AUSABLE BAYFIELD CONSERVATION AUTHORITY

Financial Statements

Year Ended December 31, 2015

MACNEILL EDMUNDSON
PROFESSIONAL CORPORATION

Index to Financial Statements

Year Ended December 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of Ausable Bayfield Conservation Authority

We have audited the accompanying financial statements of Ausable Bayfield Conservation Authority, which comprise the statement of financial position as at December 31, 2015 and the statements of operations 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 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.

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 Ausable Bayfield Conservation Authority as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

MacNeill Edmundson

London, Ontario
March 17, 2016

PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

James B. MacNeill CPA, CA   Jeremy A. Giles CPA, CA   Robert F. Edmundson CPA, CA (Retired)

82 WELLINGTON STREET, LONDON, ONTARIO N6B 2K3   TEL 519.660.6060   FAX 519.672.6416   WEB www.meb.on.ca

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash	**$ 2,431,270**	$ 2,441,506
Marketable securities *(Note 5)*	**5,178,977**	4,758,802
Accounts receivable	**300,066**	306,755
Due from related party *(Note 9)*	**15,058**	2,495
	$ 7,925,371	$ 7,509,558
LIABILITIES		
Accounts payable	**$ 114,270**	$ 166,660
Deferred revenue *(Note 4)*	**1,140,499**	889,966
	1,254,769	1,056,626
NET FINANCIAL ASSETS	**$ 6,670,602**	$ 6,452,932
NON-FINANCIAL ASSETS		
Tangible capital assets *(Note 2)*	**5,611,607**	5,790,212
Prepaid expenses	**11,248**	11,856
	5,622,855	5,802,068
ACCUMULATED SURPLUS *(Note 8)*	**$12,293,457**	$12,255,000

ON BEHALF OF THE BOARD

_______________ *Chair*

_______________ *Vice-Chair*

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Operations

Year Ended December 31, 2015

	Budget 2015	**2015**	2014
REVENUES			
Partnership contribution	$ 744,275	**$ 1,467,459**	$ 1,134,045
Deferred revenue - prior year *(Note 4)*	993,716	**889,966**	981,557
General levy	855,338	**855,339**	880,611
Provincial grant	830,211	**561,303**	820,533
User fees	705,621	**663,040**	707,545
Special levy	628,724	**447,825**	401,358
Investment income	14,100	**181,439**	62,677
Rental	54,011	**53,110**	53,975
Capital levy	28,599	**28,599**	28,599
Donations	3,700	**12,960**	7,829
Miscellaneous	-	**10,923**	7,473
Unrealized gain (loss) on investments	-	**4,314**	19,338
Transfer from Reserve	144,150	**-**	-
Deferred revenue - current year *(Note 4)*	(642,564)	**(1,140,499)**	(889,966)
	4,359,881	**4,035,778**	4,215,574
EXPENDITURES *(Schedule 1)*			
Environmental monitoring	1,597,463	**1,548,284**	1,445,642
Corporate services	850,536	**764,754**	734,353
Drinking water source protection	424,237	**496,961**	418,829
Floodplain management	821,449	**398,116**	336,202
Stewardship	300,300	**326,164**	291,859
Education	233,720	**177,201**	226,383
Recreation	138,405	**136,998**	142,669
Vehicles and equipment	112,899	**77,005**	78,873
Property management	98,356	**71,838**	79,764
	4,577,365	**3,997,321**	3,754,574
ANNUAL SURPLUS FROM OPERATIONS	(217,484)	**38,457**	461,000
OTHER REVENUE			
Gain on disposal of tangible capital assets	-	**-**	4,429,150
ANNUAL SURPLUS (DEFICIT)	(217,484)	**38,457**	4,890,150
ACCUMULATED SURPLUS, beginning of year *(Note 8)*	-	**12,255,000**	7,364,850
ACCUMULATED SURPLUS, end of year *(Note 8)*	$ -	**$ 12,293,457**	$ 12,255,000

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Change in Net Financial Assets

