

OTONABEE REGION CONSERVATION AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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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, 2022, 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, 2022, 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
April 12, 2023**

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

OTONABEE REGION CONSERVATION AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 524,060	\$ 548,301
Accounts receivable (Note 3)	910,461	540,202
	<u>1,434,521</u>	<u>1,088,503</u>
 Liabilities		
Accounts payable and accrued liabilities (Note 5)	976,862	673,978
Deferred revenue (Note 7)	48,390	24,318
	<u>1,025,252</u>	<u>698,296</u>
 Net Financial Assets	<u>409,269</u>	<u>390,207</u>
 Non-Financial Assets		
Tangible capital assets (Note 8)	10,161,480	9,321,232
Prepaid expenses	45,871	29,753
	<u>10,207,351</u>	<u>9,350,985</u>
 Accumulated Surplus (Note 11)	<u>\$ 10,616,620</u>	<u>\$ 9,741,192</u>

Commitments and Contingencies (Notes 9 and 10)

OTONABEE REGION CONSERVATION AUTHORITY
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>		<u>2021</u>
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
		(Note 14)	
Revenues			
Government Funding			
Municipal			
General levy	\$ 1,247,040	\$ 1,247,040	\$ 1,212,227
Capital projects levy	105,000	105,000	167,850
Special levy	2,427	-	235,127
Non-levy service and project revenue	161,488	176,105	182,187
Provincial	95,358	92,750	246,834
Federal	828,640	1,084,750	33,654
Authority Generated:			
User fees income	1,024,835	835,026	931,323
Sales, rentals and other income	189,800	260,550	118,616
Grants and partnerships	145,532	259,750	96,376
Donations	140,479	137,500	78,187
	<u>3,940,599</u>	<u>4,198,471</u>	<u>3,302,381</u>
Expenses (Note 17)			
Natural Hazard Program	995,835	943,570	864,834
Conservation Lands Program	815,770	743,747	699,423
Watershed Management Program	440,001	496,017	404,934
Corporate Services	813,565	721,360	769,242
	<u>3,065,171</u>	<u>2,904,694</u>	<u>2,738,433</u>
Annual Surplus	875,428	<u>\$ 1,293,777</u>	563,948
Accumulated Surplus - beginning of year	<u>9,741,192</u>		<u>9,177,244</u>
Accumulated Surplus - end of year	<u>\$ 10,616,620</u>		<u>\$ 9,741,192</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, 2022

	<u>2022</u>		<u>2021</u>
	<u>Actual</u>	<u>Budget</u> (Note 14)	
Annual Surplus	\$ 875,428	\$ 1,293,777	\$ 563,948
Amortization of tangible capital assets	211,338	-	192,700
Change in prepaid expenses	(16,118)	-	4,264
Acquisition of tangible capital assets - net	<u>(1,051,586)</u>	<u>(1,422,000)</u>	<u>(477,824)</u>
Increase In Net Financial Assets	19,062	(128,223)	283,088
Net Financial Assets - beginning of year	<u>390,207</u>	<u>390,207</u>	<u>107,119</u>
Net Financial Assets - end of year	<u>\$ 409,269</u>	<u>\$ 261,984</u>	<u>\$ 390,207</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, 2022

	<u>2022</u>	<u>2021</u>
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating Transactions		
Annual surplus	\$ 875,428	\$ 563,948
Non-cash charges to operations		
Amortization	211,338	192,700
Changes in non-cash working capital balances related to operations		
Accounts receivable	(370,259)	22,056
Prepaid expenses	(16,118)	4,264
Deferred revenue	24,072	(60,503)
Accounts payable	<u>302,884</u>	<u>50,419</u>
Cash Provided By Operations	1,027,345	772,884
Capital Transactions		
Purchase of tangible capital assets - net	(1,051,586)	(477,824)
Financing Transactions		
Debt repayment	<u>-</u>	<u>(35,962)</u>
Increase (Decrease) In Cash During The Year	(24,241)	259,098
Cash and Cash Equivalents - beginning of year	<u>548,301</u>	<u>289,203</u>
Cash and Cash Equivalents - end of year	<u>\$ 524,060</u>	<u>\$ 548,301</u>
 Represented By:		
Cash and cash equivalents	<u>\$ 524,060</u>	<u>\$ 548,301</u>

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

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022

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, 2022

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. Effective January 1, 2022 Reserves are differentiated into mandatory and non-mandatory reserves. Surpluses arising from mandatory programs and services will not be allocated to non-mandatory reserve funds. General Operations and Capital Reserve Funds that were established prior to December 31, 2021 may be used for either mandatory or non-mandatory program or service expenditures.

