

OTONABEE REGION CONSERVATION AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the **Otonabee Region Conservation Authority** as at **December 31, 2009** and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended. These financial statements are the responsibility of the conservation authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Otonabee Region Conservation Authority as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian generally accepted accounting principles.

**Peterborough, Ontario
May 13, 2010**

Grant & Company
Chartered Accountants,
Licensed Public Accountants

OTONABEE REGION CONSERVATION AUTHORITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> (Note 15) Restated
Financial Assets		
Cash and cash equivalents	\$ 700,963	\$ 375,946
Accounts receivable (Note 2)	245,561	303,196
Due from Otonabee Region Conservation Foundation (Note 3)	15,487	17,438
	<u>962,011</u>	<u>696,580</u>
Liabilities		
Accounts payable and accrued liabilities	258,531	84,649
Deferred revenue (Note 5)	519,231	412,560
Debt (Note 6)	257,915	-
	<u>1,035,677</u>	<u>497,209</u>
Net Financial Assets	<u>(73,666)</u>	<u>199,371</u>
Non-Financial Assets		
Tangible capital assets (Note 7)	4,183,660	3,876,167
Prepaid expenses	17,119	15,814
	<u>4,200,779</u>	<u>3,891,981</u>
Accumulated Surplus (Note 8)	<u>\$ 4,127,113</u>	<u>\$ 4,091,352</u>

Commitments and Contingencies (Notes 9 and 10)

Approved by Board:



 Chair



 Secretary/Treasurer

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

OTONABEE REGION CONSERVATION AUTHORITY
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>		<u>2008</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
		(Note 14)	(Note 15) Restated
Revenues			
General levy	\$ 890,407	\$ 942,393	\$ 788,983
Provincial grant - operations	179,660	179,660	179,660
Provincial grant - other	268,592	340,155	229,339
Special municipal levies	20,324	50,062	7,215
Authority Generated:			
Donations-in-kind	9,386	-	-
Employment programs	19,091	12,000	21,621
Grants and partnerships	60,816	77,800	188,576
Interest income	2,442	8,000	11,640
Otonabee Region Conservation Foundation (Note 3)	47,553	67,750	11,760
Planning and regulation fees	180,740	175,000	166,971
User fees and other income	215,679	209,575	219,362
Land donation	-	-	512,000
	<u>1,894,690</u>	<u>2,062,395</u>	<u>2,337,127</u>
Expenses (Note 13)			
Planning and Regulations	493,542	505,697	506,594
Environmental Services	447,895	412,969	490,994
Engineering Services	367,648	377,109	363,119
Land Management	391,960	393,620	346,314
Corporate Services	63,601	30,250	71,999
Capital Projects	94,283	252,250	82,443
	<u>1,858,929</u>	<u>1,971,895</u>	<u>1,861,463</u>
Annual Surplus	35,761	<u>\$ 90,500</u>	475,664
Accumulated Surplus - beginning of year	<u>4,091,352</u>		<u>3,615,688</u>
Accumulated Surplus - end of year	<u>\$ 4,127,113</u>		<u>\$ 4,091,352</u>

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

OTONABEE REGION CONSERVATION AUTHORITY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> (Note 15) Restated
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating Transactions		
Annual surplus	\$ 35,761	\$ 475,664
Non-cash charges to operations - Amortization	73,412	77,253
Changes in non-cash working capital balances related to operations		
Accounts receivable	57,635	(127,847)
Due from Otonabee Region Conservation Foundation	1,951	2,666
Prepaid expenses	(1,305)	(2,287)
Deferred revenue	106,671	98,128
Accounts payable	<u>173,882</u>	<u>(19,913)</u>
Cash Provided By Operations	<u>448,007</u>	<u>503,664</u>
Capital Transactions		
Purchase of tangible capital assets	<u>(380,905)</u>	<u>(584,401)</u>
Financing Transactions		
Proceeds from promissory notes	258,616	-
Debt repayment	<u>(701)</u>	<u>-</u>
	<u>257,915</u>	<u>-</u>
Increase (Decrease) In Cash During The Year	325,017	(80,737)
Cash and cash equivalents - beginning of year	<u>375,946</u>	<u>456,683</u>
Cash and cash equivalents - end of year	<u>\$ 700,963</u>	<u>\$ 375,946</u>
 Represented By:		
Cash and cash equivalents	<u>\$ 700,963</u>	<u>\$ 375,946</u>

