

Financial Statements of

**NOTTAWASAGA VALLEY
CONSERVATION AUTHORITY**

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Members of Nottawasaga Valley Conservation Authority

We have audited the accompanying financial statements of Nottawasaga Valley Conservation Authority, which comprise the statements of financial position as at December 31, 2016, the statements of operations and accumulated deficit, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nottawasaga Valley Conservation Authority as at December 31, 2016, and its results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 28, 2017
Sudbury, Canada

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash	\$ 1,067,362	837,729
Accounts receivable (note 2)	451,756	426,235
Investments (note 3)	885,534	974,865
	<u>2,404,652</u>	<u>2,238,829</u>
Financial Liabilities		
Accounts payable and accrued liabilities	432,658	491,007
Deferred revenue (note 5)	1,092,348	1,000,362
	<u>1,525,006</u>	<u>1,491,369</u>
Net financial assets	879,646	747,460
Non-Financial Assets		
Tangible capital assets (note 4)	9,170,831	9,389,682
Prepaid expenses	28,269	26,385
	<u>9,199,100</u>	<u>9,416,067</u>
Contingent liabilities (note 8)		
Commitments (note 14)		
Accumulated surplus (note 6)	\$ 10,078,746	10,163,527

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair

_____ CAO/Secretary - Treasurer

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Statement of Operations and Accumulated Deficit

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016 Total	2015 Total
	(see note 12)		
Revenue:			
Municipal government grants			
Municipal levies			
- general matching	\$ 185,990	185,990	185,990
- general non-matching	1,929,580	1,920,580	1,860,911
- special	2,500	2,500	8,233
Municipal grants	213,000	282,310	130,073
Total municipal funding	2,331,070	2,391,380	2,185,207
Government - provincial grants (schedule)	321,990	433,004	597,849
- federal grants (schedule)	633,908	927,106	589,483
User fees (schedule)	1,179,110	1,221,008	983,743
Contributions and donations	339,660	389,734	377,731
Interest income	-	15,238	25,003
Miscellaneous	-	46,354	43,006
Donated land	-	-	90,200
	4,805,738	5,423,824	4,892,222
Expenses (note 10):			
Planning services	1,273,248	1,358,109	1,274,588
Healthy waters	795,119	901,369	900,446
Flood forecast and warning	383,522	371,250	391,102
Environmental monitoring	398,931	428,035	351,231
Tiffin Centre infrastructure maintenance	377,585	375,665	359,942
Reforestation	503,218	515,358	501,988
Conservation lands	212,780	272,244	230,141
Environmental education	302,188	336,210	318,011
Engineering and technical services	229,966	239,909	204,558
Groundwater management	265,000	312,333	453,964
Administrative support	80,000	122,347	26,856
Workshop vehicles and equipment	27,000	-	-
GIS technical support	142,304	275,776	35,930
	4,990,861	5,508,605	5,048,757
Annual deficit	\$ (185,123)	(84,781)	(156,535)
Accumulated surplus, beginning of year		10,163,527	10,320,062
Accumulated surplus, end of year		\$ 10,078,746	10,163,527

See accompanying notes to financial statements.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Statement of Changes in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016 Total	2015 Total
	(see note 12)		
Annual deficit	\$ (185,123)	(84,781)	(156,535)
Acquisition of tangible capital assets	(69,314)	(167,641)	(196,731)
Amortization of tangible capital assets	225,000	227,575	217,234
Loss on disposition of tangible capital assets	-	158,917	1,009
	(29,437)	134,070	(135,023)
Acquisition of prepaid expenses	-	(28,000)	(29,702)
Use of prepaid expenses	-	26,116	36,825
	-	(1,884)	7,123
Change in net financial assets	(29,437)	132,186	(127,900)
Net financial assets, beginning of year	747,460	747,460	875,360
Net financial assets, end of year	\$ 718,023	879,646	747,460

