

**OTONABEE REGION CONSERVATION AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

**OTONABEE REGION CONSERVATION AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Otonabee Region Conservation Authority, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Otonabee Region Conservation Authority as at December 31, 2010, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Peterborough, Ontario  
June 23, 2011

  
Chartered Accountants,  
Licensed Public Accountants

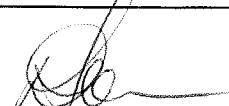
**OTONABEE REGION CONSERVATION AUTHORITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 585,255	\$ 700,963
Accounts receivable (Note 2)	267,891	245,561
Due from Otonabee Region Conservation Foundation (Note 3)	<u>109,760</u>	<u>15,487</u>
	<u>962,906</u>	<u>962,011</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	169,361	258,531
Deferred revenue (Note 5)	509,291	519,231
Debt (Note 6)	<u>148,907</u>	<u>257,915</u>
	<u>827,559</u>	<u>1,035,677</u>
<b>Net Financial Assets</b>	<u>135,347</u>	<u>(73,666)</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 7)	4,356,003	4,183,660
Prepaid expenses	<u>19,074</u>	<u>17,119</u>
	<u>4,375,077</u>	<u>4,200,779</u>
<b>Accumulated Surplus</b> (Note 8)	<u>\$ 4,510,424</u>	<u>\$ 4,127,113</u>

Commitments and Contingencies (Notes 9 and 10)

Approved by Board:

  
 \_\_\_\_\_  
 Chair

  
 \_\_\_\_\_  
 Secretary-Treasurer

**OTONABEE REGION CONSERVATION AUTHORITY**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>		<u>2009</u>
	<u>Actual</u>	<u>Budget</u> (Note 14)	<u>Actual</u>
<b>Revenues</b>			
General levy	\$ 952,085	\$ 989,210	\$ 890,407
Provincial grant - operations	179,660	179,660	179,660
Provincial grant - other	298,299	239,000	268,592
Special municipal levies	31,470	70,000	20,324
Authority Generated:			
Donations-in-kind	1,248	-	9,386
Employment programs	14,903	13,400	19,091
Grants and partnerships	292,397	34,413	60,816
Interest income	2,587	4,000	2,442
Otonabee Region Conservation Foundation (Note 3)	132,872	66,000	47,553
Planning and regulation fees	219,143	170,000	180,740
User fees and other income	190,559	173,944	215,679
	<u>2,315,223</u>	<u>1,939,627</u>	<u>1,894,690</u>
<b>Expenses (Note 13)</b>			
Planning and Regulations	532,866	535,632	493,542
Environmental Services	460,284	404,212	447,895
Engineering Services	362,128	314,389	367,648
Land Management	431,073	419,461	391,960
Corporate Services	58,872	31,000	63,601
Capital Projects	86,689	339,097	94,283
	<u>1,931,912</u>	<u>2,043,791</u>	<u>1,858,929</u>
<b>Annual Surplus</b>	383,311	\$ <u>(104,164)</u>	35,761
<b>Accumulated Surplus - beginning of year</b>	<u>4,127,113</u>		<u>4,091,352</u>
<b>Accumulated Surplus - end of year</b>	<u>\$ 4,510,424</u>		<u>\$ 4,127,113</u>

**OTONABEE REGION CONSERVATION AUTHORITY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Operating Transactions</b>		
Annual surplus	\$ 383,311	\$ 35,761
Non-cash charges to operations - Amortization	83,974	73,412
Changes in non-cash working capital balances related to operations		
Accounts receivable	(22,330)	57,635
Due from Otonabee Region Conservation Foundation	(94,273)	1,951
Prepaid expenses	(1,955)	(1,305)
Deferred revenue	(9,940)	106,671
Accounts payable	(89,170)	173,882
<b>Cash Provided By Operations</b>	<u>249,617</u>	<u>448,007</u>
<b>Capital Transactions</b>		
Purchase of tangible capital assets	<u>(256,317)</u>	<u>(380,905)</u>
<b>Financing Transactions</b>		
Proceeds from promissory notes	-	258,616
Debt repayment	<u>(109,008)</u>	<u>(701)</u>
	<u>(109,008)</u>	<u>257,915</u>
<b>Increase (Decrease) In Cash During The Year</b>	(115,708)	325,017
<b>Cash and cash equivalents - beginning of year</b>	<u>700,963</u>	<u>375,946</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 585,255</u>	<u>\$ 700,963</u>
 <b>Represented By:</b>		
Cash and cash equivalents	<u>\$ 585,255</u>	<u>\$ 700,963</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, 2010**

