	<u>\$ -</u>	<u>\$ 35,001</u>

**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, 2019**

**6. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consist of the following:

	<u>2019</u>	<u>2018</u>
Accounts payable and accrued liabilities	\$ 225,933	\$ 940,978
Salaries and benefits payable	49,530	38,919
Employee future benefits (Note 7)	274,677	248,677
Due to governments	<u>24,545</u>	<u>44,786</u>
	<u>\$ 574,685</u>	<u>\$ 1,273,360</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, 2019) indicates that there are approximately 500,000 active and retired members and nearly 1,000 participating employers. The OMERS plan has reported a \$3.4 billion actuarial funding deficit at the end of 2019 (\$4.2 billion at the end of 2018), represented by net actuarial assets of \$103.0 billion (\$94.9 billion - 2018) and pension obligations of \$106.4 billion (\$99.1 billion - 2018). It is currently 97% funded (96% funded in 2018) and is expected to be fully funded by 2025.

The amount contributed to OMERS for 2019 was \$128,128 (2018 - \$121,276) 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 \$274,677 (\$248,677 in 2018) 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>2019</u>		<u>2019</u>		<u>Balance</u>
	<u>01/01/2019</u>		<u>Receipts</u>		<u>Revenue</u>		<u>31/12/2019</u>
Capital projects levy	\$ -	\$	100,000	\$	100,000	\$	-
Special levy	-		285,600		285,600		-
Municipal NDMP contributions	36,072		251,471		207,792		79,751
Provincial grant - water and erosion control	18,211		7,580		25,791		-
Source water protection	14,147		56,828		65,030		5,945
Other grants (less than \$10,000 each)	<u>16,860</u>		<u>-</u>		<u>7,000</u>		<u>9,860</u>
	<u>\$ 85,290</u>	\$	<u>701,479</u>	\$	<u>691,213</u>	\$	<u>95,556</u>

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**9. Long-term Debt**

Long-term Debt is comprised of the following:

	<u>2019</u>	<u>2018</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 \$193,526 used for the construction of the Warsaw Caves Comfort Station	\$ 46,570	\$ 56,563
Equipment Capital Lease payable to Dell Financial Services Canada, interest at 0%, repayable in 36 payments of \$288, 10 payments remaining, secured by a computer server which has a carrying value of \$nil	2,935	6,593
	<u>\$ 49,505</u>	<u>\$ 63,156</u>

Principal repayments are due as follows:

	Debt	Capital Lease	<u>Total</u>
<b>2020</b>	\$ 46,570	\$ 2,935	<u>\$ 49,505</u>

**10. Tangible Capital Assets**

Tangible Capital Assets consist of the following:

	<u>Balance</u> <u>01/01/2019</u>	<u>Additions</u> <u>/ transfers</u> <u>during 2019</u>	<u>Disposals</u> <u>during 2019</u>	<u>Balance</u> <u>31/12/2019</u>
<b>Cost</b>				
Land	\$ 3,036,616	\$ -	\$ -	\$ 3,036,616
Building and building improvements	967,941	-	-	967,941
Infrastructure	1,798,225	3,912,024	-	5,710,249
Machinery and equipment	234,531	28,676	-	263,207
Vehicles	161,528	27,782	-	189,310
Furniture and fixtures	25,861	3,276	-	29,137
Computers	41,522	10,471	1,019	50,974
	6,266,224	3,982,229	1,019	10,247,434
Capital works in progress	3,718,876	(3,656,335)	-	62,541
	<u>\$ 9,985,100</u>	<u>\$ 325,894</u>	<u>\$ 1,019</u>	<u>\$ 10,309,975</u>
	<u>Balance</u> <u>01/01/2019</u>	<u>Amortization</u>	<u>Accum Amort</u> <u>on disposals</u>	<u>Balance</u> <u>31/12/2019</u>
<b>Accumulated Amortization</b>				
Land	\$ -	\$ -	\$ -	\$ -
Building and building improvements	321,797	24,199	-	345,996
Infrastructure	662,939	76,279	-	739,218
Machinery and equipment	158,820	22,004	-	180,824
Vehicles	88,138	24,586	-	112,724
Furniture and fixtures	23,145	1,752	-	24,897
Computers	30,934	11,654	1,019	41,569
	<u>\$ 1,285,773</u>	<u>\$ 160,474</u>	<u>\$ 1,019</u>	<u>\$ 1,445,228</u>

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**10. Tangible Capital Assets (continued)**