The intended purposes of the individual reserves are as follows:

- Capital Reserve - for the initial purchase, repair and / or replacement of tangible capital assets
- Jackson Creek Trail Revitalization Reserve - for donations and other contributions received for the future revitalization of the Jackson Creek Trail
- 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 - Mandatory 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 - Mandatory 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) 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, useful life of tangible capital assets and prepaids.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

2. Significant Accounting Policies (continued)

l) 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.

m) Financial Instruments

The Authority classifies its financial instruments at 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 four 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 Authority owned land for natural heritage protection and recreation purposes and to undertake resource development on the land.

Watershed Management Program - includes activities related to the development of a watershed-based resource management strategy for water resources. Implementation of provincial water quality and groundwater quality monitoring programs. Implementation of the policies of the Trent Source Protection Plan and compliance with the assigned requirements of the Clean Water Act, including support to the Municipalities.

Includes support of landowners to undertake land restoration and stewardship activities on their lands that enhances the natural environment. To provide technical reviews and expertise on natural heritage matters to assist the Municipalities in making environmentally sound decisions on Planning Act applications.

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

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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>2022</u>	<u>2021</u>
Government funding		
Municipal	\$ 48,404	\$ 153,183
Federal	593,984	5,879
Provincial	50,659	310,848
HST rebates - federal and provincial	93,405	47,039
Authority generated	123,855	23,253
Due from employee	154	-
	<u>\$ 910,461</u>	<u>\$ 540,202</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>2022</u>	<u>2021</u>
Accounts payable and accrued liabilities	\$ 562,685	\$ 257,131
Salaries and benefits payable	60,320	63,132
Employee future benefits (Note 6)	353,677	353,677
Due to governments	180	38
	<u>\$ 976,862</u>	<u>\$ 673,978</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, 2022

6. Employee Future Benefits (continued)

The latest available report for the OMERS plan (December 31, 2022) indicates that there are approximately 559,000 active and retired members and over 1,000 participating employers. The OMERS plan has reported a \$6.7 billion actuarial funding deficit at the end of 2022 (\$3.1 billion at the end of 2021), represented by net actuarial assets of \$122.1 billion (\$116.2 billion- 2021) and pension obligations of \$128.8 billion (\$119.3 billion - 2021). It is currently 95% funded (97% funded in 2021) and is expected to be fully funded by 2025.

The amount contributed to OMERS for 2022 was \$127,392 (2021 - \$120,598) 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 \$353,677 (\$353,677 in 2021) 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>01/01/2022</u>	<u>2022</u> <u>Receipts</u>	<u>2022</u> <u>Revenue</u>	<u>Balance</u> <u>31/12/2022</u>
Capital projects levy	\$ -	\$ 105,000	\$ 105,000	\$ -
Special levy	2,427	-	2,427	-
Source water protection	14,771	73,471	56,672	31,570
Other grants (less than \$15,000 each)	7,120	9,700	-	16,820
	<u>\$ 24,318</u>	<u>\$ 188,171</u>	<u>\$ 164,099</u>	<u>\$ 48,390</u>

	<u>Balance</u> <u>01/01/2021</u>	<u>2021</u> <u>Receipts</u>	<u>2021</u> <u>Revenue</u>	<u>Balance</u> <u>31/12/2021</u>
Capital projects levy	\$ 64,850	\$ 103,000	\$ 167,850	\$ -
Special levy	-	237,554	235,127	2,427
Source water protection	8,323	62,189	55,741	14,771
Other grants (less than \$15,000 each)	11,648	-	4,528	7,120
	<u>\$ 84,821</u>	<u>\$ 402,743</u>	<u>\$ 463,246</u>	<u>\$ 24,318</u>

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

8. Tangible Capital Assets

Tangible Capital Assets consist of the following:

