Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Ontario Food Terminal Board

Financial Statements

March 31, 2013, March 31, 2012 &
April 1, 2011

Ontario Food Terminal Board

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March 31, 2013, March 31, 2012 and April 1, 2011

Ontario Food Terminal Board
165 the Queensway
Toronto, Ontario
M8Y 1H8
Phone: (416) 259-5479 Fax: (416) 259-4303
Email: info@oftb.com Website: www.oftb.com

Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Food Terminal Board have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to September 24, 2013.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The independent auditor's report, which appears on following page, outlines the scope of the Auditor General's examination and opinion.

Yours truly,
Ontario Food Terminal Board

I.B. Nicholas
General Manager, Secretary Treasurer

Gianfranco Leo
Administration Manager

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Food Terminal Board,
the Minister of the Agriculture and Food
and the Minister of Finance

I have audited the accompanying financial statements of the Ontario Food Terminal Board, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of revenue and expenditures, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Food Terminal Board as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Peall

Toronto, Ontario
September 24, 2013

Gary Peall, CPA, CA, LPA
Deputy Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Ontario Food Terminal Board

Statements of Financial Position

For the years ended March 31, 2013, March 31, 2012 and April 1, 2011

	2013 $	2012 $	2011 $
Assets			
Current assets			
Cash (note 4)	1,051,689	1,200,773	1,122,990
Short-term investments (note 5)	6,825,372	4,768,436	3,725,708
Accounts receivable	665,909	616,023	512,724
Prepaid expenses and supplies	79,577	90,424	101,170
	8,622,547	6,675,656	5,462,592
Capital assets (note 6)	18,397,276	18,739,211	19,448,045
	27,019,823	25,414,867	24,910,637
Liabilities			
Current liabilities			
Demand loans (note 7)	4,436,858	4,729,394	5,360,564
Accounts payable and accrued liabilities	870,133	536,544	655,575
Deferred capital contributions (note 8)	483,099	483,099	500,000
Deferred revenue	707,785	649,809	772,411
	6,497,875	6,398,846	7,288,550
Net Assets			
Net assets invested in capital assets	13,515,332	14,009,817	14,087,481
Unrestricted net assets	7,006,616	5,006,204	3,534,606
	20,521,948	19,016,021	17,622,087
	27,019,823	25,414,867	24,910,637

Commitments (note 10)

On Behalf of the Board

Wm B Cudmore

Director

Secretary-Treasurer

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

Ontario Food Terminal Board

Statements of Revenue and Expenditures

For the years ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
Revenue		
Rent	7,713,838	7,560,006
Cold storage	2,221,742	2,012,727
Toll fees	730,599	681,460
Buyer access tolls	433,275	434,836
Other income	141,671	165,111
	11,241,125	10,854,140
Expenditures		
Salaries and benefits (note 9)	2,920,142	2,727,878
Electric power	1,712,990	1,640,584
Amortization	1,239,716	1,239,875
Waste removal	1,231,199	1,269,909
Realty and business taxes	869,081	900,010
Repairs and maintenance	568,801	462,902
Insurance	305,726	335,748
Interest	149,264	164,562
Operating supplies and expense	186,741	167,107
Fuel	99,297	104,337
Office	104,505	95,401
Miscellaneous contract services	78,179	81,330
Rent - hydro land	60,850	71,395
Water	54,602	57,741
Legal services	124,156	83,372
Board members' fees and expenses	20,901	20,290
Miscellaneous	9,048	37,765
	9,735,198	9,460,206
Excess of revenue over expenditures for the year	1,505,927	1,393,934

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

Ontario Food Terminal Board

Statements of Changes in Net Assets

For the years ended March 31, 2013 and March 31, 2012

			2013
	Invested in capital assets $	Unrestricted $	Total $
Net assets - Beginning of year	14,009,817	5,006,204	19,016,021
Excess of revenue over expenditures for the year	(1,239,716)	2,745,643	1,505,927
Invested in capital assets	897,781	(897,781)	-
Interfund transfer	(445,086)	445,086	-
Repayment of demand loans invested in capital assets	292,536	(292,536)	-
Net assets - End of year	13,515,332	7,006,616	20,521,948

