



Financial Report

Welland Recreational Canal Corporation

December 31, 2010

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# Independent auditor's report

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To the Board Members, Members of Council, Inhabitants and Taxpayers  
of the Corporation of the City of Welland

We have audited the accompanying financial statements of the **Welland Recreational Canal Corporation**, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net debt 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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 auditors consider 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.

#### **Basis for qualified opinion**

The Welland Recreational Canal Corporation derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Welland Recreational Canal Corporation and we were not able to determine whether any adjustments might be necessary to donations and other revenue, assets, net assets and accumulated surplus.

#### **Qualified opinion**

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Welland Recreational Canal Corporation as at December 31, 2010, and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### **Emphasis of matter**

We draw attention to Note 2 to the financial statements which describes the changes to the prior year comparative amounts due to the new financial statement presentation adopted for the current year.

Port Colborne, Canada  
September 19, 2011



Chartered Accountants  
Licensed Public Accountants

# Welland Recreational Canal Corporation

## Statement of Operations

Year ended December 31, 2010

	<u>2010</u>	<u>2009</u> (As restated) (Note 2)
<b>Revenue</b>		
Municipal contribution - operating	\$ 600,000	\$ 672,279
Municipal contribution - capital	602,198	881,004
Donations - operating	19,560	
Donations - capital	30,250	
Grants - operating	163,586	28,316
Grants - capital		120,958
Flatwater rental program	11,320	7,013
Flatwater events and rentals	86,311	41,731
IlluminAqua (Note 4)	102,224	131,053
Other	536	53,130
Contributed tangible capital assets	<u>273,451</u>	
	<u>1,889,436</u>	<u>1,935,484</u>
<b>Expenses</b>		
Administration	53,125	33,238
Advertising and promotion	40,605	23,512
Amortization	182,674	128,506
Audit fees	8,725	6,600
Commonwealth rowing camp		18,121
Consulting	29,417	5,000
Equipment rentals	29,592	15,240
Flatwater rental program	2,034	2,966
IlluminAqua	183,121	231,251
Insurance	46,038	33,546
Legal fees		12,274
Maintenance	239,765	233,393
Operating supplies	93,571	34,527
Property leases	2,180	2,993
Security	6,266	11,870
Special events	51,633	22,157
Utilities	21,833	17,397
Wages and benefits	267,572	214,792
Youth programs	<u>2,975</u>	<u>14,645</u>
	<u>1,261,126</u>	<u>1,062,028</u>
<b>Annual surplus</b>	<b>628,310</b>	<b>873,456</b>
<b>Accumulated surplus (Note 5)</b>		
Beginning of year	<u>2,144,521</u>	<u>1,271,065</u>
End of year	<u>\$ 2,772,831</u>	<u>\$ 2,144,521</u>

See accompanying notes to the financial statements

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# Welland Recreational Canal Corporation

## Statement of Financial Position

As at December 31, 2010

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	<u>2010</u>	<u>2009</u> (As restated) (Note 2)
<b>Financial assets</b>		
Cash	\$ 12,579	\$ 102,005
Receivables	38,971	
Notes receivable (Note 6)	<u>29,500</u>	
	<u>81,050</u>	<u>102,005</u>
<b>Liabilities</b>		
Payables and accruals	86,052	3,105
Due to City of Welland	34,009	98,900
Deferred revenue	<u>50,000</u>	
	<u>170,061</u>	<u>102,005</u>
<b>Net debt</b>	<u>(89,011)</u>	<u>Nil</u>
<b>Non-financial assets</b>		
Prepaid expenses	1,000	
Tangible capital assets (Page 10)	<u>2,860,842</u>	<u>2,144,521</u>
	<u>2,861,842</u>	<u>2,144,521</u>
<b>Accumulated surplus (Note 5)</b>	<u>\$ 2,772,831</u>	<u>\$ 2,144,521</u>

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On behalf of the Board

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See accompanying notes to the financial statements

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## Welland Recreational Canal Corporation

### Statement of Changes in Net Debt

For the Year Ended December 31, 2010

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	<u>2010</u>	<u>2009</u> (As restated) (Note 2)
<b>Annual surplus</b>	<b><u>\$ 628,310</u></b>	<b><u>\$ 873,456</u></b>
Amortization of tangible capital assets	<b>182,674</b>	128,506
Acquisition of tangible capital assets	<b><u>(898,995)</u></b>	<b><u>(1,001,962)</u></b>
	<b><u>(716,321)</u></b>	<b><u>(873,456)</u></b>
Acquisition of prepaid expenses	<b><u>(1,000)</u></b>	
<b>Increase in net debt</b>	<b>(89,011)</b>	Nil
<b>Net debt</b>		
Beginning of year	<b><u>Nil</u></b>	<u>Nil</u>
End of year	<b><u>\$ (89,011)</u></b>	<b><u>\$ Nil</u></b>

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See accompanying notes to the financial statements

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## Welland Recreational Canal Corporation