	<u>2010</u>	<u>2009</u>
<b>Annual Surplus</b>	\$ 383,311	\$ 35,761
Amortization of tangible capital assets	83,974	73,412
Change in prepaid expenses	(1,955)	(1,305)
Acquisition of tangible capital assets	<u>(256,317)</u>	<u>(380,905)</u>
<b>Increase (Decrease) In Net Financial Assets</b>	209,013	(273,037)
<b>Net Financial Assets - beginning of year</b>	<u>(73,666)</u>	<u>199,371</u>
<b>Net Financial Assets - end of year</b>	<u>\$ 135,347</u>	<u>\$ (73,666)</u>

**OTONABEE REGION CONSERVATION AUTHORITY  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

**Non-financial Assets**

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

**a) Tangible Capital Assets**

Tangible capital assets, in excess of the capitalization thresholds, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. 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, 2010**

**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, 2010**

**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>2010</u>	<u>2009</u>
Municipal levies	\$ 47,110	\$ 43,486
Government grants	127,303	158,253
Other	93,478	43,822
	<u>\$ 267,891</u>	<u>\$ 245,561</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 (\$16,695 in 2010). The Foundation makes contributions to the conservation projects of the Authority. The Foundation holds an endowment of funds. A portion of the interest on these funds is transferred to the Authority annually as a contribution for purposes related to the Authority and management of land.

Funds transferred during the year	<u>2010</u>	<u>2009</u>
Trees project	\$ 8,000	\$ 7,614
Environmental services projects	2,923	6,819
Lang Mill	-	100
Warsaw Comfort Station	10,815	-
Young's Point CA	111,134	33,020
	<u>\$ 132,872</u>	<u>\$ 47,553</u>
Amount owing from the Otonabee Region Conservation Foundation	<u>\$ 109,760</u>	<u>\$ 15,487</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>01/01/2010</u>	<u>2010</u> <u>Receipts</u>	<u>2010</u> <u>Expenses</u>	<u>Balance</u> <u>31/12/2010</u>
Capital projects levy	\$ 166,837	\$ 94,499	\$ 76,221	\$ 185,115
Provincial grant - flood response study	44,945	-	29,263	15,682
Provincial grant - outreach and education	2,922	33,041	24,908	11,055
Provincial grant - source protection	38,396	152,475	135,496	55,375
Provincial grant - water and erosion control	109,809	14,750	23,598	100,961
Recreational Infrastructure Canada Program	124,703	-	124,703	-
City of Peterborough Project Advance	-	100,000	-	100,000
Planning fees	-	37,976	26,476	11,500
Other grants (less than \$10,000 each)	31,619	21,501	23,517	29,603
	<u>\$ 519,231</u>	<u>\$ 454,242</u>	<u>\$ 464,182</u>	<u>\$ 509,291</u>

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**6. Debt**

Debt is comprised of the following:

	<u>2010</u>	<u>2009</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 \$983 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	\$ 140,779	\$ 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>8,128</u>	<u>108,616</u>
	<u>\$ 148,907</u>	<u>\$ 257,915</u>

**7. Tangible Capital Assets**

Tangible Capital Assets consist of the following:

	<u>Balance</u> <u>01/01/2010</u>	<u>Additions</u> <u>during year</u>	<u>Disposals</u> <u>during year</u>	<u>Balance</u> <u>31/12/2010</u>
<b>Cost</b>				
Land	\$ 3,008,328	\$ -	\$ -	\$ 3,008,328
Capital work in progress	246,488	-	246,488	-
Building and building improvements	384,139	486,600	-	870,739
Infrastructure	995,654	-	2,246	993,408
Machinery and equipment	109,539	16,174	-	125,713
Vehicles	92,148	-	-	92,148
Furniture and fixtures	12,361	-	-	12,361
Computers and computer software	<u>65,977</u>	<u>2,277</u>	<u>-</u>	<u>68,254</u>
	<u>\$ 4,914,634</u>	<u>\$ 505,051</u>	<u>\$ 248,734</u>	<u>\$ 5,170,951</u>
<b>Accumulated Amortization</b>				
Land	\$ -	\$ -	\$ -	\$ -
Capital work in progress	-	-	-	-
Building and building improvements	113,454	21,768	-	135,222
Infrastructure	455,126	23,511	-	478,637
Machinery and equipment	60,667	15,035	-	75,702
Vehicles	43,259	11,142	-	54,401
Furniture and fixtures	7,191	2,472	-	9,663
Computers and computer software	<u>51,277</u>	<u>10,046</u>	<u>-</u>	<u>61,323</u>
	<u>\$ 730,974</u>	<u>\$ 83,974</u>	<u>\$ -</u>	<u>\$ 814,948</u>
<b>Net Book Value of Tangible Capital Assets</b>				
Land	\$ 3,008,328			\$ 3,008,328
Capital work in progress	246,488			-
Building and building improvements	270,685			735,517
Infrastructure	540,528			514,771
Machinery and equipment	48,872			50,011
Vehicles	48,889			37,747
Furniture and fixtures	5,170			2,698
Computers and computer software	<u>14,700</u>			<u>6,931</u>
	<u>\$ 4,183,660</u>			<u>\$ 4,356,003</u>

