

Financial Statements of

**NOTTAWASAGA VALLEY
CONSERVATION AUTHORITY**

Year ended December 31, 2017



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

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, 2017, the statements of operations and accumulated surplus, 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, 2017, 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

Sudbury, Canada

April 27, 2018

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash and cash equivalents	\$ 2,031,374	1,067,362
Accounts receivable (note 2)	268,205	451,756
Investments	-	885,534
	<u>2,299,579</u>	<u>2,404,652</u>
Financial Liabilities		
Accounts payable and accrued liabilities	356,630	432,658
Deferred revenue (note 4)	992,726	1,092,348
	<u>1,349,356</u>	<u>1,525,006</u>
Net financial assets	950,223	879,646
Non-Financial Assets		
Tangible capital assets (note 3)	9,090,643	9,170,831
Prepaid expenses	36,903	28,269
	<u>9,127,546</u>	<u>9,199,100</u>
Contingent liabilities (note 7)		
Commitments (note 13)		
Accumulated surplus (note 5)	\$ 10,077,769	10,078,746

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair

_____ CAO/Secretary - Treasurer

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Statement of Operations and Accumulated Surplus

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017 Total	2016 Total
	(see note 11)		
Revenue:			
Municipal government grants			
Municipal levies			
- general matching	\$ 188,490	188,490	185,990
- general non-matching	1,975,037	2,045,877	1,920,580
- special	70,950	32,236	2,500
Municipal grants	160,080	135,203	282,310
Total municipal funding	2,394,557	2,401,806	2,391,380
Government - provincial grants (schedule)	355,090	459,548	433,004
- federal grants (schedule)	167,700	559,598	927,106
User fees (schedule)	1,208,010	1,204,235	1,221,008
Contributions and donations	365,922	428,738	389,734
Interest income	-	8,150	15,238
Miscellaneous	-	16,104	46,354
	4,491,279	5,078,179	5,423,824
Expenses (note 9):			
Planning services	873,420	864,070	1,030,807
Healthy waters	476,221	651,648	776,358
Flood forecast and warning	383,999	399,695	371,250
Environmental monitoring	274,655	245,605	322,653
Tiffin Centre infrastructure maintenance	374,007	300,357	289,500
Reforestation	443,216	460,140	464,734
Conservation lands	175,297	197,618	233,397
Environmental education	275,862	261,356	231,964
Engineering and technical services	96,762	118,457	101,054
Groundwater management	230,100	353,743	270,388
Administrative support	520,550	526,873	590,806
Workshop vehicles and equipment	73,000	-	-
Corporate governance	328,079	328,587	320,897
GIS technical support	248,621	371,007	504,797
	4,773,789	5,079,156	5,508,605
Annual deficit	(282,510)	(977)	(84,781)
Accumulated surplus, beginning of year	10,078,746	10,078,746	10,163,527
Accumulated surplus, end of year	\$ 9,796,236	\$ 10,077,769	10,078,746

See accompanying notes to financial statements.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017 Total	2016 Total
	(see note 11)		
Annual deficit	\$ (282,510)	(977)	(84,781)
Acquisition of tangible capital assets	(173,975)	(151,867)	(167,641)
Amortization of tangible capital assets	225,000	228,650	227,575
Loss on disposition of tangible capital assets	-	3,405	158,917
	(231,485)	79,211	134,070
Acquisition of prepaid expenses	-	(36,180)	(28,000)
Use of prepaid expenses	-	27,546	26,116
	-	(8,634)	(1,884)
Change in net financial assets	(231,485)	70,577	132,186
Net financial assets, beginning of year	879,646	879,646	747,460
Net financial assets, end of year	\$ 648,161	950,223	879,646

See accompanying notes to financial statements.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash flows from operating activities:		
Annual deficit	\$ (977)	(84,781)
Items not involving cash:		
Amortization of tangible capital assets	228,650	227,575
Loss on disposition of capital assets	3,405	158,917
Donated land	-	-
	231,078	301,711
Changes in non-cash working capital:		
Accounts receivable	183,551	(25,521)
Prepaid expenses	(8,634)	(1,884)
Accounts payable and accrued liabilities	(76,028)	(58,349)
Deferred revenue	(99,622)	91,986
	230,345	307,943
Investing activities:		
Purchase of investments	(250,739)	(174,229)
Proceeds on disposal of investments	1,136,273	263,560
	885,534	89,331
Capital activities:		
Purchase of tangible capital assets	(151,867)	(167,641)
	(151,867)	(167,641)
Increase in cash	964,012	229,633
Cash and cash equivalents, beginning of year	1,067,362	837,729
Cash and cash equivalents, end of year	\$ 2,031,374	1,067,362

See accompanying notes to financial statements.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2017

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) Cash and cash equivalents:

Cash and cash equivalents consist of bank deposits and guaranteed investment certificates ("GIC"), which are carried at cost. As the term of the investments is less than 90 days, the GIC's have been included with cash and cash equivalents. 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.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(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.

