AUSABLE BAYFIELD CONSERVATION AUTHORITY

Financial Statements

Year Ended December 31, 2017

MACNEILL EDMUNDSON
PROFESSIONAL CORPORATION

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Index to Financial Statements

Year Ended December 31, 2017

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, 2017 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, 2017 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 22, 2018

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

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2017

	2017	2016 *(Restated)*
FINANCIAL ASSETS		
Cash	**$ 1,548,688**	$ 2,169,498
Marketable securities *(Note 5)*	**6,554,473**	5,689,179
Accounts receivable	**221,927**	315,363
Due from related party *(Note 9)*	**95,968**	3,573
	$ 8,421,056	$ 8,177,613
LIABILITIES		
Accounts payable and accrued liabilities	**$ 152,606**	$ 157,083
Deferred revenue *(Note 4)*	**950,895**	1,034,959
	1,103,501	1,192,042
NET FINANCIAL ASSETS	**$ 7,317,555**	$ 6,985,571
NON-FINANCIAL ASSETS		
Tangible capital assets *(Note 2)*	**5,432,683**	5,559,678
Prepaid expenses	**11,248**	11,248
	5,443,931	5,570,926
ACCUMULATED SURPLUS *(Note 8)*	**$12,761,486**	$12,556,497

ON BEHALF OF THE BOARD

_______________ *Chair*

_______________ *Vice-Chair*

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Operations

Year Ended December 31, 2017

	Budget 2017	**2017**	*(Restated)* 2016
REVENUES			
Partnership contribution	$ 805,041	**$ 1,170,415**	$ 1,273,491
Deferred revenue - prior year *(Note 4)*	1,143,653	**1,034,959**	1,218,127
General levy	872,145	**872,145**	862,861
User fees	782,905	**636,737**	655,197
Special levy	480,074	**477,149**	485,846
Provincial grant	473,655	**371,464**	693,852
Investment income	13,193	**204,980**	182,582
Unrealized gain (loss) on investments	-	**99,654**	90,349
Rental	59,612	**56,277**	55,248
Capital levy	28,599	**28,599**	28,599
Donations	1,000	**12,402**	8,321
Miscellaneous	-	**5,790**	10,645
Transfer from Reserve	164,154	**-**	-
Deferred revenue - current year *(Note 4)*	(594,396)	**(950,895)**	(1,034,959)
	4,229,635	**4,019,676**	4,530,159
EXPENDITURES *(Schedule 1)*			
Environmental monitoring	1,583,544	**1,613,119**	1,695,079
Corporate services	875,175	**729,883**	758,355
Floodplain management	395,720	**353,854**	399,202
Drinking water source protection	510,149	**345,286**	516,887
Stewardship	401,712	**324,820**	325,172
Recreation	219,707	**139,073**	174,820
Education	229,069	**131,221**	199,053
Property management	106,398	**100,270**	67,030
Vehicles and equipment	111,785	**81,047**	82,197
	4,433,259	**3,818,573**	4,217,795
ANNUAL SURPLUS FROM OPERATIONS	(203,624)	**201,103**	312,364
OTHER REVENUE			
Gain on disposal of tangible capital assets	-	**3,886**	28,304
ANNUAL SURPLUS (DEFICIT)	(203,624)	**204,989**	340,668
ACCUMULATED SURPLUS, beginning of year *(Note 8)*	-	**12,556,497**	12,215,829
ACCUMULATED SURPLUS, end of year *(Note 8)*	$ -	**$ 12,761,486**	$ 12,556,497

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Change in Net Financial Assets

Year Ended December 31, 2017

	2017	2016 *(Restated)*
Annual surplus (deficit)	**$ 204,989**	$ 340,668
Acquisition of tangible capital assets	**(86,719)**	(165,952)
Amortization of tangible capital assets	**213,714**	212,658
Loss (gain) on disposal of tangible capital assets	**(3,886)**	(28,304)
Proceeds on disposal of tangible capital assets	**3,886**	33,527
Subtotal	**331,984**	392,597
Acquisition of prepaid expense	**(11,248)**	(11,248)
Use of prepaid expense	**11,248**	11,248
Change in net financial assets	**$ 331,984**	$ 392,597
Net financial assets, beginning of year	**$ 6,985,571**	$ 6,592,974
Net financial assets, end of year	**$ 7,317,555**	$ 6,985,571

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Statement of Cash Flows

Year Ended December 31, 2017

	2017	2016 (Restated)
OPERATING ACTIVITIES		
Annual surplus (deficit)	**$ 204,989**	$ 340,668
Items not affecting cash:		
Amortization of tangible capital assets	**213,714**	212,658
Gain on disposal of tangible capital assets	**(3,886)**	(28,304)
Unrealized (gain) loss on investments	**(99,654)**	(90,349)
	315,163	434,673
Changes in non-cash working capital:		
Accounts receivable	**93,436**	(15,297)
Accounts payable and accrued liabilities	**(4,479)**	42,816
Deferred revenue *(Note 4)*	**(84,064)**	(105,540)
Due to (from) related parties	**(92,395)**	11,485
	(87,502)	(66,536)
Cash flow from operating activities	**227,661**	368,137
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	**3,886**	33,527
Purchase of tangible capital assets	**(86,719)**	(165,952)
Cash flow used by capital activities	**(82,833)**	(132,425)
INVESTING ACTIVITY		
Purchase of marketable securities	**(765,638)**	(419,856)
OTHER CASH FLOW ITEMS		
Restatement of deferred revenue *(Note 10)*	**-**	(77,628)
DECREASE IN CASH FLOW	**(620,810)**	(261,772)
Cash - beginning of year	**2,169,498**	2,431,270
CASH - END OF YEAR	**$ 1,548,688**	$ 2,169,498