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

OTONABEE REGION CONSERVATION AUTHORITY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u> (Note 15) Restated
Annual Surplus	\$ 35,761	\$ 475,664
Amortization of tangible capital assets	73,412	77,253
Change in prepaid expenses	(1,305)	(2,287)
Acquisition of tangible capital assets	<u>(380,905)</u>	<u>(584,401)</u>
Increase (Decrease) In Net Financial Assets	(273,037)	(33,771)
Net Financial Assets - beginning of year	<u>199,371</u>	<u>233,142</u>
Net Financial Assets - end of year	<u>\$ (73,666)</u>	<u>\$ 199,371</u>

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

**OTONABEE REGION CONSERVATION AUTHORITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Management Responsibility

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

Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting. The Authority records expenditures in the year the costs are incurred or the legal obligation to pay arises as a result of the receipt of goods or services. Revenue is recognized as income in the period in which it is earned whether or not it has been settled by the receipt of money.

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 as cash and cash equivalents.

Revenue Recognition

The Authority recognizes government transfers as revenue in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. User charges and other fees are recognized as revenue in the period in which the related services are performed.

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 expenditure the appropriate portion will be deferred and not recognized as revenue until the related expenditures are incurred or services are performed.

Non-financial Assets

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

a) Tangible Capital Assets

Tangible capital assets, in excess of the capitalization thresholds, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less the residual value, of the tangible capital assets is amortized on a straight-line basis over their 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	40 years	5,000
Machinery and equipment	7 years	1,000
Vehicles	7 years	1,000
Furniture and fixtures	5 years	1,000
Computers and computer software	3 years	1,000

Assets under construction are not amortized until the asset is available for productive use.
Land is not amortized.

OTONABEE REGION CONSERVATION AUTHORITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Non-financial Assets (continued)

b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

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

Reserves

The Authority has established a number of reserves by appropriating amounts to earmark them for specific future purposes. All increases or decreases in the reserves are authorized and approved by the Board of Directors.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Authority 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 the Authority's best estimates as additional information becomes available in the future.

Financial Instruments

The Authority's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable, deferred revenue and debt. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value unless otherwise noted.

Vehicles and Equipment

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

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. Nature of the Organization

The Otonabee Region Conservation Authority is a corporate body established 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 Authority is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

2. Accounts Receivable

Accounts receivable consists of the following:

	<u>2009</u>	<u>2008</u>
Municipal levies	\$ 43,486	\$ 204,061
Government grants	158,253	40,051
Other	<u>43,822</u>	<u>59,084</u>
	<u>\$ 245,561</u>	<u>\$ 303,196</u>

3. Affiliated Organization

The Authority is affiliated with the Otonabee Region Conservation Foundation. The Foundation shares office space and support functions with the Authority. The Foundation makes contributions to the conservation projects of the Authority. The Foundation holds an endowment of funds. Beginning in 2009, a portion of the interest on these funds is to be transferred to the Authority annually for purposes related to the Authority and management of land.

	<u>2009</u>	<u>2008</u>
Funds transferred during the year		
Trees project	\$ 7,614	\$ 8,350
Environmental services projects	6,819	3,410
Lang Mill	100	-
Young's Point CA	<u>33,020</u>	<u>-</u>
	<u>\$ 47,553</u>	<u>\$ 11,760</u>
Amount owing from the Otonabee Region Conservation Foundation	<u>\$ 15,487</u>	<u>\$ 17,438</u>

4. Bank Indebtedness

Any bank indebtedness is secured as required by 1999 By-law # 1 in accordance with section 3(5) of the Conservation Authority Act RSO 1980.

