

**OTONABEE REGION CONSERVATION AUTHORITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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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, 2020, 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, 2020, 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  
June 28, 2021**

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

**OTONABEE REGION CONSERVATION AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 289,203	\$ 122,181
Accounts receivable (Note 3)	562,258	527,504
	851,461	649,685
 <b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	623,559	574,685
Deferred revenue (Note 7)	84,821	95,556
Long-term debt (Note 8)	35,962	49,505
	744,342	719,746
 <b>Net Financial Assets</b>	 107,119	 (70,061)
 <b>Non-Financial Assets</b>		
Tangible capital assets (Note 9)	9,036,108	8,864,747
Prepaid expenses	34,017	41,900
	9,070,125	8,906,647
 <b>Accumulated Surplus</b> (Note 10)	 \$ 9,177,244	 \$ 8,836,586

Commitments and Contingencies (Notes 11 and 12)

**OTONABEE REGION CONSERVATION AUTHORITY**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>		<u>2019</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
		(Note 14)	
<b>Revenues</b>			
<b>Government Funding</b>			
Municipal			
General levy	\$ 1,186,808	\$ 1,186,807	\$ 1,121,088
Capital projects levy	36,650	101,500	100,000
Special levy	285,600	285,600	285,600
Non-levy service and project revenue	314,037	231,604	365,504
Provincial	233,394	184,749	532,247
Federal	129,139	5,750	5,049
<b>Authority Generated:</b>			
User fees income	670,732	781,396	718,927
Sales, rentals and other income	121,554	203,850	169,879
Grants and partnerships	90,738	124,600	168,491
Donations	45,398	30,000	23,234
	<u>3,114,050</u>	<u>3,135,856</u>	<u>3,490,019</u>
<b>Expenses (Note 18)</b>			
Natural Hazard Program	1,080,740	926,888	1,332,122
Conservation Lands Program	634,825	711,079	683,070
Drinking Water Source Protection Program	141,771	190,070	148,612
Corporate Services	678,678	727,006	648,081
Natural Resources Conservation Program	227,402	213,713	303,411
Capital Projects	9,976	-	3,970
	<u>2,773,392</u>	<u>2,768,756</u>	<u>3,119,266</u>
 <b>Annual Surplus</b>	 340,658	 <u>\$ 367,100</u>	 370,753
 <b>Accumulated Surplus - beginning of year</b>	 <u>8,836,586</u>		 <u>8,465,833</u>
 <b>Accumulated Surplus - end of year</b>	 <u>\$ 9,177,244</u>		 <u>\$ 8,836,586</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, 2020**

	<u>2020</u>		<u>2019</u>
	<u>Actual</u>	<u>Budget</u> (Note 14)	
<b>Annual Surplus</b>	\$ 340,658	\$ 367,100	\$ 370,753
Amortization of tangible capital assets	166,440	-	160,474
Change in prepaid expenses	7,883	-	(10,691)
Acquisition of tangible capital assets	<u>(337,801)</u>	<u>(100,500)</u>	<u>(325,894)</u>
<b>Increase In Net Financial Assets</b>	177,180	266,600	194,642
<b>Net Financial Assets</b> - beginning of year	<u>(70,061)</u>	<u>(70,061)</u>	<u>(264,703)</u>
<b>Net Financial Assets</b> - end of year	<u>\$ 107,119</u>	<u>\$ 196,539</u>	<u>\$ (70,061)</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, 2020**

	<u>2020</u>	<u>2019</u>
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Operating Transactions</b>		
Annual surplus	\$ 340,658	\$ 370,753
Non-cash charges to operations		
Amortization	166,440	160,474
Changes in non-cash working capital balances related to operations		
Accounts receivable	(34,754)	289,732
Prepaid expenses	7,883	(10,691)
Deferred revenue	(10,735)	10,266
Accounts payable	48,874	(698,675)
	518,366	121,859
<b>Cash Provided By Operations</b>		
<b>Capital Transactions</b>		
Purchase of tangible capital assets	(337,801)	(325,894)
<b>Financing Transactions</b>		
Debt repayment	(13,543)	(13,651)
	167,022	(217,686)
<b>Increase (Decrease) In Cash During The Year</b>		
<b>Cash and Cash Equivalents - beginning of year</b>	122,181	339,867
<b>Cash and Cash Equivalents - end of year</b>	\$ 289,203	\$ 122,181
<b>Represented By:</b>		
Cash and cash equivalents	\$ 289,203	\$ 122,181

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, 2020**

**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, 2020**

**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, 2020**

**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.

These statements do not include any liability for contaminated sites.