			2012
	Invested in capital assets $	Unrestricted $	Total $
Net assets - Beginning of year	14,087,481	3,534,606	17,622,087
Excess of revenue over expenditures for the year	(1,239,875)	2,633,809	1,393,934
Invested in capital assets	531,041	(531,041)	-
Repayment of demand loans invested in capital assets	631,170	(631,170)	-
Net assets - End of year	14,009,817	5,006,204	19,016,021

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

Ontario Food Terminal Board

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	1,505,927	1,393,934
Adjustments to reconcile excess of revenue over expenditures to cash provided by operating activities		
Amortization	1,239,716	1,239,875
Changes in non-cash working capital balances		
Accounts receivable	(49,886)	(103,299)
Prepaid expenses and supplies	10,847	10,746
Accounts payable and accrued liabilities	333,589	(119,031)
Deferred revenue	57,976	(122,602)
Deferred capital contributions	-	(16,901)
	3,098,169	2,282,722
Investing activities		
Purchase of short-term investments	(2,056,936)	(1,042,728)
Capital activities		
Purchase of capital assets	(897,781)	(531,041)
Financing activities		
Repayment of demand loans	(292,536)	(631,170)
Change in cash during the year	(149,084)	77,783
Cash - Beginning of year	1,200,773	1,122,990
Cash - End of year	1,051,689	1,200,773
Supplementary information		
Interest paid	149,264	164,562

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

1 Nature of operations

The Ontario Food Terminal Board (the Board), a government enterprise of the Province of Ontario, was incorporated without share capital pursuant to the Ontario Food Terminal Act (the Act), R.S.O. 1990, c O.15 and Ontario Regulations 871, 872 and 65/09 made under the Act. The objects of the Board include the operation of a wholesale fruit and produce market and the acquisition and operation of facilities for the transportation and handling of fruit and produce. To meet these objects, the Board leases land and buildings to wholesalers and growers. The Board is a not-for-profit Crown Agency and is exempt from income taxes.

2 Basis of accounting and transition to Canadian public sector accounting standards

In 2010, The Canadian Institute of Chartered Accountants Handbook - Public Sector was revised to include accounting standards that apply only to government not-for profit organizations, to allow government not-for-profit organizations the choice to apply such standards in addition to Canadian public sector accounting standards (PSAS), or PSAS alone, effective for the years beginning on or after January 1, 2012.

Effective April 1, 2012, the Board adopted PSAS and elected to apply the accounting standards that apply only to government not-for-profit organizations, as issued by the Canadian Public Sector Accounting Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. No statement of remeasurement gains or losses has been presented for the year ended March 31, 2013 as no remeasurement gains or losses have occurred during the year.

The transition to PSAS had no impact on the excess of revenue over expenditures for the Board for the year ended March 31, 2012 or net assets of the Board as at April 1, 2011.

3 Summary of significant accounting policies

Fund accounting

These financial statements include the following funds:

- Unrestricted - includes the cumulative net assets of operating revenue over expenditures; and
- Invested in capital assets - represents the net investment in the Board's capital assets, as described in note 6. Amounts required for the purchase of capital assets are transferred from the unrestricted fund to the invested in capital assets fund.

Revenue recognition

Revenue arising from rent, cold storage, toll fees and buyer access tolls is recognized as revenue as services are provided and collectibility is reasonably assured.

Deferred revenue results from the prepayment of rent, stall rentals, parking rentals, buyers' access cards and office rentals and are recognized as revenue over the rental term.

Deferred capital contributions externally restricted are deferred and amortized into revenue in accordance with the amortization policy applied to the related capital asset recorded.

Other income consists of interest income and other income and recognized as revenue when earned.

Expenditures

Expenditures are reported net of recoverable sales tax.

Short-term investments

Short-term investments are guaranteed investment certificates (GICs) and are carried at amortized cost in the financial statements. Investment income is included in the statements of revenue and expenditures.

The Board reviews the carrying amount of its GICs on an annual basis.

Capital assets

Capital assets are recorded at cost. Amortization of capital assets is provided on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 to 30 years
Buildings	10 to 40 years
Equipment	5 to 20 years
Parking deck and retaining wall	4 to 40 years

Amortization of construction-in-progress will commence when the construction is substantially complete and the asset is put into use.