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	**2017 Net book value**	2016 Net book value
Land	$ 2,245,212	$ -	**$ 2,245,212**	$ 2,245,212
Land improvements	273,620	227,415	**46,205**	48,621
Buildings	1,922,525	876,265	**1,046,260**	1,077,550
Motor vehicles	219,129	171,578	**47,551**	29,411
Computer equipment	335,219	275,605	**59,614**	63,359
Equipment	217,220	144,795	**72,425**	66,818
Furniture and fixtures	102,686	84,746	**17,940**	8,218
Flood and erosion control structures and trails	6,377,493	4,480,017	**1,897,476**	2,020,489
	$11,693,104	$ 6,260,421	**$ 5,432,683**	$ 5,559,678

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:

	2017	2016
Project grants	**$ 504,142**	$ 555,173
Pedestrian bridge	**140,823**	77,628
Special levy	**130,995**	136,685
Part IV Enforcement	**108,232**	168,971
Drinking Water Source Protection	**44,362**	64,663
User fees	**22,341**	31,839
	$ 950,895	$ 1,034,959

5. MARKETABLE SECURITIES

The marketable securities consist of the following:

	2017	2016
Cash and equivalents	**$ 301,116**	$ 627,837
Certificates of Deposit	**2,473,934**	2,082,526
Equity Mutual Funds	**2,840,997**	2,194,428
Fixed Income Mutual Funds	**938,426**	784,388
	$ 6,554,473	$ 5,689,179

6. BUDGET FIGURES

The unaudited budget figures that were included as comparative amounts are those as approved by the Board of Directors during the February 16, 2017 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 2038. Basic rental revenue over the subsequent years is follows:

2018	**$ 17,140**
2019	**17,480**
2020	**17,830**
2021	**18,180**
2022	**18,550**
Thereafter (2023-2038)	**352,660**
	$ 441,840

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 $5,802 (2016 - $5,900) 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 2016 *(restated)*	Appropriations from Operations	Appropriations to Operations	Balance 2017
Internally restricted surplus				
Property Management	$ 243,617	$ 58,347	$ -	$ 301,964
Flood and Erosion Control				
Major Maintenance	513,075	46,703	-	559,778
Vehicles and Equipment	159,793	6,737	(20,000)	146,530
Barrier-Free Trails, Facilities	66,395	5,587	-	71,982
Outdoor Education	155,018	11,662	-	166,680
Administration IT	80,507	20,327	(18,250)	82,584
Stewardship Endowment	4,980,416	245,357	(75,904)	5,149,869
Administration Building	91,982	28,158	-	120,140
Operating Reserve	512,664	232,072	(253,331)	491,405
	$ 6,803,467	$ 654,950	$ (367,485)	$ 7,090,932
Tangible Capital Assets	5,559,678	86,719	(213,714)	5,432,683
Working capital	193,352	(86,719)	131,238	237,871
	$ 12,556,497	$ 654,950	$ (449,961)	$ 12,761,486

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:

	2017	2016
Financial Position		
Total Assets	**$ 506,534**	$ 379,263
Total Liabilities	**202,854**	91,433
Total Net Assets	**303,680**	287,830
Results of Operations		
Total Revenues	**220,510**	205,604
Total Expenses	**204,660**	140,698
Excess (Deficiency) of Revenues over Expenses	**15,850**	64,906

The total liabilities include an amount payable to Ausable Bayfield Conservation Authority in the amount of $95,968 (2016 - $3,573) for items purchased by the Authority, as well as contributions for education and barrier-free trails and facilities.

The total expenses include contributions of $15,658 (2016 - $14,159) to the Ausable Bayfield Conservation Authority. There were also $105,315 (2016 - $44,396) in amounts that were received by the Ausable Bayfield Conservation Foundation, which were donated to the Ausable Bayfield Conservation Authority.

10. PRIOR YEAR RESTATEMENT

The prior year deferred revenue has increased by $77,628 related to donations received prior to 2017 which were externally restricted for the construction of a pedestrian bridge. This has resulted in a corresponding decrease to the Administration Building portion of the accumulated surplus.

AUSABLE BAYFIELD CONSERVATION AUTHORITY

Expenditures by Type *(Schedule 1)*

Year Ended December 31, 2017

	Budget	**2017**	2016
Wages and benefits	$ 2,482,216	**$ 2,336,089**	$ 2,543,769
Partnership commitments	192,932	**390,286**	305,903
Technical fees	624,012	**308,759**	584,857
Amortization of tangible capital assets	203,620	**213,714**	212,658
Program supplies	182,481	**208,874**	191,344
Repairs and maintenance	131,184	**52,490**	51,724
Memberships, dues, and fees	55,285	**52,087**	47,798
Insurance	53,059	**51,807**	53,290
Property taxes	42,475	**46,257**	42,182
Office	137,461	**35,443**	49,041
Utilities	52,969	**35,373**	40,891
Board of Directors	22,395	**25,597**	23,251
Travel	23,173	**21,466**	21,628
Training	24,006	**15,129**	14,912
Advertising and promotion	15,922	**14,512**	17,103
Rental	15,612	**10,690**	17,374
Interest and bank charges	1,630	**-**	70
Transfer to reserve	87,129	**-**	-
Capital asset additions	85,698	**-**	-
	$ 4,433,259	**$ 3,818,573**	$ 4,217,795