



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

Ontario Food Terminal Board

Financial Statements
March 31, 2018

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October 24, 2018

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 October 24, 2018.

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 the following page, outlines the scope of the Auditor General's examination and opinion.

Bruce Nicholas
General Manager, Secretary Treasurer

Gianfranco Leo
Manager of Administration



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To the Ontario Food Terminal Board
and to the Minister of Finance

I have audited the accompanying financial statements of the Ontario Food Terminal Board, which comprise the statement of financial position as at March 31, 2018, and the statement of revenue and expenditures, changes in net assets and cash flows 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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 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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
October 24, 2018

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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Ontario Food Terminal Board

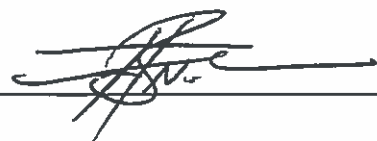
Statement of Financial Position

As at March 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	396,337	314,539
Investments (note 3)	2,688,249	6,222,825
Accounts receivable	824,512	570,990
Prepaid expenses and supplies	68,347	70,358
	<u>3,977,445</u>	<u>7,178,712</u>
Capital assets (note 4)	<u>39,551,369</u>	<u>34,762,835</u>
	<u>43,528,814</u>	<u>41,941,547</u>
Liabilities		
Current liabilities		
Demand loans (note 5)	14,171,909	13,867,509
Accounts payable and accrued liabilities	1,252,975	1,225,030
Deferred revenue	731,154	810,640
	<u>16,156,038</u>	<u>15,903,179</u>
Deferred capital contributions (note 6)	<u>445,860</u>	<u>457,937</u>
	<u>16,601,898</u>	<u>16,361,116</u>
Net Assets		
Invested in capital assets	24,933,600	20,437,389
Unrestricted	<u>1,993,316</u>	<u>5,143,042</u>
	<u>26,926,916</u>	<u>25,580,431</u>
	<u>43,528,814</u>	<u>41,941,547</u>
Commitments (note 8)		

On Behalf of the Board of Directors

 Director

 Secretary/Treasurer

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

Ontario Food Terminal Board

Statement of Revenue and Expenditures

For the year ended March 31, 2018

	2018 \$	2017 \$
Revenue		
Rent	8,789,019	8,662,400
Cold storage	2,707,683	2,438,389
Toll fees	690,164	717,926
Buyer access tolls	450,753	434,504
Other income	395,075	234,019
	<u>13,032,694</u>	<u>12,487,238</u>
Expenditures		
Salaries and benefits (note 7)	3,241,654	3,113,754
Electric power	2,299,175	2,377,679
Amortization	1,749,249	1,724,749
Waste removal	1,524,172	1,424,381
Realty and business taxes	780,428	792,669
Repairs and maintenance	528,631	544,165
Interest	457,422	422,699
Insurance	328,518	324,014
Operating supplies and expense	188,453	165,025
Fuel	130,351	105,615
Miscellaneous contract services	101,933	102,468
Legal services	93,039	41,210
Office	87,921	87,796
Rent - hydro land	64,454	65,914
Water	58,522	52,165
Board members' fees and expenses	40,159	48,030
Miscellaneous	12,128	6,657
	<u>11,686,209</u>	<u>11,398,990</u>
Excess of revenue over expenditures for the year	<u>1,346,485</u>	<u>1,088,248</u>

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

Ontario Food Terminal Board

Statement of Changes in Net Assets

For the year ended March 31, 2018

	2018		
	Invested in capital assets \$	Unrestricted \$	Total \$
Net assets - Beginning of year	20,437,389	5,143,042	25,580,431
Excess (deficiency) of revenue over expenditures for the year	(1,749,249)	3,095,734	1,346,485
Purchase of capital assets	6,537,783	(6,537,783)	-
Interfund transfer	12,077	(12,077)	-
Additional borrowings on demand loans invested in capital assets	(1,200,000)	1,200,000	-
Repayment of demand loans invested in capital assets	895,600	(895,600)	-
Net assets - End of year	24,933,600	1,993,316	26,926,916
	2017		
	Invested in capital assets \$	Unrestricted \$	Total \$
Net assets - Beginning of year	18,210,769	6,281,414	24,492,183
Excess (deficiency) of revenue over expenditures for the year	(1,724,749)	2,812,997	1,088,248
Purchase of capital assets	3,018,029	(3,018,029)	-
Interfund transfer	12,078	(12,078)	-
Repayment of demand loans invested in capital assets	921,262	(921,262)	-
Net assets - End of year	20,437,389	5,143,042	25,580,431