	<u>Balance</u> <u>31/12/2019</u>	<u>Balance</u> <u>31/12/2018</u>
Net Book Value of Tangible Capital Assets		
Land	\$ 3,036,616	\$ 3,036,616
Building and building improvements	621,945	646,144
Infrastructure	4,971,031	1,135,286
Machinery and equipment	82,383	75,711
Vehicles	76,586	73,390
Furniture and fixtures	4,240	2,716
Computers	9,405	10,588
	<u>8,802,206</u>	<u>4,980,451</u>
Capital works in progress	<u>62,541</u>	<u>3,718,876</u>
	<u>\$ 8,864,747</u>	<u>\$ 8,699,327</u>

	<u>Balance</u> <u>01/01/2018</u>	<u>Additions</u> <u>/ transfers</u> <u>during 2018</u>	<u>Disposals</u> <u>during 2018</u>	<u>Balance</u> <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	34,244	7,278	-	41,522
	<u>6,008,458</u>	<u>310,820</u>	<u>53,054</u>	<u>6,266,224</u>
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>

	<u>Balance</u> <u>01/01/2018</u>	<u>Amortization</u>	<u>Accum Amort</u> <u>on disposals</u>	<u>Balance</u> <u>31/12/2018</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	22,229	8,705	-	30,934
	<u>\$ 1,215,241</u>	<u>\$ 99,802</u>	<u>\$ 29,270</u>	<u>\$ 1,285,773</u>

During the year the Authority wrote off fully amortized tangible capital assets of \$1,019 resulting in a net loss of \$nil.

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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>01/01/2019</u>	<u>2019</u> <u>Surplus</u> <u>(Deficit)</u>	<u>Appropriated</u> <u>from (to)</u> <u>reserves</u>	<u>Balance</u> <u>31/12/2019</u>
Surplus				
Other	\$ (605,600)	\$ 531,227	\$ (322,045)	\$ (396,418)
Invested in tangible capital assets	<u>8,636,171</u>	<u>(160,474)</u>	<u>339,545</u>	<u>8,815,242</u>
	<u>8,030,571</u>	<u>370,753</u>	<u>17,500</u>	<u>8,418,824</u>
			<u>Appropriated</u> <u>from (to)</u> <u>general</u>	
Reserves				
Capital reserve	1,361	-	-	1,361
General reserve	303,849	-	(17,500)	286,349
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>435,262</u>	<u>-</u>	<u>(17,500)</u>	<u>417,762</u>
Accumulated surplus	<u>\$ 8,465,833</u>	<u>\$ 370,753</u>	<u>\$ -</u>	<u>\$ 8,836,586</u>

**12. Commitments**

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

2020 \$ 4,329

The Authority generally enters into contracts for the construction of large infrastructure projects and technical studies. At the end of fiscal 2019 the Authority was committed to a contract for the replacement of the Warsaw Caves gatehouse and the completion of several flood plain mapping projects. The estimated costs are approximately \$490,000.

**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.

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**14. Budget Figures**

The budget figures reflect the final budget as approved by the Board of Directors at a meeting on January 17, 2019. These figures are unaudited.

The 2019 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>2019</u>	<u>2018</u>
Budgeted Revenues	\$ 3,472,978	\$ 5,634,419
Budgeted Expenses	<u>(2,996,378)</u>	<u>(2,908,569)</u>
Per Statement of Operations and Accumulated Surplus	476,600	2,725,850
Budgeted Tangible Capital Asset Purchases	(882,600)	(3,631,500)
Budgeted Drawdown of Reserves	17,500	269,750
Budgeted Loans	402,000	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, user 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 Note 2 - Significant Accounting Policies.

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

**OTONABEE REGION CONSERVATION AUTHORITY**  
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**17. Segment Information** (continued)

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

	<b>Technical Services</b> (included in salaries and wages)	<b>Vehicle Charges</b> (included in vehicle costs)	<b>Equipment Charges</b> (included in materials and supplies)
Expenses			
Plan Review & Permitting Services	\$ 79,717	\$ 5,260	\$ 2,480
Watershed Management Program	86,299	9,820	4,505
Conservation Lands Program	53,329	11,940	5,929
Corporate Services	-	3,960	-
Capital Projects	-	-	-
	<u>\$ 219,345</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 less than \$1,000

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 the 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 Authority was not subject to any significant price risks during the year.

**OTONABEE REGION CONSERVATION AUTHORITY**  
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**18. Risk Management (continued)**

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.

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. Subsequent Event**

Subsequent to the Authority's year end the World Health Organization declared the COVID-19 situation as a pandemic. This pandemic is currently impacting many organizations as all levels of government are advising individuals to practice self-isolation and/or physical distancing and are restricting many normal business practices. The situation is dynamic and on-going and the ultimate duration and magnitude of the overall impact on the general economy and the specific financial effect on the Authority is unknown at this time.