	<u>Balance</u> <u>01/01/2022</u>	<u>Additions</u> <u>/ transfers</u> <u>during 2022</u>	<u>Disposals</u> <u>during 2022</u>	<u>Balance</u> <u>31/12/2022</u>
Cost				
Land	\$ 3,036,616	\$ 50,000	\$ -	\$ 3,086,616
Land improvements	-	610,185	-	610,185
Building and building improvements	1,268,971	107	-	1,269,078
Infrastructure	6,102,752	524	-	6,103,276
Machinery and equipment	324,300	37,726	5,703	356,323
Vehicles	195,200	18,915	12,030	202,085
Furniture and fixtures	61,767	11,438	2,428	70,777
Computers	81,734	9,084	5,054	85,764
	<u>11,071,340</u>	<u>737,979</u>	<u>25,215</u>	<u>11,784,104</u>
Capital works in progress	<u>29,443</u>	<u>332,875</u>	<u>19,268</u>	<u>343,050</u>
	<u>\$ 11,100,783</u>	<u>\$ 1,070,854</u>	<u>\$ 44,483</u>	<u>\$ 12,127,154</u>
	<u>Balance</u> <u>01/01/2022</u>	<u>Amortization</u>	<u>Accum Amort</u> <u>on disposals</u>	<u>Balance</u> <u>31/12/2022</u>
Accumulated Amortization				
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	-	15,255	-	15,255
Building and building improvements	409,444	31,727	-	441,171
Infrastructure	901,590	87,785	-	989,375
Machinery and equipment	233,773	30,659	5,704	258,728
Vehicles	137,496	20,626	12,030	146,092
Furniture and fixtures	37,122	9,469	2,427	44,164
Computers	60,126	15,817	5,054	70,889
	<u>\$ 1,779,551</u>	<u>\$ 211,338</u>	<u>\$ 25,215</u>	<u>\$ 1,965,674</u>
			<u>Balance</u> <u>31/12/2022</u>	<u>Balance</u> <u>31/12/2021</u>
Net Book Value of Tangible Capital Assets				
Land			\$ 3,086,616	\$ 3,036,616
Land improvements			594,930	-
Building and building improvements			827,907	859,527
Infrastructure			5,113,901	5,201,162
Machinery and equipment			97,595	90,527
Vehicles			55,993	57,704
Furniture and fixtures			26,613	24,645
Computers			<u>14,875</u>	<u>21,608</u>
			9,818,430	9,291,789
Capital works in progress			<u>343,050</u>	<u>29,443</u>
			<u>\$ 10,161,480</u>	<u>\$ 9,321,232</u>

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

	<u>Balance</u> <u>01/01/2021</u>	<u>Additions</u> <u>/ transfers</u> <u>during 2021</u>	<u>Disposals</u> <u>during 2021</u>	<u>Balance</u> <u>31/12/2021</u>
Cost				
Land	\$ 3,036,616	\$ -	\$ -	\$ 3,036,616
Building and building improvements	1,268,971	-	-	1,268,971
Infrastructure	5,710,249	392,503	-	6,102,752
Machinery and equipment	290,150	34,150	-	324,300
Vehicles	189,310	23,100	17,210	195,200
Furniture and fixtures	42,990	18,777	-	61,767
Computers	62,880	26,461	7,607	81,734
	<u>10,601,166</u>	<u>494,991</u>	<u>24,817</u>	<u>11,071,340</u>
Capital works in progress	46,610	13,320	30,487	29,443
	<u>\$ 10,647,776</u>	<u>\$ 508,311</u>	<u>\$ 55,304</u>	<u>\$ 11,100,783</u>
	<u>Balance</u> <u>01/01/2021</u>	<u>Amortization</u>	<u>Accum Amort</u> <u>on disposals</u>	<u>Balance</u> <u>31/12/2021</u>
Accumulated Amortization				
Land	\$ -	\$ -	\$ -	\$ -
Building and building improvements	377,720	31,724	-	409,444
Infrastructure	815,497	86,093	-	901,590
Machinery and equipment	205,512	28,261	-	233,773
Vehicles	132,065	22,641	17,210	137,496
Furniture and fixtures	29,420	7,702	-	37,122
Computers	51,454	16,279	7,607	60,126
	<u>\$ 1,611,668</u>	<u>\$ 192,700</u>	<u>\$ 24,817</u>	<u>\$ 1,779,551</u>

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.

9. Commitments

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

2023	\$ 3,698
2024	3,698
2025	3,589
2026	2,505
2027	-

The Authority generally enters into contracts for the construction of large infrastructure projects and technical studies. At the end of fiscal 2022 the Authority was committed to several ongoing construction contracts on projects that will be completed in 2023.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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10. 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.