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**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:

	Balance 01/01/2010	2010 Surplus (Deficit)	Appropriated from (to) reserves	Balance 31/12/2010
Surplus				
Other	\$ -	\$ 101,960	\$ (40,578)	\$ 61,382
Invested in tangible capital assets	3,925,745	281,351	-	4,207,096
	<u>3,925,745</u>	<u>383,311</u>	<u>(40,578)</u>	<u>4,268,478</u>
Reserves			Appropriated from (to) general	
Administrative office	4,000		-	4,000
Ardiel property	11,744		(11,744)	-
Capital reserve	7,985		-	7,985
Conservation Lands reserve	59,341		(2,202)	57,139
Easements costs reserve	12,678		-	12,678
Equipment reserve	14,520		5,000	19,520
General reserve	22,377		-	22,377
Gravel pit rehabilitation reserve	25,223		-	25,223
Planning reserve	-		48,024	48,024
Legal reserve	23,500		1,500	25,000
Insurance deductible	20,000		-	20,000
Total Reserves	<u>201,368</u>	<u>-</u>	<u>40,578</u>	<u>241,946</u>
Accumulated surplus	<u>\$ 4,127,113</u>	<u>\$ 383,311</u>	<u>\$ -</u>	<u>\$ 4,510,424</u>

**9. Commitments**

The Authority is committed to quarterly lease payments on equipment aggregating \$1,272 until November 2012.

**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.

OMERS provides pension services to more than 409,000 active and retired members and approximately 931 employers. The OMERS plan has reported a \$4,467 million actuarial funding deficit at the end of 2010 (2009 - \$1,519 million actuarial funding deficit), and actuarial liabilities of \$60 billion (2009 - \$54.3 billion).

The amount contributed to OMERS for 2010 was \$58,645 (2009 - \$53,049) for current service and is included as an expense on the Statement of Operations.

**OTONABEE REGION CONSERVATION AUTHORITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**12. Segment Information**

The following is a breakdown by segment:

	<u>2010</u>			<u>2009</u>
	Revenue	Expenses	Excess	Excess
Planning and Regulations	\$ 580,890	\$ 532,866	\$ 48,024	\$ 23,563
Environmental Services	459,524	460,284	(760)	(3,559)
Engineering Services	343,171	362,128	(18,957)	436
Land Management	501,935	431,073	70,862	13,584
Corporate Services	43,097	58,872	(15,775)	800
Capital Projects	386,606	86,689	299,917	937
	<u>\$ 2,315,223</u>	<u>\$ 1,931,912</u>	<u>\$ 383,311</u>	<u>\$ 35,761</u>

**13. Expenses**

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

	<u>2010</u>	<u>2009</u>
Salaries, wages and employee benefits	\$ 1,247,335	\$ 1,221,032
Operating material and supplies	272,324	263,235
Utilities and communications	31,962	32,163
Vehicles costs	21,598	26,289
Contracted services	81,902	56,961
Other expenses	185,730	182,415
Interest	7,087	3,422
Amortization of tangible capital assets	83,974	73,412
	<u>\$ 1,931,912</u>	<u>\$ 1,858,929</u>

**14. Budget Figures**

The budget figures reflect the final budget as approved by the Board of Directors at a meeting on January 21, 2010. These figures are unaudited.

Budgeted Revenues	\$ 1,939,627
Budgeted Expenses	<u>(2,043,791)</u>
Per Consolidated Statement of Operations and Accumulated Surplus	(104,164)
Budgeted Tangible Capital Asset Purchases	(58,000)
Budgeted Drawdown of Reserves	66,081
Budgeted Loan Proceeds	3,083
Budgeted Loan Repayment	(12,000)
Budgeted Drawdown of Deferred	114,500
Budgeted Transfer to Gravel Pit Reserve	(3,000)
Budgeted Transfer to Vehicle and Equipment Reserve	(5,000)
Budgeted Transfer To Legal Reserve	<u>(1,500)</u>
	<u>\$ -</u>

**15. Comparative Figures**

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