Year Ended December 31, 2015

	2015	2014
Annual surplus (deficit)	**$ 38,457**	$ 4,890,150
Acquisition of tangible capital assets	**(37,141)**	(55,084)
Amortization of tangible capital assets	**215,746**	210,047
Loss (gain) on disposal of tangible capital assets	**-**	(4,429,150)
Proceeds on disposal of tangible capital assets	**-**	4,536,503
Subtotal	**217,062**	5,152,466
Acquisition of prepaid expense	**(11,248)**	(11,856)
Use of prepaid expense	**11,856**	16,912
Change in net financial assets	**$ 217,670**	$ 5,157,522
Net financial assets, beginning of year	**$ 6,452,932**	$ 1,295,410
Net financial assets, end of year	**$ 6,670,602**	$ 6,452,932

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Cash Flows

Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Annual surplus (deficit)	**$ 38,457**	$ 4,890,150
Items not affecting cash:		
Amortization of tangible capital assets	**215,746**	210,047
Gain on disposal of tangible capital assets	**-**	(4,429,150)
Unrealized gain (loss) on investments	**(4,314)**	(19,338)
	249,889	651,709
Changes in non-cash working capital:		
Accounts receivable	**6,689**	82,438
Accounts payable	**(52,390)**	(65,992)
Deferred revenue *(Note 4)*	**250,533**	(91,591)
Acquisition of prepaid expense	**608**	5,056
Due to (from) related parties	**(12,563)**	14,480
	192,877	(55,609)
Cash flow from operating activities	**442,766**	596,100
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	**-**	4,536,503
Purchase of tangible capital assets	**(37,139)**	(55,084)
Cash flow from (used by) capital activities	**(37,139)**	4,481,419
INVESTING ACTIVITY		
Purchase of marketable securities	**(415,863)**	(4,739,463)
INCREASE (DECREASE) IN CASH FLOW	**(10,236)**	338,056
Cash - beginning of year	**2,441,506**	2,103,450
CASH - END OF YEAR	**$ 2,431,270**	$ 2,441,506

DESCRIPTION OF OPERATIONS

The Ausable Bayfield Conservation Authority was created through an Order-in-Council that was approved by the Administrator of the Government of the Province of Ontario, dated July 30, 1946, under the authority of the *Conservation Authorities Act* 1946. The *Act* sets out that the objects of the Conservation Authority are to establish and undertake, in its area of jurisdiction, a program designed to further the conservation, restoration, development and management of natural resources.

The Ausable Bayfield Conservation Authority, as a non profit organization, is exempt from income taxes under the *Income Tax Act of Canada*.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ausable Bayfield Conservation Authority follows Canadian Public Sector Accounting Standards in preparing its financial statements. The significant accounting policies that were used are as follows:

Tangible capital assets

Tangible capital assets are recorded at cost. The cost of a contributed asset is considered to be equal to its fair market value at the date of contribution.

The cost of a tangible capital asset is charged directly to the project or program. For items recorded as a capital purchase, an internal charge rate is calculated which is designed to recover all operating costs plus replacement costs. Projects or programs are then assessed by the internal rate which is applied based on usage records for the item involved. On an annual basis, the net revenue and expenses that are reported determine the appropriation to or from the internally restricted surpluses *(Note 8)*.

In addition, the cost of any equipment that was leased from the private sector was allocated to current projects or programs.

Amortization is provided over the estimated useful lives of the assets. The rates used are as follows:

Land improvements	20 years	straight-line method
Buildings	50 or 75 years	straight-line method
Motor vehicles	5 years	straight-line method
Computer equipment	5 years	straight-line method
Equipment	10 years	straight-line method
Furniture and fixtures	10 years	straight-line method
Flood and erosion control structures and trails	50 years	straight-line method

(continues)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

The Authority receives funding from the Province of Ontario in accordance with budget arrangements that were established by the Ministry of Natural Resources. These financial statements reflect funding arrangements that were approved by the Ministry.

Inventory

Inventory representing items purchased for resale, is expensed to the respective program during the year.