### Statement of Cash Flows

For the Year Ended December 31, 2010

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	<u>2010</u>	<u>2009</u> (As restated) (Note 2)
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Annual surplus	\$ 628,310	\$ 873,456
Non-cash items		
Amortization	182,674	128,506
Decrease (increase) in receivables	(38,972)	10,091
Increase (decrease) in due to City of Welland	(64,891)	88,809
Increase in payables and accruals	82,948	3,105
Increase in deferred revenue	50,000	
Increase in prepaid expenses	<u>(1,000)</u>	
	<u>839,069</u>	<u>1,103,967</u>
<b>Investing activities</b>		
Issue of notes receivable	(30,000)	
Repayment of notes receivable	<u>500</u>	
	<u>(29,500)</u>	
<b>Capital activities</b>		
Acquisition of tangible capital assets	<u>(898,995)</u>	<u>(1,001,962)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(89,426)</b>	102,005
<b>Cash and cash equivalents</b>		
Beginning of year	<u>102,005</u>	<u>Nil</u>
End of year	<u>\$ 12,579</u>	<u>\$ 102,005</u>

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See accompanying notes to the financial statements



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# Welland Recreational Canal Corporation

## Notes to the Financial Statements

December 31, 2010

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### 1. Nature of operations

The Welland Recreational Canal Corporation (Corporation) manages, administers, improves and develops the Welland Recreational Canal Lands. The Corporation of the City of Welland holds a reserve fund to fund the expenses of the Welland Recreational Canal Corporation.

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### 2. Change in financial statement presentation

The financial statement presentation was changed in 2010 to appropriately reflect the operations of the Corporation and to remove the revenue and assets under the control of the City of Welland. The 2009 comparative amounts have been restated as follows:

	<u>Increase (decrease)</u>
<b>Revenue</b>	
Investment income	\$ (615,300)
Municipal contribution – operating	672,279
Municipal contribution – capital	214,632
<b>Annual surplus</b>	271,611
<b>Financial assets</b>	
Cash	(37,372)
Receivables	(6,977)
Interest receivable	(264,259)
Due from City of Welland	(327,448)
Long term investments	(14,396,766)
<b>Liabilities</b>	
Due to City of Welland	98,900
Deferred revenue	(333,628)
<b>Accumulated surplus</b>	(14,798,094)

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### 3. Significant accounting policies

The financial statements of the Welland Recreational Canal Corporation are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Corporation are as follows:

#### (a) Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Corporation.

#### (b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

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# Welland Recreational Canal Corporation

## Notes to the Financial Statements

December 31, 2010

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### 3. Significant accounting policies (continued)

#### (c) Cash and cash equivalents

Cash and cash equivalents include balances with banks.

#### (d) Deferred revenue

Deferred revenue is comprised of the unspent portion of grants.

#### (e) Tangible capital assets

Determination of costs

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing corporation services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Land improvements	10-50 years
Buildings	5-30 years
Machinery and equipment	5-20 years
Infrastructure	20 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction (work in progress) are not amortized until the asset is available for productive use.

#### (f) Revenue recognition

Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

Other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

#### (g) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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## Welland Recreational Canal Corporation

### Notes to the Financial Statements

December 31, 2010

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<b>4. IlluminAqua</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Grants	\$ 28,000	\$ 95,725
Special events	64,224	32,298
Donations	10,000	2,259
Rentals		771
	<u>\$ 102,224</u>	<u>\$ 131,053</u>

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<b>5. Accumulated surplus</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Operating deficit	\$ (88,011)	
Investment in tangible capital assets	<u>2,860,842</u>	<u>\$ 2,144,521</u>
	<u>\$ 2,772,831</u>	<u>\$ 2,144,521</u>

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#### **6. Notes receivable**

In November, 2010, notes receivable were issued to the Notre Dame Rowing Club and the South Niagara Canoe Club in the amount of \$ 15,000 each. The notes are to be repaid over five years by way of monthly principal payments of \$ 250 plus interest at an annual rate of 4%.

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#### **7. Financial instruments**

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable and amounts due to related parties. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

## Welland Recreational Canal Corporation Schedule of Tangible Capital Assets

December 31, 2010

	Land Improvements	Buildings	Machinery and Equipment	Infrastructure	Work in Progress	<u>2010</u>	<u>2009</u>
<b>Cost</b>							
Beginning of year	\$ 975,349	\$ 441,629	\$ 677,571	\$ 146,611	\$ 236,049	<b>\$ 2,477,209</b>	\$ 1,478,957
Add additions during the year	515,977	220,000	246,501	14,051	112,779	<b>1,109,308</b>	1,119,560
Less work in progress capitalized during the year					(210,313)	<b>(210,313)</b>	(117,598)
Less disposals during the year	_____	_____	_____	_____	_____	_____	(3,710)
End of year	<u>1,491,326</u>	<u>661,629</u>	<u>924,072</u>	<u>160,662</u>	<u>138,515</u>	<b><u>3,376,204</u></b>	<u>2,477,209</u>
<b>Accumulated amortization</b>							
Beginning of year	86,131	36,389	194,867	15,301		<b>332,688</b>	207,892
Add amortization during the year	60,840	18,561	95,591	7,682		<b>182,674</b>	128,506
Less accumulated amortization on disposals	_____	_____	_____	_____	_____	_____	(3,710)
End of year	<u>146,971</u>	<u>54,950</u>	<u>290,458</u>	<u>22,983</u>		<b><u>515,362</u></b>	<u>332,688</u>
<b>Net book value</b>	<b><u>\$ 1,344,355</u></b>	<b><u>\$ 606,679</u></b>	<b><u>\$ 633,614</u></b>	<b><u>\$ 137,679</u></b>	<b><u>\$ 138,515</u></b>	<b><u>\$ 2,860,842</u></b>	<b><u>\$ 2,144,521</u></b>