See accompanying notes to financial statements.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash flows from operating activities:		
Annual deficit	\$ (84,781)	(156,535)
Items not involving cash:		
Amortization of tangible capital assets	227,575	217,234
Loss on disposition of capital assets	158,917	1,009
Donated land	-	(90,200)
	<u>301,711</u>	<u>(28,492)</u>
Changes in non-cash working capital:		
Accounts receivable	(25,521)	(77,202)
Prepaid expenses	(1,884)	7,123
Accounts payable and accrued liabilities	(58,349)	(71,287)
Deferred revenue	91,986	(125,060)
	<u>307,943</u>	<u>(294,918)</u>
Investing activities:		
Purchase of investments	(174,229)	(160,781)
Proceeds on disposal of investments	263,560	236,209
	<u>89,331</u>	<u>75,428</u>
Capital activities:		
Purchase of tangible capital assets	(167,641)	(196,731)
	<u>(167,641)</u>	<u>(196,731)</u>
Increase (decrease) in cash	229,633	(416,221)
Cash, beginning of year	837,729	1,253,950
Cash, end of year	<u>\$ 1,067,362</u>	<u>837,729</u>

See accompanying notes to financial statements.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2016

Nottawasaga Valley Conservation Authority (the "Authority") is a land and water management agency established under the provisions of the Conservation Authorities Act of Ontario. The Authority is a registered charitable organization and is exempt from income taxes under the Canadian Income Tax Act.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian public sector accounting standards. The Authority's significant accounting policies are as follows:

(a) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, designed and engineering fees, legal fees and site preparation costs. Contributed capital assets are recorded at fair value at the time of donation, with a corresponding amount recorded as revenue. Amortization is being recorded at the following rates and methods commencing once the asset is available for productive use as follows:

Asset	Basis	Rate
Small equipment	Declining-balance	20%
Equipment and vehicles	Declining-balance	25%
Computer equipment	Straight-line	5 years
Furniture and fixtures	Straight-line	10 years
Site utilities	Straight-line	15 years
Buildings	Straight-line	50 years
Dam and structures	Straight-line	50 years

(b) Investments:

Investments consist of bonds which are carried at cost. Investment income is recognized when earned.

(c) Deferred revenue:

Funds received for specific purposes which are for future services are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which services are provided.

(d) Pension plan:

The Authority is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Authority has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Authority records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for the past employee service.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(e) Revenue recognition:

Provincial funding revenues are recognized in the year to which the program relates. Municipal revenues are recognized in the year they are levied to member municipalities. Other revenues are recognized when they are invoiced and collectability is reasonably assured.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of tangible capital assets, the allowance for doubtful accounts and deferred revenue. Actual results could differ from those estimates.

2. Accounts receivable:

	2016	2015
HST recoverable	\$ 33,538	11,552
Fees for services and other	369,584	416,683
Government grants	65,349	10,000
Allowance for doubtful accounts	(16,715)	(12,000)
	\$ 451,756	426,235

3. Investments:

	2016		2015	
	Market	Cost	Market	Cost
Cash held with investment company	\$ 5,085	5,085	7,422	7,422
Bonds	890,385	876,121	939,353	958,567
Accrued interest	4,328	4,328	8,876	8,876
	\$ 899,798	885,534	955,651	974,865

Cash held with the investment company earns interest at 0.40% (2015 - 0.40%).

Bonds bear stated fixed rates of interest ranging from 1.250% to 3.150% (2015 - 1.250% to 3.103%) and have maturity dates ranging from January 12, 2017 to June 2, 2025 (2015 - March 1, 2016 to October 28, 2019).

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2016

4. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions and Transfers	Disposals and Write-offs	Balance at December 31, 2016
Land	\$ 6,555,166	99,470	(154,850)	6,499,786
Buildings	1,940,977	4,998	-	1,945,975
Dams and structures	3,063,418	-	-	3,063,418
Site utilities	599,761	-	-	599,761
Equipment and vehicles	332,953	30,661	(11,280)	352,334
Small equipment	220,575	9,488	(16,410)	213,653
Computer equipment	443,779	23,024	(5,500)	461,303
Furniture and fixtures	220,120	-	-	220,120
Total	\$ 13,376,749	167,641	(188,040)	13,356,350

