

**North Bay-Mattawa
Conservation Authority
Financial Statements
For the year ended December 31, 2018**

North Bay-Mattawa Conservation Authority
Financial Statements
For the year ended December 31, 2018

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Debt	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 19



Independent Auditor's Report

To the Members of North Bay-Mattawa Conservation Authority

Opinion

We have audited the financial statements of North Bay-Mattawa Conservation Authority (the Organization), which comprise the statement of financial position as at December 31, 2018, the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants, Licensed Public Accountants
North Bay, Ontario
May 22, 2019

North Bay-Mattawa Conservation Authority Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash and cash equivalents	\$ 631,978	\$ 535,348
Accounts receivable (Note 3)	188,419	179,456
Notes receivable (Note 4)	106,346	124,639
	<u>926,743</u>	<u>839,443</u>
Liabilities		
Accounts payable and accrued liabilities	57,299	159,138
Deferred revenue (Note 5)	772,169	532,023
Net long-term liabilities (Note 6a)	674,086	703,315
Employee future benefits (Note 7)	99,677	113,710
	<u>1,603,231</u>	<u>1,508,186</u>
Net debt	<u>(676,488)</u>	<u>(668,743)</u>
Non-financial assets		
Tangible capital assets (Note 2)	14,175,544	14,442,620
Prepaid expenses	12,624	13,241
	<u>14,188,168</u>	<u>14,455,861</u>
Accumulated surplus (Note 8)	<u>\$ 13,511,680</u>	<u>\$ 13,787,118</u>

On behalf of the Board:

_____ Director

_____ Director

North Bay-Mattawa Conservation Authority

Statement of Operations

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenues (Note 12)			
Core - Grant eligible	\$ 813,861	\$ 799,834	\$ 773,078
Core - Other	1,020,508	1,011,014	950,968
Core Capital	1,781,814	1,077,584	1,001,467
Interpretive Centre	190,436	184,643	186,908
Laurentian Ski Hill Capital	65,000	65,000	61,134
Laurentian Ski Hill Operating	60,000	60,000	-
Gain on disposal of tangible capital assets	-	1,129	23,125
	<u>3,931,619</u>	<u>3,199,204</u>	<u>2,996,680</u>
Expenses (Note 13)			
Core - Grant eligible	813,861	775,517	756,966
Core - Other	1,020,508	993,383	836,868
Core Capital	1,781,814	1,028,242	1,009,770
Interpretive Centre	190,436	186,663	174,633
Laurentian Ski Hill Capital	65,000	31,739	4,273
Laurentian Ski Hill Operating	60,000	33,108	-
Amortization of tangible capital assets	-	425,990	422,352
	<u>3,931,619</u>	<u>3,474,642</u>	<u>3,204,862</u>
Annual deficit for the year	-	(275,438)	(208,182)
Accumulated surplus, beginning of year		<u>13,787,118</u>	<u>13,995,300</u>
Accumulated surplus, end of year		<u>\$13,511,680</u>	<u>\$ 13,787,118</u>

The accompanying notes are an integral part of these financial statements.

North Bay-Mattawa Conservation Authority Statement of Change in Net Debt

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Annual deficit	\$ -	\$ (275,438)	\$ (208,182)
Acquisition of tangible capital assets	-	(158,914)	(62,763)
Amortization of tangible capital assets	-	425,990	422,352
Gain on disposition of tangible capital assets	-	(1,129)	(23,125)
Proceeds of disposition of tangible capital assets	-	1,129	23,125
	-	(8,362)	151,407
Acquisition of prepaid expenses	-	(12,624)	(13,241)
Use of prepaid expenses	-	13,241	12,758
	-	617	(483)
Change in net debt	-	(7,745)	150,924
Net debt, beginning of year	(668,743)	(668,743)	(819,667)
Net debt, end of year	\$ (668,743)	\$ (676,488)	\$ (668,743)

The accompanying notes are an integral part of these financial statements.