11. Accumulated Surplus

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

	<u>Balance</u> <u>01/01/2022</u>	<u>2022</u> <u>Surplus</u> <u>(Deficit)</u>	<u>Appropriated</u> <u>from (to)</u> <u>reserves</u>	<u>Balance</u> <u>31/12/2022</u>
Surplus				
Other	\$ (17,798)	\$ 1,086,766	\$ (1,031,590)	\$ 37,378
Invested in tangible capital assets	<u>9,321,232</u>	<u>(211,338)</u>	<u>1,051,586</u>	<u>10,161,480</u>
	<u>9,303,434</u>	<u>875,428</u>	<u>19,996</u>	<u>10,198,858</u>
			<u>Appropriated</u> <u>from (to)</u> <u>general</u>	
Reserves				
Non-mandatory				
Capital Reserve	1,361	-	-	1,361
Jackson Creek Trail Revitalization Reserve	19,996	-	(19,996)	-
General Reserve	286,349	-	-	286,349
Mandatory				
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>437,758</u>	<u>-</u>	<u>(19,996)</u>	<u>417,762</u>
Accumulated surplus	<u>\$ 9,741,192</u>	<u>\$ 875,428</u>	<u>\$ -</u>	<u>\$ 10,616,620</u>

12. 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.

13. 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>

OTONABEE REGION CONSERVATION AUTHORITY
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FOR THE YEAR ENDED DECEMBER 31, 2022

14. Budget Figures

The budget figures reflect the final budget as approved by the Board of Directors at a meeting on December 16, 2021. These figures are unaudited.

The 2022 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>2022</u>	<u>2021</u>
Budgeted Revenues	\$ 4,198,471	\$ 3,373,067
Budgeted Expenses	<u>(2,904,694)</u>	<u>(2,667,013)</u>
Per Statement of Operations and Accumulated Surplus	1,293,777	706,054
Budgeted Tangible Capital Asset Purchases	(1,422,000)	(711,000)
Budgeted Drawdown of Reserves	128,223	50,000
Budgeted Drawdown of Deferrals	-	62,500
Budgeted Loan Repayment	<u>-</u>	<u>(107,554)</u>
	<u>\$ -</u>	<u>\$ -</u>

15. Related Party Transactions

Board members are paid a per diem and the Chair and Vice-Chair receive an nominal honorarium. Transactions with related parties occur at fair value.

During the year the Authority purchased trees for \$38.9K from a company that was owned by a Director for resale. There is \$154 in outstanding receivables from related parties at year end.

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. While the pandemic is in its third year and somewhat dynamic, there is some degree of clarity on the long-term economic impact on the Authority's financial position and operations. The Authority has mitigated the impacts of any potential risks by implementing cost containment measures to offset any decreases in anticipated revenue.

In December 2020 the Province of Ontario approved Bill 229, Ontario's Budget Measures Act, including Schedule 6 amendments which directly impact Conservation Authorities. In October 2021, the province released Ont. Reg. 686/21 and Ont. 687/21. These regulations provide greater clarity on the impacts from the Bill 229 amendments. The changes must be implemented beginning in fiscal 2024. The Authority believes that the changes will have a minimal impact on the Authority's financial position and operations.

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

17. Segment Information

The Authority prepares segmented financial information on the following basis: Revenues, either government funded or Authority generated, 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.

	Technical Services (included in salaries and wages)	Vehicle Charges (included in travel costs)	Equipment Charges (included in materials and supplies)
Expenses			
Natural Hazard Program	\$ 69,945	\$ 5,964	\$ 827
Conservation Lands Program	-	5,964	827
Watershed Management Program	154,726	5,964	826
Corporate Services	-	-	-
	<u>\$ 224,671</u>	<u>\$ 17,892</u>	<u>\$ 2,480</u>
Included in other income	<u>\$ -</u>	<u>\$ 17,892</u>	<u>\$ 2,480</u>

18. Risk Management

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

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

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

Interest rate risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments would fluctuate due to changes in the interest rate. Fluctuations in interest rates do not have an immediate impact on the Authority's operations, however, a prolonged decline in interest rates related to the investments of one percentage point would reduce the interest revenue by less than \$1,000.

The primary objective of the Authority with respect to its fixed income investments is to ensure the security of the principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return. A one percentage point change in interest would affect the current debt exposure by less than \$1,000.

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

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.