Investments

The marketable securities (consisting of equities, bonds, mutual funds and cash) are recorded at their current market value. Realized and unrealized gains and losses, arising on the recognition of market value, are recorded in the year that they occur.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	**2015 Net book value**	2014 Net book value
Land	$ 2,245,211	$ -	**$ 2,245,211**	$ 2,245,211
Land improvements	260,900	215,246	**45,654**	51,616
Buildings	1,915,170	814,238	**1,100,932**	1,116,322
Motor vehicles	162,550	140,710	**21,840**	40,177
Computer equipment	284,967	227,824	**57,143**	63,122
Equipment	197,516	145,990	**51,526**	58,650
Furniture and fixtures	87,910	76,109	**11,801**	15,907
Flood and erosion control structures and trails	6,312,176	4,234,676	**2,077,500**	2,199,207
	$11,466,400	$ 5,854,793	**$ 5,611,607**	$ 5,790,212

3. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash, accounts receivable, due from related parties, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks that would arise from these financial instruments. The financial instruments are recorded at cost and their fair value approximates their carrying values, unless otherwise stated.

4. DEFERRED REVENUE

Grants and other amounts that are received in advance of directly related expenses are deferred and recognized as revenue when the expenses are incurred. The amounts deferred in the current and prior year are as follows:

	2015	2014
Project grants	**$ 751,646**	$ 195,249
Part IV Enforcement	**182,109**	150,225
Special levy	**99,424**	56,672
Drinking Water Source Protection	**88,320**	241,499
User fees	**19,000**	39,308
Partnership contributions	**-**	207,013
	$ 1,140,499	$ 889,966

5. MARKETABLE SECURITIES

The marketable securities consist of the following:

	2015	2014
Cash and equivalents	**$ 501,642**	$ 490,040
Certificates of Deposit	**2,193,741**	2,264,005
Equity Mutual Funds	**1,808,922**	1,610,439
Fixed Income Mutual Funds	**674,672**	394,318
	$ 5,178,977	$ 4,758,802

6. BUDGET FIGURES

The unaudited budget figures that were included as comparative amounts are those as approved by the Board of Directors during the December 18, 2014 meeting.

7. LESSOR COMMITMENT

The Authority has a lease contract with Great Canadian Hideaway Inc. for approximately 230 acres of land at the Parkhill Campground. The lease term expires in 2017 with the right of renewal for an additional 21 years. Basic rental revenue until the next renewal are as follows:

	Campground	Basic House Rent	Total
2016	$ 15,000	$ 1,800	$ 16,800
2017	15,000	1,800	16,800
	$ 30,000	$ 3,600	$ 33,600

In addition to the rental revenue noted above, the Authority includes in its rental revenue the appropriate annual costs for taxes and insurance.

In addition, to the campground rent noted above, the Authority collects a percentage rent on an annual basis. The percentage rent is 5% of gross revenue in excess of $250,000. In the current year $5,577 (2014 - $3,644) was received for percentage rent.

8. ACCUMULATED SURPLUS

The accumulated surplus has been segregated into the following respective categories and are all internally restricted by either management or the Board of Directors.

	Balance 2014	Appropriations from Operations	Appropriations to Operations	Balance 2015
Internally restricted surplus				
Property Management	$ 229,347	$ 62,631	$ -	$ 291,978
Flood and Erosion Control				
Major Maintenance	468,751	32,000	(30,973)	469,778
Vehicles and Equipment	118,412	34,943	-	153,355
Barrier-Free Trails, Facilities	56,938	4,063	-	61,001
Outdoor Education	78,957	43,133	-	122,090
Administration IT	91,877	11,898	(15,844)	87,931
Stewardship Endowment	4,724,355	153,191	(61,626)	4,815,920
Administration Building	94,077	30,022	(7,650)	116,449
Operating Reserve	392,496	92,500	(159,083)	325,913
	$ 6,255,210	$ 464,381	$ (275,176)	$ 6,444,415
Tangible Capital Assets	5,790,212	37,139	(215,744)	5,611,607
Working capital	209,578	(37,139)	64,996	237,435
	$ 12,255,000	$ 464,381	$ (425,924)	$ 12,293,457