North Bay-Mattawa Conservation Authority

Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating transactions		
Annual deficit	\$ (275,438)	\$ (208,182)
Items not involving cash		
Amortization of tangible capital assets	425,990	422,352
Gain on disposal of tangible capital assets	(1,129)	(23,125)
	149,423	191,045
Changes in non-cash working capital balances		
Accounts receivable	(8,963)	(81,900)
Notes receivable	18,293	18,294
Prepaid expenses	617	(483)
Accounts payable and accrued liabilities	(101,839)	(41,151)
Deferred revenue	240,146	25,720
Employee future benefits	(14,033)	(6,186)
	283,644	105,339
Capital transactions		
Acquisition of tangible capital assets	(158,914)	(62,763)
Proceeds of disposition of tangible capital assets	1,129	23,125
	(157,785)	(39,638)
Financing transactions		
Repayment of long-term debt	(29,229)	(93,076)
Increase (decrease) in cash and cash equivalents during the year	96,630	(27,375)
Cash and cash equivalents, beginning of year	535,348	562,723
Cash and cash equivalents, end of year	\$ 631,978	\$ 535,348

The accompanying notes are an integral part of these financial statements.

North Bay-Mattawa Conservation Authority

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies

Nature of the Organization	The Authority manages a program designed to further the conservation, restoration, development and management of natural resources other than gas, oil, coal, and minerals in the North Bay - Mattawa area. The Authority was incorporated under 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.	
Management's Responsibility for the Financial Statements	The financial statements of the Authority are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards.	
Cash and Cash Equivalents	Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.	
Notes Receivable	The Authority records loans receivable at fair value when the loan is issued. The loan receivable is subsequently measured at the lower of cost and net recoverable value. When the Authority becomes aware that the loan is no longer recoverable, the loan is reduced by the amount of the loss and any loss is included in expenses for the period.	
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, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:	
	Land	no amortization
	Buildings	20 to 50 years
	Infrastructure	5 to 50 years
	Vehicles	3 to 5 years
	Power equipment	5 to 20 years
	Equipment	4 to 10 years

North Bay-Mattawa Conservation Authority

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

Employee Future Benefits	The Authority offers non-pension post-retirement benefits to employees through non-pension defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. (See Note 7). Liabilities for vacations and vested sick leave credits earned but not taken are accrued as earned. 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 past employee service.
Revenue Recognition	Provincial grant revenues are recognized in the year to which the program relates and expenditures are incurred in accordance with the terms and conditions of the respective grants. Municipal operating levies are recognized in the year they are levied to member municipalities and capital or special levies are recognized as funds are utilized on the applicable projects. Other revenues are recognized when they are invoiced and collection is reasonably assured.
Deferred Revenue	Certain amounts are received pursuant to agreements including specific levies and may only be used in the conduct of certain programs or in the delivery of specific services. These amounts are deferred when conditions or stipulations have not been met under the terms of these agreements.

North Bay-Mattawa Conservation Authority

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

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 at the date of financial statements, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the estimated useful life of tangible capital assets and the estimates involved in employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

**North Bay-Mattawa Conservation Authority
Notes to Financial Statements**

December 31, 2018

2. Tangible Capital Assets

							2018
	Land	Buildings	Infrastructure	Vehicles	Power Equipment	Equipment	Total
Cost, beginning of year	\$ 6,908,633	\$ 3,653,967	\$ 9,016,323	\$ 187,028	\$ 82,698	\$ 536,924	\$ 20,385,573
Additions	69,000	-	24,171	32,461	-	33,282	158,914
Disposals	-	-	-	-	(305)	-	(305)
Cost, end of year	<u>6,977,633</u>	<u>3,653,967</u>	<u>9,040,494</u>	<u>219,489</u>	<u>82,393</u>	<u>570,206</u>	<u>20,544,182</u>
Accumulated amortization, beginning of year	-	1,046,651	4,360,430	81,307	64,235	390,330	5,942,953
Amortization	-	75,805	278,705	39,125	1,895	30,460	425,990
Disposals	-	-	-	-	(305)	-	(305)
Accumulated amortization, end of year	<u>-</u>	<u>1,122,456</u>	<u>4,639,135</u>	<u>120,432</u>	<u>65,825</u>	<u>420,790</u>	<u>6,368,638</u>
Net carrying amount, end of year	<u>\$ 6,977,633</u>	<u>\$ 2,531,511</u>	<u>\$ 4,401,359</u>	<u>\$ 99,057</u>	<u>\$ 16,568</u>	<u>\$ 149,416</u>	<u>\$ 14,175,544</u>