**OTONABEE REGION CONSERVATION AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**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 six main categories based on the type of services provided:

**Natural Hazard Program**- includes activities related to permitting responsibilities, review of applications under the Planning Act, flood plain mapping, flood forecasting, monitor watershed conditions, delivery of water safety and natural hazard related education programs, operate, maintain and ensure the safe working order of water and ice control structures

**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

**Drinking Water Source Protection Program** - includes activities related to the implementation of water quality and quantity monitoring programs in partnership with various provincial agencies, support municipalities to ensure compliance with the Clean Water Act, provision of the administrative support of the Risk Management Office to ensure compliance with the Trent Source Protection Plan and the Clean Water Act, develop and implement an Education & Outreach Program as required by the Trent Source Protection Plan policies

**Corporate Services** - includes administrative and support services to staff, management and Board of Directors, for the efficient and effective operation of the Authority, provision of communication and marketing services

**Natural Resources Conservation Program** - includes support of landowners to undertake stewardship activities on their lands, support for environmental education, support to municipalities in research and technical studies, monitoring programs, technical review and expertise

**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, 2020**

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

**o) New Accounting Standards and Amendments**

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, 2022
PS 2601 - Foreign Currency Translation	April 1, 2022
PS 3041 - Portfolio Investments	April 1, 2022
PS 3280 - Asset Retirement Obligations	April 1, 2022
PS 3450 - Financial Instruments	April 1, 2022
PS 3400 - Revenue	April 1, 2023
PSG-8 - Purchased Intangibles	April 1, 2023

**3. Accounts Receivable**

Accounts receivable consists of the following:

	<u>2020</u>	<u>2019</u>
Government funding		
Municipal	\$ 154,064	\$ 151,611
Federal	4,709	7,800
Provincial	342,169	257,736
HST rebates - federal and provincial	15,273	10,010
Authority generated	<u>46,043</u>	<u>100,347</u>
	<u>\$ 562,258</u>	<u>\$ 527,504</u>

**4. 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.

**5. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consist of the following:

	<u>2020</u>	<u>2019</u>
Accounts payable and accrued liabilities	\$ 247,166	\$ 225,933
Salaries and benefits payable	62,661	49,530
Employee future benefits (Note 6)	299,677	274,677
Due to governments	<u>14,055</u>	<u>24,545</u>
	<u>\$ 623,559</u>	<u>\$ 574,685</u>

**6. 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.

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**6. Employee Future Benefits** (continued)

The latest available report for the OMERS plan (December 31, 2020) indicates that there are approximately 525,981 active and retired members and nearly 1,000 participating employers. The OMERS plan has reported a \$3.2 billion actuarial funding deficit at the end of 2020 (\$3.4 billion at the end of 2019), represented by net actuarial assets of \$108.6 billion (\$103.0 billion- 2019) and pension obligations of \$111.8 billion (\$106.4 billion - 2019). It is currently 97% funded (97% funded in 2019) and is expected to be fully funded by 2025.

The amount contributed to OMERS for 2020 was \$128,373 (2019 - \$128,128) 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 \$299,677 (\$274,677 in 2019) 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.

**7. Deferred Revenue**

Deferred revenue consists of the following:

	<u>Balance</u> <u>01/01/2020</u>	<u>2020</u> <u>Receipts</u>	<u>2020</u> <u>Revenue</u>	<u>Balance</u> <u>31/12/2020</u>
Capital projects levy	\$ -	\$ 101,500	\$ 36,650	\$ 64,850
Special levy	-	285,600	285,600	-
Municipal NDMP contributions	79,751	58,221	137,972	-
Source water protection	5,945	62,717	60,339	8,323
Other grants (less than \$15,000 each)	9,860	12,260	10,472	11,648
	<u>\$ 95,556</u>	<u>\$ 520,298</u>	<u>\$ 531,033</u>	<u>\$ 84,821</u>