5. Deferred Revenue

Deferred revenue consists of the following:

	<u>Balance</u> <u>31/2/2008</u>	<u>2009</u> <u>Receipts</u>	<u>2009</u> <u>Expenditures</u>	<u>Balance</u> <u>31/12/09</u>
Capital projects levy	\$ 114,851	\$ 101,438	\$ 49,452	\$ 166,837
Provincial grant - flood response study	59,163	-	14,218	44,945
Provincial grant - low water response	-	13,000	13,000	-
Provincial grant - source protection	90,631	149,989	198,441	42,179
Provincial grant - water and erosion control	100,952	45,250	36,393	109,809
Recreational Infrastructure Canada Program	-	124,703	-	124,703
Riverview Creek	13,522	2,300	15,822	-
Other grants (less than \$10,000 each)	<u>33,441</u>	<u>18,988</u>	<u>21,670</u>	<u>30,758</u>
	<u>\$ 412,560</u>	<u>\$ 455,668</u>	<u>\$ 348,996</u>	<u>\$ 519,231</u>

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

6. Debt

Debt is comprised of the following:

	<u>2009</u>	<u>2008</u>
Promissory Note payable to the Greater Peterborough Business Development Centre, Inc., due on demand, interest calculated at prime, repayable in blended monthly payments of \$1,266, secured by a first mortgage on the property located at 250 Milroy Drive, Peterborough ON, used for the construction of the Warsaw Caves Comfort Station	\$ 149,299	\$ -
Promissory Note payable to the Otonabee Region Conservaton Foundation, due on demand with maximum of \$5,000 principal repayment per year, non-interest bearing, used for the purchase of the Young's Point properties	<u>108,616</u>	<u>-</u>
	<u>\$ 257,915</u>	<u>\$ -</u>

7. Tangible Capital Assets

Tangible Capital Assets consist of the following:

	<u>Balance</u> <u>31/2/2008</u>	<u>Additions</u> <u>during year</u>	<u>Disposals</u> <u>during year</u>	<u>Balance</u> <u>31/12/09</u>
Cost				
Land	\$ 2,898,505	\$ 109,823	\$ -	\$ 3,008,328
Capital work in progress	26,569	219,919	-	246,488
Building and building improvements	384,139	-	-	384,139
Infrastructure	995,654	-	-	995,654
Machinery and equipment	93,876	15,663	-	109,539
Vehicles	74,938	17,210	-	92,148
Furniture and fixtures	10,310	2,051	-	12,361
Computers and computer software	<u>49,738</u>	<u>16,239</u>	<u>-</u>	<u>65,977</u>
	<u>\$ 4,533,729</u>	<u>\$ 380,905</u>	<u>\$ -</u>	<u>\$ 4,914,634</u>
Accumulated Amortization				
Land	\$ -	\$ -	\$ -	\$ -
Capital work in progress	-	-	-	-
Building and building improvements	103,851	9,603	-	113,454
Infrastructure	430,797	24,329	-	455,126
Machinery and equipment	47,015	13,652	-	60,667
Vehicles	30,095	13,164	-	43,259
Furniture and fixtures	4,719	2,472	-	7,191
Computers and computer software	<u>41,085</u>	<u>10,192</u>	<u>-</u>	<u>51,277</u>
	<u>\$ 657,562</u>	<u>\$ 73,412</u>	<u>\$ -</u>	<u>\$ 730,974</u>
Net Book Value of Tangible Capital Assets				
Land	\$ 2,898,505			\$ 3,008,328
Capital work in progress	26,569			246,488
Building and building improvements	280,288			270,685
Infrastructure	564,857			540,528
Machinery and equipment	46,861			48,872
Vehicles	44,843			48,889
Furniture and fixtures	5,591			5,170
Computers and computer software	<u>8,653</u>			<u>14,700</u>
	<u>\$ 3,876,167</u>			<u>\$ 4,183,660</u>

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

7. 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.