North Bay-Mattawa Conservation Authority
Notes to Financial Statements

December 31, 2018

2. Tangible Capital Assets (continued)

							2017
	Land	Buildings	Infrastructure	Vehicles	Power Equipment	Equipment	Total
Cost, beginning of year	\$ 6,908,633	\$ 3,653,967	\$ 8,993,810	\$ 212,326	\$ 88,698	\$ 525,995	\$ 20,383,429
Additions	-	-	22,513	29,321	-	10,929	62,763
Disposals	-	-	-	(54,619)	(6,000)	-	(60,619)
Cost, end of year	6,908,633	3,653,967	9,016,323	187,028	82,698	536,924	20,385,573
Accumulated amortization, beginning of year	-	970,846	4,082,692	103,205	66,822	357,655	5,581,220
Amortization	-	75,805	277,738	32,721	3,413	32,675	422,352
Disposals	-	-	-	(54,619)	(6,000)	-	(60,619)
Accumulated amortization, end of year	-	1,046,651	4,360,430	81,307	64,235	390,330	5,942,953
Net carrying amount, end of year	\$ 6,908,633	\$ 2,607,316	\$ 4,655,893	\$ 105,721	\$ 18,463	\$ 146,594	\$ 14,442,620

North Bay-Mattawa Conservation Authority

Notes to Financial Statements

December 31, 2018

3. Accounts Receivable

	2018	2017
Sales tax recoverable	\$ 20,171	\$ 18,458
Fees for services and other	168,248	160,998
	<u>\$ 188,419</u>	<u>\$ 179,456</u>

4. Notes Receivable

	2018	2017
Equipment loan (i)	\$ 40,000	\$ 50,000
Operating loan (ii)	66,346	74,639
	<u>\$ 106,346</u>	<u>\$ 124,639</u>

Notes receivable are due from Laurentian Ski Hill Snowboarding Club with the following terms:

- (i) Equipment loan, interest free with annual principal repayments of \$10,000 commenced May 1, 2013 for 10 years. The receivable is secured by a charge against the equipment purchased with the loan. The receivable was recorded at cost on initial recognition.
- (ii) Operating loan, interest free with annual principal repayments of \$8,293 to commence May 1, 2017 for 10 years. The receivable is secured by a general security agreement over all assets of Laurentian Ski Hill Snowboarding Club. The receivable was recorded at cost on initial recognition.

North Bay-Mattawa Conservation Authority

Notes to Financial Statements

December 31, 2018

5. Deferred Revenue

	2018	2017
Balance, beginning of year	\$ 532,023	\$ 506,303
Contributions received	1,072,051	920,953
Amounts recognized to revenue	(831,905)	(895,233)
Balance, end of year	<u>\$ 772,169</u>	<u>\$ 532,023</u>

Year end balances consist of the following:

	2018	2017
Municipal levies	\$ 510,476	\$ 322,200
Provincial grants	261,693	209,823
	<u>\$ 772,169</u>	<u>\$ 532,023</u>

6. Credit Facility Agreements

a. Long-term Liabilities

	2018	2017
Loan payable to the City of North Bay, repayable in annual installments equal to \$10,000. The loan is interest free and is due May 2023.	\$ 40,000	\$ 50,000
Loan payable - 2.59%, due June 2022, repayable in monthly installments of \$3,001 principal and interest.	634,086	653,315
	<u>\$ 674,086</u>	<u>\$ 703,315</u>

The interest bearing loan payable contains certain debt covenants regarding (i) financial reporting to the lender, (ii) standard covenants regarding the operation of the organization, (iii) restrictions on further borrowing without the lender's consent, and (iv) debt service coverage. The Authority was in compliance with all covenants as at December 31, 2018. Currently the authority has available to it an unused committed reducing term facility totalling \$508,448 available at fixed or floating rate term loans.