	<u>Balance</u> <u>01/01/2019</u>	<u>2019</u> <u>Receipts</u>	<u>2019</u> <u>Revenue</u>	<u>Balance</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 & 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)	16,860	-	7,000	9,860
	<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, 2020**

**8. Long-term Debt**

Long-term Debt is comprised of the following:

	<u>2020</u>	<u>2019</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 \$183,633 used for the construction of the Warsaw Caves Comfort Station	\$ 35,962	\$ 46,570
Equipment Capital Lease payable to Dell Financial Services Canada, interest at 0%	-	2,935
	<u>\$ 35,962</u>	<u>\$ 49,505</u>

Principal repayments are due as follows:

	<u>Debt</u>
\$ 2021	<u>\$ 35,962</u>

**9. Tangible Capital Assets**

Tangible Capital Assets consist of the following:

	<u>Balance</u> <u>01/01/2020</u>	<u>Additions</u> <u>/ transfers</u> <u>during 2020</u>	<u>Disposals</u> <u>during 2020</u>	<u>Balance</u> <u>31/12/2020</u>
<b>Cost</b>				
Land	\$ 3,036,616	\$ -	\$ -	\$ 3,036,616
Building and building improvements	967,941	301,030	-	1,268,971
Infrastructure	5,710,249	-	-	5,710,249
Machinery and equipment	263,207	26,943	-	290,150
Vehicles	189,310	-	-	189,310
Furniture and fixtures	29,137	13,853	-	42,990
Computers	50,974	11,906	-	62,880
	<u>10,247,434</u>	<u>353,732</u>	<u>-</u>	<u>10,601,166</u>
Capital works in progress	62,541	(15,931)	-	46,610
	<u>\$ 10,309,975</u>	<u>\$ 337,801</u>	<u>\$ -</u>	<u>\$ 10,647,776</u>
	<u>Balance</u> <u>01/01/2020</u>	<u>Amortization</u>	<u>Accum Amort</u> <u>on disposals</u>	<u>Balance</u> <u>31/12/2020</u>
<b>Accumulated Amortization</b>				
Land	\$ -	\$ -	\$ -	\$ -
Building and building improvements	345,996	31,724	-	377,720
Infrastructure	739,218	76,279	-	815,497
Machinery and equipment	180,824	24,688	-	205,512
Vehicles	112,724	19,341	-	132,065
Furniture and fixtures	24,897	4,523	-	29,420
Computers	41,569	9,885	-	51,454
	<u>\$ 1,445,228</u>	<u>\$ 166,440</u>	<u>\$ -</u>	<u>\$ 1,611,668</u>

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

	<u>Balance</u> <u>31/12/2020</u>	<u>Balance</u> <u>31/12/2019</u>
Net Book Value of Tangible Capital Assets		
Land	\$ 3,036,616	\$ 3,036,616
Building and building improvements	891,251	621,945
Infrastructure	4,894,752	4,971,031
Machinery and equipment	84,638	82,383
Vehicles	57,245	76,586
Furniture and fixtures	13,570	4,240
Computers	11,426	9,405
	<hr/>	<hr/>
	8,989,498	8,802,206
Capital works in progress	46,610	62,541
	<hr/>	<hr/>
	\$ 9,036,108	\$ 8,864,747

	<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>
Cost				
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	3,276,000	-	29,137
Computers	41,522	10,471	1,019	50,974
	<hr/>	<hr/>	<hr/>	<hr/>
	6,266,224	3,982,229	1,019	10,247,434
Capital works in progress	3,718,876	(3,656,335)	-	62,541
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 9,985,100	\$ 325,894	\$ 1,019	\$ 10,309,975

	<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>
Accumulated Amortization				
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
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 1,285,773	\$ 160,474	\$ 1,019	\$ 1,445,228

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. 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.