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

Ontario Food Terminal Board

Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	1,346,485	1,088,248
Adjustments to reconcile excess of revenue over expenditures to cash provided by operating activities		
Amortization of capital assets	1,749,249	1,724,749
Amortization of deferred capital contributions related to capital assets	(12,077)	(12,078)
Changes in non-cash working capital balances		
Accounts receivable	(253,522)	176,783
Prepaid expenses and supplies	2,011	7,294
Accounts payable and accrued liabilities	27,945	(146,159)
Deferred revenue	(79,486)	123,591
	<u>2,780,605</u>	<u>2,962,428</u>
Investing activities		
Purchase of investments	(2,750,479)	(7,219,075)
Proceeds from sale of investments	6,285,055	9,205,557
	<u>3,534,576</u>	<u>1,986,482</u>
Capital activities		
Purchase of capital assets	(6,537,783)	(3,018,029)
Financing activities		
Additional borrowings on demand loans	1,200,000	-
Repayment of demand loans	(895,600)	(1,046,262)
Repayments of bank indebtedness	-	(570,080)
	<u>304,400</u>	<u>(1,616,342)</u>
Increase in cash during the year	81,798	314,539
Cash - Beginning of year	314,539	-
Cash - End of year	396,337	314,539

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

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2018

1 Nature of operations

The Ontario Food Terminal Board (the Board), a government agency 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 objectives 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 objectives, the Board leases land and buildings to wholesalers and growers. The Board is a not-for-profit Board Governed Provincial Agency and is exempt from income taxes.

2 Summary of significant accounting policies

Basis of accounting

The financial statements of the Board are prepared by management in accordance with Canadian public sector accounting standards (PSAS) for government, including the standards that apply to government not-for-profit organizations.

The net assets of the Board are presented and accounted for as follows:

- 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 4. Amounts required for the purchase of capital assets are transferred from the unrestricted net assets to the invested in capital assets.

Revenue recognition

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

Deferred revenue is generated from the prepayment of rent, stall rentals, parking rentals, buyers' access cards and office rentals and is recognized as revenue on a straight-line basis over the rental term.

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

Other income primarily consists of interest income and billboard rent revenue and is recognized as revenue when earned and the amount is estimable and collection is reasonably assured.

Expenditures

Expenditures are reported net of recoverable sales tax.

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2018

Investments

Investments are guaranteed investment certificates (GICs) and are carried at amortized cost in the financial statements. Investment income is included in the statement of revenue and expenditures as other income.

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 construction is substantially complete and the asset is put into use.

Impairment of long-lived assets

The Board reviews the carrying amounts, 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 statement 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.

Financial assets measured at amortized cost include cash, investments and accounts receivable. Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and demand loans.

If there is an indicator of impairment, the Board determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Board expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of revenue and expenditures.

Ontario Food Terminal Board

Notes to Financial Statements

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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 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.

3 Investments

	2018 \$	2017 \$
Bank of Montreal, 1.10% GIC, due on December 19, 2018	2,688,249	-
Bank of Montreal, 1.10% GIC, due on November 9, 2017	-	5,222,825
Bank of Montreal, 1.05% GIC, due on May 1, 2017	-	1,000,000
	2,688,249	6,222,825

4 Capital assets

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Land	275,604	-	275,604
Land improvements	2,485,007	1,870,070	614,937
Buildings	43,443,124	17,199,807	26,243,317
Equipment	6,065,029	2,663,093	3,401,936
Parking deck and retaining wall	7,435,542	4,916,416	2,519,126
Construction-in-progress	6,496,449	-	6,496,449
	66,200,755	26,649,386	39,551,369
	2017		
	Cost \$	Accumulated amortization \$	Net \$
Land	275,604	-	275,604
Land improvements	2,118,348	1,784,132	334,216
Buildings	43,326,993	16,101,711	27,225,282
Equipment	5,958,651	2,309,950	3,648,701
Parking deck and retaining wall	6,737,337	4,704,344	2,032,993
Construction-in-progress	1,246,039	-	1,246,039
	59,662,972	24,900,137	34,762,835

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During the year, no fully amortized assets were written off (2017 - \$2,198,899).