19. Comparative Figures

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

OTONABEE REGION CONSERVATION AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule A - Segmented Information 2022

	Natural Hazard Program	Conservation Lands Program	Watershed Management Program	Corporate Services	Total
Revenues					
Government Funding					
Municipal					
General levy	\$ 408,544	\$ 119,524	\$ 87,612	\$ 631,360	\$ 1,247,040
Capital projects levy	2,325	67,675	-	35,000	105,000
Special levy	-	2,427	-	-	2,427
Non-levy service and project revenue	-	-	161,488	-	161,488
Provincial	95,358	-	-	-	95,358
Federal	4,840	809,280	9,680	4,840	828,640
Authority Generated					
User fees income	471,035	553,800	-	-	1,024,835
Sales, rentals and other income	18,750	67,496	81,903	21,651	189,800
Grants and partnerships	-	61,750	83,782	-	145,532
Donations	2,500	122,979	15,000	-	140,479
Budgeted Amount - (Note 14)	1,003,352	1,804,931	439,465	692,851	3,940,599
	903,570	2,092,524	496,017	706,360	4,198,471
Expenses					
Salaries, wages and employee benefits	728,226	456,580	322,790	454,694	1,962,290
Utilities, communications, property taxes and insurance	41,623	82,876	13,187	35,300	172,986
Maintenance, service and supplies	29,303	114,242	27,984	112,435	283,964
Professional services	75,954	19,220	2,429	71,580	169,183
Travel and staff expenses	6,132	6,003	6,494	1,730	20,359
Other expenses	12,451	96,703	66,704	45,336	221,194
Vehicle costs	-	-	-	23,857	23,857
Amortization of tangible capital assets	102,146	40,146	413	68,633	211,338
	995,835	815,770	440,001	813,565	3,065,171
Budgeted Amount - (Note 14)	943,570	743,747	496,017	721,360	2,904,694
Net Surplus (Deficit)	\$ 7,517	\$ 989,161	\$ (536)	\$ (120,714)	\$ 875,428
Budgeted Amount - (Note 14)	(40,000)	1,348,777	-	(15,000)	1,293,777

OTONABEE REGION CONSERVATION AUTHORITY
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Schedule A - Segmented Information 2021

	Natural Hazard Program	Conservation Lands Program	Watershed Management Program	Corporate Services	Total
Revenues					
Government Funding					
Municipal					
General levy	\$ 386,710	\$ 115,735	\$ 73,822	\$ 635,960	\$ 1,212,227
Capital projects levy	67,726	1,330	-	98,794	167,850
Special levy	235,127	-	-	-	235,127
Non-levy service and project revenue	-	-	182,187	-	182,187
Provincial	246,834	-	-	-	246,834
Federal	-	33,654	-	-	33,654
Authority Generated					
User fees income	493,904	437,419	-	-	931,323
Sales, rentals and other income	17,520	45,134	34,615	21,347	118,616
Grants and partnerships	-	13,450	82,926	-	96,376
Donations	-	51,866	26,321	-	78,187
	<u>1,447,821</u>	<u>698,588</u>	<u>399,871</u>	<u>756,101</u>	<u>3,302,381</u>
Budgeted Amount - (Note 14)	1,249,144	952,235	463,228	708,460	3,373,067
Expenses					
Salaries, wages and employee benefits	701,197	396,838	325,147	429,627	1,852,809
Utilities, communications, property taxes and insurance	26,416	67,876	10,585	29,526	134,403
Maintenance, service and supplies	14,814	92,570	24,302	111,574	243,260
Professional services	8,820	4,507	2,863	66,881	83,071
Travel and staff expenses	6,795	6,436	6,411	443	20,085
Other expenses	5,953	95,457	34,210	47,693	183,313
Vehicle costs	-	3,422	-	25,370	28,792
Amortization of tangible capital assets	100,839	32,317	1,416	58,128	192,700
	<u>864,834</u>	<u>699,423</u>	<u>404,934</u>	<u>769,242</u>	<u>2,738,433</u>
Budgeted Amount - (Note 14)	807,090	660,735	463,228	735,960	2,667,013
Net Surplus (Deficit)	<u>\$ 582,987</u>	<u>\$ (835)</u>	<u>\$ (5,063)</u>	<u>\$ (13,141)</u>	<u>\$ 563,948</u>
Budgeted Amount - (Note 14)	442,054	291,500	-	(27,500)	706,054