Impairment of long-lived assets

The Board reviews the carrying amount, amortization and useful lives of its capital assets regularly. If the capital asset no longer has any long-term service potential to the Board, the excess of the net carrying amount over any residual value is recognized as an expense in the statements of revenue and expenditures.

Financial instruments

The Board initially measures its financial assets and financial liabilities at fair value. The Board subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statements of revenue and expenditures.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and demand loans.

Measurement uncertainty

The preparation of financial statements in accordance with PSAS 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 those estimates.

4 Cash

Cash at year-end consists of:

	2013 $	2012 $
Cash at bank	988,708	712,663
Restricted cash	62,981	488,110
	1,051,689	1,200,773

The Board has internally restricted $62,981 (2012 - $488,110) of cash received from the Ontario Ministry of Agriculture, Food and Rural Affairs, and the related interest earned, for the pre-construction/site preparation costs of the possible expansion of the Ontario Food Terminal.

5 Short-term investments

	2013 $	2012 $
Bank of Montreal, prime less 1.65% (2012 - 1.8%) GIC, due on October 25, 2013	6,825,372	4,768,436

6 Capital assets

			2013
	Cost $	Accumulated amortization $	Net $
Land	275,604	-	275,604
Land improvements	2,146,750	1,819,991	326,759
Buildings	26,409,388	12,738,443	13,670,945
Equipment	3,369,357	3,011,354	358,003
Parking deck and retaining wall	6,886,076	3,918,766	2,967,310
Construction-in-progress	798,655	-	798,655
	39,885,830	21,489,554	18,397,276

			2012
	Cost $	Accumulated amortization $	Net $
Land	275,604	-	275,604
Land improvements	1,978,211	1,759,396	218,815
Buildings	26,236,873	12,059,161	14,177,712
Equipment	3,324,878	2,831,695	493,183
Parking deck and retaining wall	6,886,076	3,598,586	3,287,490
Construction-in-progress	286,407	-	286,407
	38,988,049	20,248,838	18,739,211

7 Demand loans

Demand loans comprise the following:

	2013 $	2012 $
Demand loan, non-revolving with an additional $649,279 available to be drawn, bearing interest at prime plus 1/4%, monthly repayments of $24,378 principal plus interest; this loan is used to primarily finance capital expenditures	4,436,858	4,729,394

The Board has a revolving line of credit to a maximum availability of $1,000,000, which bears interest at the bank's prime rate. As at March 31, 2013, the Board had no borrowings outstanding under these facilities (2012 - $nil).

All of the above loans are supported by a letter of undertaking not to sell, further mortgage or otherwise encumber the property located at 165 The Queensway.

As at March 31, 2013, there are externally imposed debt covenants with respect to the Board's external bank loan. All covenants have been complied with as at March 31, 2013.

8 Deferred capital contributions

In 2011, the Board received a one-time contribution of $500,000 from the Ontario Ministry of Agriculture, Food and Rural Affairs. As at March 31, 2013 $62,981 (2012 - $488,110) has not been spent. The deferred capital contributions have not been amortized into revenue as the related asset is still under construction.

	2013 $	2012 $
Balance - Beginning of year	483,099	500,000
Less: Contributions recognized during the year	-	(16,901)
Balance - End of year	483,099	483,099

9 Self-directed Registered Retirement Savings Plan (RRSP)

The Board offers its full-time employees a self-directed RRSP whereby employees make a minimum contribution of 5% of their pay. The Board contributes a matching amount up to a maximum of 6% for employees with over 15 years of service and 5% for all other eligible employees. The expense for the year under this RRSP was $91,555 (2012 - $85,289) and is included in salaries and benefits.

10 Commitments

The Board leases land for vehicle parking space under an operating lease. The future annual minimum lease payments are as follows:

	$
2014	41,937
2015	4,272
2016	4,272
2017	157
	50,638

11 Financial instrument risk

The Board holds instruments that are subject to credit risk and liquidity risk.

Credit risk

Financial instruments that potentially subject the Board to concentrations of credit risk are cash and short-term investments. The Board places its cash in interest bearing accounts and instruments insured by a Canadian chartered bank, or in highly liquid investments that are readily convertible into known amounts of cash.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities.

All of the Board's short-term investments are considered to be readily realizable, as they can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.