**10. Accumulated Surplus**

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

	<u>Balance</u> <u>01/01/2020</u>	<u>2020</u> <u>Surplus</u> <u>(Deficit)</u>	<u>Appropriated</u> <u>from (to)</u> <u>reserves</u>	<u>Balance</u> <u>31/12/2020</u>
Surplus				
Other	\$ (396,418)	\$ 507,098	\$ (351,344)	\$ (240,664)
Invested in tangible capital assets	<u>8,815,242</u>	<u>(166,440)</u>	<u>351,344</u>	<u>9,000,146</u>
	<u>8,418,824</u>	<u>340,658</u>	<u>-</u>	<u>8,759,482</u>
			<u>Appropriated</u> <u>from (to)</u> <u>general</u>	
Reserves				
Capital reserve	1,361	-	-	1,361
General reserve	286,349	-	-	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>417,762</u>	<u>-</u>	<u>-</u>	<u>417,762</u>
Accumulated surplus	<u>\$ 8,836,586</u>	<u>\$ 340,658</u>	<u>\$ -</u>	<u>\$ 9,177,244</u>

**11. Commitments**

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

2020 \$ 3,464

The Authority generally enters into contracts for the construction of large infrastructure projects and technical studies. At the end of fiscal 2020 the Authority was committed to two ongoing contracts for the construction of capital assets. The estimated remaining costs are approximately \$21,000.

**12. 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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**13. Government Assistance**

As a result of the Covid-19 Crisis, the Government of Canada with the passing of Bill-C-13, The Covid-19 Emergency Response Act, announced a new Temporary Wage Subsidy for eligible employers for the period March 18 to June 19, 2020. The Authority applied for and received wage subsidies of \$25,000 under this program.

**14. Budget Figures**

The budget figures reflect the final budget as approved by the Board of Directors at a meeting on December 19, 2019. These figures are unaudited.

The 2020 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>2020</u>	<u>2019</u>
Budgeted Revenues	\$ 3,135,856	\$ 5,634,419
Budgeted Expenses	<u>(2,768,756)</u>	<u>(2,908,569)</u>
Per Statement of Operations and Accumulated Surplus	367,100	2,725,850
Budgeted Tangible Capital Asset Purchases	(100,500)	(3,631,500)
Budgeted Drawdown of Reserves	50,000	269,750
Budgeted Loans	-	649,400
Budgeted Loan Repayment	<u>(316,600)</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. Other Matters**

On March 11, 2020 the World Health Organization assessed the coronavirus outbreak (Covid-19) as a global pandemic. This pandemic has resulted in all levels of governments enacting emergency measures to combat the spread of the virus which in turn had a financial impact on all businesses and organizations. Since the pandemic is ongoing and dynamic there is a high degree of uncertainty that persists surrounding the full long-term economic impact on the Authority's financial position and operations. The Authority is mitigating the impacts of any potential risks by implementing cost containment measures to offset decreases in anticipated revenue.

In December 2020 the Province of Ontario approved Bill 229, Ontario's Budget Measures Act, including Schedule 6 amendments which will directly impacts Conservation Authorities. The extent of the impact is unknown at this time. The Authority anticipates Bill 229 amendments to impact fiscal 2023 and beyond.

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**17. 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>

**18. 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.

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			
Natural Hazard Program	\$ 85,239	\$ 4,115	\$ 3,684
Conservation Lands Program	-	4,115	4,418
Drinking Water Source Protection Program	69,072	-	-
Corporate Services	-	-	-
Natural Resources Conservation Program	<u>45,092</u>	<u>4,115</u>	<u>3,935</u>
	<u>\$ 199,403</u>	<u>\$ 12,345</u>	<u>\$ 12,037</u>
Included in other income	<u>\$ -</u>	<u>\$ 12,345</u>	<u>\$ 12,037</u>

**19. 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

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. Risk Management** (continued)

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.

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 and expects that the Authority's cash flows from operating activities will be sufficient to meet these requirements.

**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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**Schedule A - Segmented Information 2020**