Accumulated Amortization	Balance at December 31, 2015	Disposals and transfers	Amortization Expense	Balance at December 31, 2016
Land	\$ -	-	-	-
Buildings	662,298	-	38,538	700,836
Dams and structures	1,951,810	-	59,178	2,010,988
Site utilities	426,632	-	24,950	451,582
Equipment and vehicles	232,091	(10,028)	32,568	254,631
Small equipment	161,008	(15,481)	13,423	158,950
Computer equipment	362,292	(3,614)	53,144	411,822
Furniture and fixtures	190,936	-	5,774	196,710
Total	\$ 3,987,067	(29,123)	227,575	4,185,519

	Net book value, December 31, 2015	Net book value, December 31, 2016
Land	\$ 6,555,166	6,499,786
Buildings	1,278,679	1,245,139
Dams and structures	1,111,608	1,052,430
Site utilities	173,129	148,179
Equipment and vehicles	100,862	97,703
Small equipment	59,567	54,703
Computer equipment	81,487	49,481
Furniture and fixtures	29,184	23,410
Total	\$ 9,389,682	9,170,831

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2016

5. Deferred revenue:

Revenue from the following sources received that were unexpended for the year have been deferred:

	2016	2015
Unearned project revenue	\$ 38,414	\$ 52,426
Drought management plan	63,692	112,815
Forestry – Follow-up tending	45,941	44,633
Subdivision and condominium fees	654,363	521,566
Site planning	65,702	84,100
Clean-up	103,799	119,261
Other	120,437	65,561
	<u>\$ 1,092,348</u>	<u>\$ 1,000,362</u>

6. Accumulated surplus:

	2016	2015
Internally restricted reserves (note 9)	\$ 914,888	\$ 773,845
Investments in tangible capital assets	9,163,858	9,389,682
	<u>\$ 10,078,746</u>	<u>\$ 10,163,527</u>

7. Credit facilities:

The Authority has a demand loan facility with Scotiabank. This credit facility has an authorized credit limit of \$500,000 (2015 - \$500,000) and bears interest at the bank's prime rate less 0.5%. There is no balance outstanding as at December 31, 2016.

8. Contingent liabilities:

From time to time, the Authority is subject to claims and legal actions arising in the normal course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings will not have a material adverse effect on the financial position of the Authority.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2016

9. Internally restricted reserve funds:

Appropriations are made from accumulated surplus to various reserve funds upon approval of the Board of Directors.

Operational Reserve:

The Operational Reserve was established to provide funds to purchase equipment as required.

Vehicle Reserve:

The Vehicle Reserve was established to provide funds to purchase vehicles.

Environmental Education Reserve:

The Environmental Education Reserve was established to cover future environmental equipment and material purchases.

Human Resources Reserve:

The Human Resources Reserve was established to provide funds to cover human resource issues.

New Lowell Reserve Fund:

The New Lowell Reserve Fund was established to cover future capital expenses for the New Lowell campground.

Minesing Wetlands Reserve:

The Minesing Wetlands Reserve was established to provide funds for the management of Minesing Swamp.

Capital Repair and Replacement Reserve:

The Capital Repair and Replacement Reserve was established to cover future capital expenses.

Healthy Waters Reserve:

The Healthy Waters Reserve was established to cover future expenses for the Healthy Waters program.

Land Management Acquisition Reserve:

The Land Management Acquisition Reserve was established to assist with acquisitions of significant or environmentally sensitive lands. The reserve would compliment the ongoing acquisition program and partnership arrangements with Nature Conservancy Canada and the Ministry of Natural Resources for Minesing Swamp and Niagara Escarpment lands.

Planning/Legal Reserve:

The Planning/Legal Reserve was established to cover legal activities and unexpected variations in planning revenue

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2016

9. Internally restricted reserve funds (continued):

The internally restricted reserve funds consist of the following:

	2016	2015
Operational reserve fund	\$ 136,062	\$ 56,894
Environmental education fund	6,330	6,330
Human resources reserve fund	143,261	178,261
New Lowell reserve fund	101,771	88,319
Capital repair and replacement reserve fund	401,834	317,584
Healthy waters reserve fund	13,936	13,936
Land management acquisition fund	111,694	84,973
Planning / legal reserve fund	-	27,548
Total internally restricted reserve funds	\$ 914,888	\$ 773,845