During the year, \$846,654 (2017 - \$4,371,927) was transferred from construction-in-progress to buildings in the amount of \$26,204 (2017 - \$4,158,495); to land improvements in the amount of \$122,245 (2017 - \$nil); to the parking deck in the amount of \$698,205 (2017 - \$nil); and \$nil to equipment (2017 - \$213,432).

5 Demand loans

Demand loans comprise the following:

	2018 \$	2017 \$
Demand loan, non-revolving with a maximum borrowing amount of \$1,200,000, bearing interest at prime plus 1/4%, monthly repayments of \$5,000 principal plus interest; this loan is primarily used to finance capital expenditures	1,185,000	-
Demand loan, non-revolving with a maximum borrowing amount of \$3,924,920, bearing interest at prime plus 1/4%, monthly repayments of \$24,378 principal plus interest; this loan is primarily used to finance capital expenditures	2,974,178	3,266,714
Demand loan, non-revolving with a maximum borrowing amount of \$9,800,000, bearing interest at prime plus 1/4%, monthly repayments of \$40,833 principal plus interest commencing no later than April 30, 2015, interest only monthly payments during construction of capital assets; this loan is primarily used to finance capital expenditures	8,335,673	8,823,615
Demand loan, non-revolving with a maximum borrowing amount of \$2,000,000, bearing interest at prime plus 1/4%, monthly repayments of \$8,333 principal plus interest; this loan is primarily used to finance the cost for replacement of refrigeration equipment	1,677,058	1,777,180
	<u>14,171,909</u>	<u>13,867,509</u>

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, 2018, there were externally imposed debt covenants with respect to the Board's external bank loans. All covenants were complied with as at March 31, 2018.

Ontario Food Terminal Board

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6 Deferred capital contributions

In 2011, the Board received a one-time capital contribution of \$500,000 from the Ontario Ministry of Agriculture, Food and Rural Affairs. The related asset was substantially complete and ready for use in fiscal 2015, at which point the Board commenced amortizing the capital contribution into revenue and is included in other income in the statement of revenue and expenditures.

	2018 \$	2017 \$
Balance - Beginning of year	457,937	470,015
Less: Amortization to revenue during the year	12,077	12,078
Balance - End of year	<u>445,860</u>	<u>457,937</u>

7 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 \$92,989 (2017 - \$83,403) and is included in salaries and benefits.

8 Commitments

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

	\$
2019	74,672
2020	83,184
2021	82,237
2022	79,828
2023	79,828
Thereafter	<u>59,871</u>
	<u>459,620</u>

9 Financial instrument risk

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

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Board. The cost of the assets as presented in the statement of financial position represents the maximum credit risk exposure as at the date of the financial statements. The Board

Ontario Food Terminal Board

Notes to Financial Statements

March 31, 2018

places its cash in interest bearing accounts and instruments insured (up to a certain limit) by a Canadian chartered bank, or in highly liquid investments that are readily convertible into known amounts of cash.

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by thorough and rigorous credit approval procedures.

As at March 31, 2018, the following accounts receivable were past due but not impaired:

	30 days \$	60 days \$	90 days \$	Over 90 days \$
Accounts receivable	343,612	54,486	2,579	1,664

Management believes the Board's credit risk is low.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities as they come due. To manage liquidity risk, the Board monitors its operations and cash flows to ensure sufficient resources exist to meet its obligations. All of the Board's 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.

The table below is a maturity analysis of the Board's financial liabilities at March 31, 2018:

	Up to 6 months \$	More than 6 months up to 1 year \$	More than 1 year up to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities	1,252,975	-	-	-	1,252,975
Demand loans	471,264	471,264	3,770,112	9,459,269	14,171,909
	1,724,239	471,264	3,770,112	9,459,269	15,424,884

The demand loans' maturity analyses above represent scheduled repayments.

Interest rate risk

Interest rate risk arises from fluctuations in interest rates and the degree of volatility of those rates. The Board has demand loans that bear interest based on the prime interest rate; therefore, the Board is exposed to interest rate cash flow risk as the required cash flows to service the obligations will fluctuate as a result of changes in market rates.

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March 31, 2018

10 Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Board's contractual rights arise because of contracts entered into for the lease of land and buildings to warehouse unit tenants. The leases end at different points in time with the longest effective until 2044, and the amount of future revenue is equal to the actual amounts expended by the Board for taxes, operating and maintenance expenses and other costs and charges relating to the upkeep and operation of the rented units under lease.