The respective funds and the utilization of the said funds are described as follows:

Property Management - Forest management, conservation area maintenance and capital improvements;

Flood and Erosion Control Major Maintenance - To offset the costs of the dam erosions and control structure repairs;
Vehicles and Equipment - Purchase of the fleet's vehicles, a tractor and other work machinery as well as computers, scientific equipment and monitoring stations;

Barrier Free Trails - Capital purchases, or improvements to create barrier free trails on conservation lands or lands where a partnership exists;

Outdoor Education - Staff's time and capital items that support education programs;

Administration IT - Information technology improvements to the Morrison Dam office and buildings;

Stewardship Endowment - Securement of property, implementation and maintenance of stewardship practices. Additional funds were transferred in 2014, the majority of which related to the capital gain realized on the sale of properties during the year.

Administration Building - Capital improvements to the Morrison Dam office and buildings;

Operating Reserve - Internally restricted surpluses, relating to specific departments, to be used for future expenditures;

9. RELATED ENTITY

Letters Patent incorporating the Ausable Bayfield Conservation Foundation under the *Canada Corporations Act* were granted on June 1, 1974. The Ausable Bayfield Conservation Foundation is a registered charity under the *Income Tax Act*. The Ausable Bayfield Conservation Authority exercises significant influence over the Foundation as it approves the appointment or reappointment of members to the Foundation. The Foundation aids the Conservation Authority in the cultivation and advancement of conservation in the Province of Ontario by providing funding for conservation projects that would otherwise not be undertaken by the Conservation Authority.

The Ausable Bayfield Conservation Foundation's financial information has not been consolidated in the Ausable Bayfield Conservation Authority's financial statements. The financial position of the Foundation is as follows:

	2015	2014
Financial Position		
Total Assets	**$ 258,834**	$ 242,793
Total Liabilities	**35,910**	34,392
Total Net Assets	**222,924**	208,401
Results of Operations		
Total Revenues	**142,615**	184,078
Total Expenses	**128,092**	103,209
Excess (Deficiency) of Revenues over Expenses	**14,523**	80,869

The total liabilities include an amount payable to Ausable Bayfield Conservation Authority in the amount of $15,058 (2014 - $2,495) for items purchased by the Authority, as well as contributions for education and barrier-free trails and facilities.

The total expenses include contributions of $15,842 (2014 - $9,315) to the Ausable Bayfield Conservation Authority. There were also $38,522 (2014 - $24,310) in amounts that were received by the Ausable Bayfield Conservation Foundation, which were donated to the Ausable Bayfield Conservation Authority.

10. COMPARATIVE FIGURES

The expenses on the Statement of Operations have been presented by program as required by the Canadian Public Sector Accounting Standards. In the prior year, the expenses were presented by type. A summary of expenses by type is provided in Schedule 1.

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Expenditures by Type *(Schedule 1)*

Year Ended December 31, 2015

	Budget	**2015**	2014
Wages and benefits	$ 2,117,909	**$ 2,251,213**	$ 2,006,858
Technical fees	743,019	**745,117**	875,869
Program supplies	175,861	**221,973**	192,176
Amortization of tangible capital assets	217,482	**215,746**	210,047
Partnership commitments	185,392	**131,029**	81,645
Repairs and maintenance	512,172	**78,723**	71,979
Office	151,636	**58,702**	29,955
Memberships, dues, and fees	52,521	**53,326**	54,912
Insurance	54,858	**51,167**	53,652
Utilities	53,054	**50,250**	44,118
Property taxes	35,000	**39,348**	38,827
Board of Directors	25,567	**25,907**	16,634
Travel	19,634	**23,846**	20,338
Advertising and promotion	20,004	**20,624**	25,769
Training	22,903	**15,289**	13,013
Rental	20,543	**14,827**	18,607
Interest and bank charges	1,161	**234**	175
Transfer to reserve	137,659	**-**	-
Capital asset additions	30,990	**-**	-
	$ 4,577,365	**$ 3,997,321**	$ 3,754,574