**20. Comparative Figures**

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

**OTONABEE REGION CONSERVATION AUTHORITY**  
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**Schedule A - Segmented Information 2019**

	Plan Review & Permitting Services	Watershed Management Program	Conservation Lands Program	Corporate Services	Capital Projects	Total
<b>Revenues</b>						
<b>Government Funding</b>						
Municipal						
General levy	\$ 265,538	\$ 186,489	\$ 103,710	\$ 565,351	\$ -	\$ 1,121,088
Capital projects levy	-	-	-	-	100,000	100,000
Special levy	-	-	-	-	285,600	285,600
Non-levy service and project revenue	242,280	123,224	-	-	-	365,504
Provincial	200,173	63,189	19,612	-	249,273	532,247
Federal	-	-	5,049	-	-	5,049
<b>Authority Generated</b>						
User fees income	297,992	-	420,935	-	-	718,927
Sales, rentals and other income	875	12,041	74,791	45,156	-	132,863
Grants and partnerships	-	171,442	27,653	412	6,000	205,507
Donations	-	8,996	14,238	-	-	23,234
	<b>1,006,858</b>	<b>565,381</b>	<b>665,988</b>	<b>610,919</b>	<b>640,873</b>	<b>3,490,019</b>
Budgeted Amount - (Note 14)	957,724	623,353	770,467	627,334	494,100	3,472,978
<b>Expenses</b>						
Salaries, wages and employee benefits	662,860	383,532	501,362	371,790	-	1,919,544
Operating material and supplies	11,318	25,991	100,180	102,207	-	239,696
Utilities, communications, property taxes and insurance	17,358	10,493	57,348	26,487	360	112,046
Vehicle and travel costs	6,227	11,779	12,376	37,226	-	67,608
Contracted services	9,137	35,387	9,048	10,707	-	64,279
Other expenses	328,802	128,866	34,348	45,472	530	538,018
Interest, merchant fees and bank charges	2,787	11	5,031	6,693	3,079	17,601
Amortization of tangible capital assets	5,806	6,525	100,644	47,499	-	160,474
	<b>1,044,295</b>	<b>602,584</b>	<b>820,337</b>	<b>648,081</b>	<b>3,969</b>	<b>3,119,266</b>
Budgeted Amount - (Note 14)	957,724	640,853	770,467	627,334	-	2,996,378
<b>Net Surplus (Deficit)</b>	<b>\$ (37,437)</b>	<b>\$ (37,203)</b>	<b>\$ (154,349)</b>	<b>\$ (37,162)</b>	<b>\$ 636,904</b>	<b>\$ 370,753</b>
Budgeted Amount - (Note 14)	-	(17,500)	-	-	494,100	476,600

**OTONABEE REGION CONSERVATION AUTHORITY**  
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**Schedule B - Segmented Information 2018**

	Plan Review & Permitting Services	Watershed Management Program	Conservation Lands Program	Corporate Services	Capital Projects	Total
<b>Revenues</b>						
<b>Government Funding</b>						
Municipal						
General levy	\$ 257,138	\$ 155,276	\$ 123,460	\$ 554,160	\$ -	\$ 1,090,034
Capital projects levy	-	-	-	-	100,000	100,000
Special levy	-	-	-	-	569,125	569,125
Non-levy service and project revenue	142,365	141,650	-	-	-	284,015
Provincial	153,561	89,624	38,945	-	1,823,498	2,105,628
Federal	3,797	3,797	3,130	-	-	10,724
<b>Authority Generated:</b>						
User fees income	291,462	-	435,459	-	-	726,921
Sales, rentals and other income	-	8,468	73,345	44,842	-	126,655
Grants and partnerships	2,662	122,997	300	-	35,000	160,959
Investment income	-	-	-	1,565	-	1,565
Donations	-	-	578	3,150	-	3,728
<b>Otonabee Region Conservation Foundation (Note 4)</b>						
	-	5,269	29,134	-	10,800	45,203
	<b>850,985</b>	<b>527,081</b>	<b>704,351</b>	<b>603,717</b>	<b>2,538,423</b>	<b>5,224,557</b>
Budgeted Amount - (Note 14)	899,340	563,790	747,779	597,660	2,825,850	5,634,419
<b>Expenses</b>						
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 and travel 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
	<b>858,037</b>	<b>561,996</b>	<b>779,122</b>	<b>652,680</b>	<b>17,187</b>	<b>2,869,022</b>
Budgeted Amount - (Note 14)	958,340	589,790	747,779	612,660	-	2,908,569
<b>Net Surplus (Deficit)</b>	<b>\$ (7,052)</b>	<b>\$ (34,915)</b>	<b>\$ (74,771)</b>	<b>\$ (48,963)</b>	<b>\$ 2,521,236</b>	<b>\$ 2,355,535</b>
Budgeted Amount - (Note 14)	(59,000)	(26,000)	-	(15,000)	2,825,850	2,725,850