North Bay-Mattawa Conservation Authority

Notes to Financial Statements

December 31, 2018

6. Credit Facility Agreements (continued)

a. Long-term Liabilities (continued)

Principal repayments estimated over the next five years and thereafter on these loans are as follows:

2019	\$ 29,841
2020	30,361
2021	30,894
2022	18,867
2023	564,123
	<u>\$ 674,086</u>

b. Line of Credit

The Authority also has a demand operating line of credit with its Canadian chartered bank permitting advances to a maximum of \$300,000 bearing interest at the bank's prime rate plus 0.25%. The balance utilized on this line at year end was \$Nil (2017 - \$Nil).

7. Employee Future Benefits

At December 31, this liability consists of the following:

	2018	2017
Accrued vacation for active employees	\$ 43,372	\$ 53,363
Post-retirement benefits (i)	56,305	60,347
	<u>\$ 99,677</u>	<u>\$ 113,710</u>

(i) These costs are determined in accordance with accepted actuarial practice. The figures presented are from an actuarial valuation report dated December 31, 2018. Selected information about this plan is as follows:

North Bay-Mattawa Conservation Authority

Notes to Financial Statements

December 31, 2018

8. Accumulated Surplus

	2018	2017
General surplus (deficit)	\$ (217,275)	\$ (115,037)
Reserve - Septic building permit	155,645	175,184
Reserve - Laurentian Ski Hill Capital	134,637	101,376
Reserve - Laurentian Ski Hill Operating	26,892	-
Reserve - Land Acquisition	10,000	-
Tangible capital assets	14,175,544	14,442,620
Amounts to be recovered from future revenues	(773,763)	(817,025)
	<u>\$ 13,511,680</u>	<u>\$ 13,787,118</u>

9. Pension Agreements

The Authority makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of full-time members of staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, 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. OMERS provides pension services to nearly half a million active and retired members and approximately 1,000 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, 2018. The results of this valuation disclosed total going concern actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating a going concern actuarial deficit of \$4,191 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. Contributions made by the Authority to OMERS for 2018 were \$133,456 (2017 - \$129,723).

North Bay-Mattawa Conservation Authority Notes to Financial Statements

December 31, 2018

10. Laurentian Ski Hill Snowboarding Club

Effective December 1, 2004 the operation of the business segment known as Jack Pine Hill was transferred by way of legal agreement to the Laurentian Ski Hill Snowboarding Club, a local not-for-profit organization, for proceeds of \$Nil. Under the terms of this agreement the Authority maintains legal title/ownership to a majority of the fixed assets of Jack Pine Hill and will provide the use of these assets to the Laurentian Ski Hill Snowboarding Club at an annual operating fee of \$29,220, plus an annual economic increase. The term of this agreement is to May 31, 2021 at which time the Laurentian Ski Hill Snowboarding Club may renew the agreement with the Authority by giving notice thereof in writing.

11. Segmented Reporting

The Canadian Institute of Chartered Accountants Public Sector Accounting Handbook Section PS 2700, 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 the disclosures established by this section when their operations are diverse enough to warrant such disclosures.

12. Sources of Revenues

	2018	2017
Municipal levies	\$ 990,013	\$ 1,017,902
Provincial grants	683,551	648,885
Permits and fees	763,566	826,824
Other (i)	678,452	484,097
Donations	83,622	18,972
	<u>\$ 3,199,204</u>	<u>\$ 2,996,680</u>

(i) Included in other is internal rent and administration fees in the amount of \$277,867 (2017 - \$268,498).

North Bay-Mattawa Conservation Authority

Notes to Financial Statements

December 31, 2018

13. Expenses by Object

	2018	2017
Wages and benefits	\$ 1,996,192	\$ 1,857,152
Program related expenses (i)	585,979	477,956
Occupancy expenses and utilities (i)	200,798	201,601
Consulting and other professional fees	66,178	51,824
Travel	60,847	55,328
Insurance	51,569	53,515
Bank charges and interest on long-term debt	26,108	28,957
Equipment rental and purchases	21,811	10,115
Office	21,192	21,857
Training	8,552	11,459
Promotional expenses	4,763	5,581
Repairs and maintenance	4,664	7,165
Amortization	425,989	422,352
	<u>\$ 3,474,642</u>	<u>\$ 3,204,862</u>

(i) Included in occupancy expenses and utilities and program related expenses are internal rent charges and administration fees in the amount of \$277,867 (2017- \$268,498).