8. Accumulated Surplus

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

	<u>Balance</u> <u>31/2/2008</u>	<u>2009</u> <u>Surplus</u> <u>(Deficit)</u>	<u>Appropriated</u> <u>from (to)</u> <u>reserves</u>	<u>Balance</u> <u>31/12/09</u>
Surplus				
Other	\$ -	\$ (13,817)	\$ 13,817	\$ -
Invested in tangible capital assets	<u>3,876,167</u>	<u>49,578</u>	<u>-</u>	<u>3,925,745</u>
	<u>3,876,167</u>	<u>35,761</u>	<u>13,817</u>	<u>3,925,745</u>
Reserves			<u>Appropriated</u> <u>from (to)</u> <u>general</u>	
Administrative office	4,000		-	4,000
Ardiel property	6,971		4,773	11,744
Capital reserve	7,985		-	7,985
Conservation Lands reserve	52,832		6,509	59,341
Easements costs reserve	12,678		-	12,678
Equipment reserve	24,520		(10,000)	14,520
General reserve	45,476		(23,099)	22,377
Gravel pit rehabilitation reserve	22,223		3,000	25,223
Legal reserve	18,500		5,000	23,500
Insurance deductible	<u>20,000</u>		<u>-</u>	<u>20,000</u>
Total Reserves	<u>215,185</u>	<u>-</u>	<u>(13,817)</u>	<u>201,368</u>
Accumulated surplus	<u>\$ 4,091,352</u>	<u>\$ 35,761</u>	<u>\$ -</u>	<u>\$ 4,127,113</u>

9. Commitments

The Authority is committed to monthly lease payments on equipment aggregating \$401.

10. Contingencies

The Authority owns a number of water control structures. Pending Provincial Dam Safety Legislation will require dam safety assessments which may identify deficiencies that will require future remediation.

11. Pension Agreements

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.

The amount contributed to OMERS for 2009 was \$53,049 (2008 - \$49,522) for current service and is included as an expenditure on the Statement of Operations.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

12. Segment Information

The following is a breakdown by segment:

	<u>2009</u>			<u>2008</u>
	Revenue	Expenditures	Excess	Excess
Planning and Regulations	\$ 517,105	\$ 493,542	\$ 23,563	\$ (13,624)
Environmental Services	444,336	447,895	(3,559)	(17,206)
Engineering Services	368,084	367,648	436	(20,216)
Land Management	405,544	391,960	13,584	507,085
Corporate Services	64,401	63,601	800	2,203
Capital Projects	95,220	94,283	937	17,422
	<u>\$ 1,894,690</u>	<u>\$ 1,858,929</u>	<u>\$ 35,761</u>	<u>\$ 475,664</u>

13. Expenses

The consolidated statement of operations presents the expenses by function; the following classifies these same expenses by object:

	<u>2009</u>	<u>2008</u>
Salaries, wages and employee benefits	\$ 1,221,032	\$ 1,152,983
Operating material and supplies	246,025	247,101
Utilities and communications	32,163	31,621
Vehicles costs	43,499	42,197
Contracted services	56,961	60,769
Other expenses	182,415	246,599
Interest	3,422	2,940
Amortization of tangible capital assets	73,412	77,253
	<u>\$ 1,858,929</u>	<u>\$ 1,861,463</u>

14. Budget Figures

The budget figures reflect the final budget as approved by the Board of Directors at a meeting on January 29, 2009. These figures are unaudited.

Budgetted Revenues	\$ 2,062,395
Budgetted Expenses	<u>(1,971,895)</u>
Per Consolidated Statement of Operations and Accumulated Surplus	90,500
Budgetted Tangible Capital Asset Purchases	(504,250)
Budgetted Capital Grants	225,000
Budgetted Loan Proceeds	150,000
Budgetted Loan Repayment	(13,250)
Budgetted Drawdown of Conservation Lands Reserves	50,000
Budgetted Transfer to Gravel Pit Reserve	(3,000)
Budgetted Transfer to Legal Reserve	(5,000)
Budgetted Transfer to Equipment Reserve	(5,000)
Budgetted Transfer From Equipment Reserve	<u>15,000</u>
	<u>\$ -</u>

15. Comparative Figures

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