(e) Revenue recognition:

Provincial funding revenues are recognized in the year to which the program relates and when the related expenses are incurred. Amounts unused at year end are deferred to subsequent years. 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:

	2017	2016
HST recoverable	\$ 13,326	33,538
Fees for services and other	210,860	369,584
Government grants	58,962	65,349
Allowance for doubtful accounts	(14,943)	(16,715)
	\$ 268,205	451,756

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2017

3. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions and Transfers	Disposals and Write-offs	Balance at December 31, 2017
Land	\$ 6,499,786	-	-	6,499,786
Buildings	1,945,975	4,207	(26,618)	1,923,564
Dams and structures	3,063,418	-	-	3,063,418
Site utilities	599,761	16,768	-	616,529
Equipment and vehicles	352,334	54,586	(45,861)	361,059
Small equipment	213,653	17,859	-	231,512
Computer equipment	461,303	16,371	(240,606)	237,068
Furniture and fixtures	220,120	42,076	-	262,196
Total	\$ 13,356,350	151,867	(313,085)	13,195,132

Accumulated Amortization	Balance at December 31, 2016	Disposals and Write-offs	Amortization Expense	Balance at December 31, 2017
Land	\$ -	-	-	-
Buildings	700,836	(25,802)	54,036	729,070
Dams and structures	2,010,988	-	59,178	2,070,166
Site utilities	451,582	-	25,337	476,919
Equipment and vehicles	254,631	(43,272)	37,425	248,784
Small equipment	158,950	-	14,513	173,463
Computer equipment	411,822	(240,606)	28,521	199,737
Furniture and fixtures	196,710	-	9,640	206,350
Total	\$ 4,185,519	(309,680)	228,650	4,104,489

	Net book value, December 31, 2016	Net book value, December 31, 2017
Land	\$ 6,499,786	6,499,786
Buildings	1,245,139	1,194,494
Dams and structures	1,052,430	993,252
Site utilities	148,179	139,610
Equipment and vehicles	97,703	112,275
Small equipment	54,703	58,049
Computer equipment	49,481	37,331
Furniture and fixtures	23,410	55,846
Total	\$ 9,170,831	9,090,643

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2017

4. Deferred revenue:

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

	2017	2016
Unearned project revenue	\$ 78,821	38,414
Drought management plan	–	63,692
Forestry – follow-up tending	73,950	45,941
Subdivision and condominium fees	563,118	654,363
Site planning	79,112	65,702
Clean-up	–	103,799
Other	127,673	120,437
Wetland compensation	70,052	–
	\$ 992,726	1,092,348

5. Accumulated surplus:

	2017	2016
Internally restricted reserves (note 8)	\$ 992,453	914,888
Investments in tangible capital assets	9,085,316	9,163,858
	\$ 10,077,769	10,078,746

6. Credit facilities:

The Authority has a demand loan facility with Scotiabank. This credit facility has an authorized credit limit of \$500,000 (2016 - \$500,000) and bears interest at the bank's prime rate less 0.5%. There is no balance outstanding as at December 31, 2017.

7. 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, 2017

8. 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.

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.

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, 2017

8. Internally restricted reserve funds (continued):

The internally restricted reserve funds consist of the following:

	2017	2016
Operational reserve fund	\$ 151,364	136,062
Environmental education fund	6,330	6,330
Human resources reserve fund	123,347	143,261
New Lowell reserve fund	50,000	101,771
Capital repair and replacement reserve fund	537,560	401,834
Healthy waters reserve fund	13,936	13,936
Land management acquisition fund	109,916	111,694
Total internally restricted reserve funds	\$ 992,453	914,888

9. Expenses by object:

	2017	2016
Wages and benefits	\$ 3,330,638	\$ 3,396,044
Purchased supplies	836,766	1,031,529
Professional and consulting fees	301,878	480,197
Amortization of tangible capital assets	228,650	227,575
Occupancy costs	171,084	175,550
Travel and vehicle	50,499	52,306
Office supplies and expenses	54,386	50,915
Education and training	21,176	25,413
Licenses, memberships and dues	39,352	37,229
Advertising	22,957	11,842
Interest and bank	21,770	20,005
	\$ 5,079,156	\$ 5,508,605

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2017

10. 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, 2017. The results of this valuation disclosed total going concern actuarial liabilities of \$94,431 million (2016 - \$87,554 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$89,028 million (2016 - \$81,834 million) indicating a going concern actuarial deficit of \$5,403 million (2016 - \$5,720 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 2017 was \$244,313 (2016 - \$259,025) and is included as an expense in the statement of operations.

11. Budget figures:

The 2017 budget figures included in these financial statements are those adopted by the Authority on December 16, 2016.

12. 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.

The presentation of the items on the statement of operations and included within note 9 are considered sufficient to meet the requirements of PS2700, Segment Disclosures.

NOTTAWASAGA VALLEY CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2017

13. 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:

2018	\$	14,372
2019		13,045
2020		12,602
2021		12,602
	\$	52,621

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 2018 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 2018 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, 2017, with comparative information for 2016

	2017	2016
Provincial government grants:		
Ministry of Natural Resources - Flood operations	\$ 188,490	188,490
Source Water Protection Planning	114,395	110,368
Drought Management Survey	63,692	49,123
Hydrologic Function	38,640	-
COA	20,000	19,986
Species at Risk	13,511	16,270
Groundwater Monitoring	7,857	-
Nottawasaga Watershed Improvement Program	6,488	774
Other	6,475	24,612
Guardian fund	-	23,381
Total provincial funding	\$ 459,548	433,004
Federal government grants	\$ 559,598	927,106
User fees:		
Planning	\$ 754,070	757,872
Environmental education	227,131	252,155
Tiffin outreach	93,747	91,324
Conservation lands	52,291	47,657
Stewardship services	42,525	40,366
Monitoring	33,581	24,129
Healthy waters	890	-
Engineering and technical services	-	7,505
	\$ 1,204,235	1,221,008