10. Expenses by object:

	2016	2015
Wages and benefits	\$ 3,396,044	\$ 3,220,496
Purchased supplies and assets	1,031,529	779,318
Professional and consulting fees	480,197	470,328
Amortization of tangible capital assets	227,575	217,234
Occupancy costs	175,550	188,361
Travel and vehicle	52,306	46,949
Office supplies and expenses	50,915	30,936
Education and training	25,413	23,655
Licenses, memberships and dues	37,229	35,798
Advertising	11,842	18,255
Interest and bank	20,005	17,427
	\$ 5,508,605	\$ 5,048,757

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2016

11. Pension plan:

OMERS provides pension services to more than 451,000 active and retired members and approximately 974 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2016. The results of this valuation disclosed total going concern actuarial liabilities of \$87,554 million (2015 - \$82,369 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$81,834 million (2015 - \$75,392 million) indicating a going concern actuarial deficit of \$5,720 million (2015 - \$6,977 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Authority does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2016 was \$259,025 (2015 - \$240,730) and is included as an expense in the statement of operations.

12. Budget figures:

The 2016 budget figures included in these financial statements are those adopted by the Authority on February 26, 2016.

13. Segmented reporting:

The Chartered Professional Accountants of Canada Public Sector Accounting Handbook Section PS2700, Segment Disclosures, establishes standards on defining and disclosing segments in a government's financial statements. Government organizations that apply these standards are encouraged to provide disclosures established by this section when their operations are diverse enough to warrant such disclosures.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2016

14. Commitments:

Lease obligations:

The Authority is presently leasing equipment with various monthly rentals and maturity dates. The minimum lease payments required over the next four years are as follows:

2017	\$	14,372
2018		14,372
2019		13,045
2020		12,602
	\$	54,391

The Authority leases five pieces of property to three local municipalities and two not-for-profit organizations for no financial consideration. Under the terms of the agreements the municipalities and the not-for-profit organizations are responsible for all costs associated with their respective properties. The leases may be terminated by either party with written notice. The agreement with one local municipality extends to 2023 and the remaining two agreements with the local municipalities each extend to 2023 and 2025. The agreements with the two not-for-profit organizations extend to 2017 and 2022 respectively.

The Authority leases the New Lowell Campground and Conservation Park to two individuals who manage the park. Under the terms of the agreement which extends to April 14, 2018, the managers will pay the Authority a lease amount equal to \$16,230 plus HST per year with an additional 3% increase every year. The lease has a five year renewal option with the understanding that one year's notice must be given by either party to terminate the lease. The Authority is responsible for property taxes and property insurance while the managers are responsible for operational costs. Capital projects are paid for by the managers and become the property of the Authority.

The Authority leases various agricultural lands to farmers for minimal financial consideration under the terms of agreements which expire in 2017 to 2020. The minimum future rental income to be received related to these leases varies depending on the tenant.

The Authority leases property to a wildlife veterinary and rehabilitation organization which operate on the premises. Under the terms of the agreement which extends to December 31, 2021, the organization will pay the Authority a lease amount equal to \$3,375 plus HST per year plus costs. The lease can be renewed at the lessee's discretion. The rent shall increase 3% in each year of the term and any renewal periods. The Authority is responsible for property taxes, property insurance and operational costs. The rental monies are to be allocated to the capital repair and replacement reserve of the Authority to cover future capital projects.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Schedule of Revenue

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Provincial government grants:		
Drought Management Survey	\$ 49,123	178,555
Ministry of Natural Resources - Flood operations	188,490	203,819
Source Water Protection Planning	110,368	141,678
COA	19,986	25,014
Flood Database	-	19,000
Guardian fund	23,381	14,019
Nottawasaga Watershed Improvement Program	774	9,226
Other	24,612	5,188
Species at Risk	16,270	1,350
Total provincial funding	\$ 433,004	597,849
Federal government grants	\$ 927,106	589,483
User fees:		
Planning	\$ 757,872	584,837
Environmental education	252,155	210,958
Tiffin outreach	91,324	79,355
Stewardship services	40,366	32,338
Conservation lands	47,657	44,977
Monitoring	24,129	13,000
Engineering and technical services	7,505	18,278
	\$ 1,221,008	983,743