	Natural Hazard Program	Conservation Lands Program	Drinking Water Source Protection Program	Corporate Services	Natural Resources Conservation Program	Capital Projects	Total
<b>Revenues</b>							
<b>Government Funding</b>							
Municipal							
General levy	\$ 393,053	\$ 87,079	\$ 18,270	\$ 621,507	\$ 66,899	\$ -	\$ 1,186,808
Capital projects levy	-	-	-	-	-	36,650	36,650
Special levy	-	-	-	-	-	285,600	285,600
Non-levy service and project revenue	165,375	-	115,000	-	33,662	-	314,037
Provincial	233,394	-	-	-	-	-	233,394
Federal	-	4,139	-	25,000	-	100,000	129,139
<b>Authority Generated</b>							
User fees income	294,480	376,252	-	-	-	-	670,732
Sales, rentals and other income	-	50,977	1,114	26,719	17,744	25,000	121,554
Grants and partnerships	-	1,000	60,339	-	29,399	-	90,738
Donations	-	26,722	-	20	18,656	-	45,398
	<u>1,086,302</u>	<u>546,169</u>	<u>194,723</u>	<u>673,246</u>	<u>166,360</u>	<u>447,250</u>	<u>3,114,050</u>
Budgeted Amount - (Note 14)	926,888	711,079	190,070	677,006	213,713	417,100	3,135,856
<b>Expenses</b>							
Salaries, wages and employee benefits	697,142	388,569	136,835	408,265	146,178	-	1,776,989
Utilities, communications, property taxes and insurance	21,635	64,811	2,062	28,716	7,362	-	124,586
Maintenance, service and supplies	23,952	77,617	1,059	95,637	22,708	-	220,973
Professional services	25,643	2,057	911	38,840	1,626	-	69,077
Travel and staff expenses	4,646	4,353	2	1,270	4,198	-	14,469
Other expenses	214,557	65,622	902	51,039	44,328	9,976	386,424
Vehicle costs	-	34	-	14,400	-	-	14,434
Amortization of tangible capital assets	93,165	31,762	-	40,511	1,002	-	166,440
	<u>1,080,740</u>	<u>634,825</u>	<u>141,771</u>	<u>678,678</u>	<u>227,402</u>	<u>9,976</u>	<u>2,773,392</u>
Budgeted Amount - (Note 14)	926,888	711,079	190,070	727,006	213,713	-	2,768,756
<b>Net Surplus (Deficit)</b>	<b>\$ 5,562</b>	<b>\$ (88,656)</b>	<b>\$ 52,952</b>	<b>\$ (5,432)</b>	<b>\$ (61,042)</b>	<b>\$ 437,274</b>	<b>\$ 340,658</b>
Budgeted Amount - (Note 14)	-	-	-	(50,000)	-	417,100	367,100

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Schedule B - Segmented Information 2019**

	Natural Hazard Program	Conservation Lands Program	Drinking Water Source Protection Program	Corporate Services	Natural Resources Conservation Program	Capital Projects	Total
<b>Revenues</b>							
<b>Government Funding</b>							
Municipal							
General levy	\$ 373,334	\$ 67,778	\$ -	\$ 565,351	\$ 114,625	\$ -	\$ 1,121,088
Capital projects levy	-	-	-	-	-	100,000	100,000
Special levy	-	-	-	-	-	285,600	285,600
Non-levy service and project revenue	242,280	-	115,000	-	8,224	-	365,504
Provincial	275,974	-	-	-	7,000	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	98,444	2,507	45,568	22,485	-	169,879
Grants and partnerships	-	4,000	65,030	-	93,461	6,000	168,491
Donations	-	14,238	-	-	8,996	-	23,234
	1,190,455	610,444	182,537	610,919	254,791	640,873	3,490,019
<b>Expenses</b>							
Salaries, wages and employee benefits	802,297	448,033	141,050	371,790	156,374	-	1,919,544
Utilities, communications, property taxes and insurance	19,717	57,348	1,828	26,487	6,306	360	112,046
Maintenance, service and supplies	24,367	95,867	2,790	102,207	14,466	-	239,697
Professional services	20,941	7,013	-	10,707	25,618	-	64,279
Travel and staff expenses	8,857	12,376	1,439	10,401	7,710	-	40,783
Other expenses	367,025	39,378	1,505	52,165	91,935	3,610	555,618
Vehicle costs	-	-	-	26,825	-	-	26,825
Amortization of tangible capital assets	88,918	23,055	-	47,499	1,002	-	160,474
	1,332,122	683,070	148,612	648,081	303,411	3,970	3,119,266
<b>Net Surplus (Deficit)</b>	<b>\$ (141,667)</b>	<b>\$ (72,626)</b>	<b>\$ 33,925</b>	<b>\$ (37,162)</b>	<b>\$ (48,620)</b>	<b>\$ 636,903</b>	<b>\$ 370,753</b>