

Financial Statements of

**NIAGARA PENINSULA
CONSERVATION AUTHORITY**

Year ended December 31, 2017



KPMG LLP
80 King Street, Suite 620
St. Catharines ON L2R 7G1
Canada
Tel 905-685-4811
Fax 905-682-2008

INDEPENDENT AUDITORS' REPORT

To the Board of Niagara Peninsula Conservation Authority

We have audited the accompanying financial statements of Niagara Peninsula Conservation Authority, which comprise the statement of financial position as at December 31, 2017, the statements of operations, 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 Niagara Peninsula Conservation Authority as at December 31, 2017, and its results of operations and its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The financial statements of Niagara Peninsula Conservation Authority as at and for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 26, 2017.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
May 29, 2018

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents	\$ 4,985,889	\$ 4,409,172
Investments	4,076,320	4,003,563
Accounts receivable	576,404	489,932
	<u>9,638,613</u>	<u>8,902,667</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,415,417	1,275,284
Employee future benefits (note 2)	109,500	146,000
Deferred revenue (note 4)	2,117,978	2,339,222
Long-term debt (note 3)	1,460,459	2,443,130
	<u>5,103,354</u>	<u>6,203,636</u>
Net financial assets	4,535,259	2,699,031
Non-financial assets:		
Prepaid expenses	25,636	43,630
Tangible capital assets (note 5)	19,904,908	19,563,286
	<u>19,930,544</u>	<u>19,606,916</u>
Accumulated surplus (note 6)	\$ 24,465,803	\$ 22,305,947

See accompanying notes to financial statement.



Chair



Chief Administrative Officer

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Operations

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

	Budget (note 9)	2017 Actual	2016 Actual
Revenues:			
Government transfers			
Province of Ontario – Ministry of Natural Resources and Forestry ("MNRF")	\$ 174,496	\$ 174,496	\$ 174,496
Province of Ontario - Other	311,500	204,956	380,756
Government of Canada	190,000	231,425	271,033
Municipal levies			
General	6,070,715	6,070,715	6,010,610
Special	2,820,257	2,820,257	2,792,333
Authority generated			
User fees, sales and admissions	1,612,279	1,724,747	1,612,548
Niagara Peninsula Conservation Foundation	28,035	68,750	13,500
Administration fees	360,325	533,178	393,255
Interest	78,400	111,391	73,872
Other	271,000	587,132	541,971
	11,917,007	12,527,047	12,264,374
Expenses:			
Corporate services	3,194,190	3,563,650	3,245,243
Watershed	3,183,426	2,908,143	3,423,000
Operations	3,576,991	3,895,398	3,487,867
	9,954,607	10,367,191	10,156,110
Annual surplus	1,962,400	2,159,856	2,108,264
Accumulated surplus, beginning of year	22,305,947	22,305,947	20,197,683
Accumulated surplus, end of year	\$ 24,268,347	\$ 24,465,803	\$ 22,305,947

See accompanying notes to financial statement.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Change in Net Financial Assets

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

	2017	2016
Annual surplus	\$ 2,159,856	\$ 2,108,264
Acquisition of tangible capital assets	(1,135,509)	(1,327,485)
Amortization of tangible capital assets	793,886	687,285
Proceeds on disposal of tangible capital assets	133,704	-
Gain on disposal of tangible capital assets	(133,703)	-
Decrease (increase) in prepaid expenses	17,994	(19,630)
	1,836,228	1,448,434
Net financial assets, beginning of year	2,699,031	1,250,597
Net financial assets, end of year	\$ 4,535,259	\$ 2,699,031

See accompanying notes to financial statement.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Changes in Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 2,159,856	\$ 2,108,264
Item not involving cash:		
Amortization of tangible capital assets	793,886	687,285
Gain on disposal of tangible capital assets	(133,703)	-
Employee future benefits	(36,500)	(7,000)
Change in non-cash operating working capital:		
Accounts receivable	(86,472)	(49,322)
Accrued interest on investments	(507)	(873)
Prepaid expenses	17,994	(19,630)
Accounts payable and accrued liabilities	140,133	888,949
Deferred revenue	(221,244)	(73,366)
Net change in cash and cash equivalents from operations	2,633,443	3,534,307
Capital activities:		
Purchases of tangible capital assets	(1,135,509)	(1,327,485)
Proceeds from disposal of tangible capital assets	133,704	-
Net change in cash and cash equivalents from capital activities	(1,001,805)	(1,327,485)
Investing activities:		
Proceeds from sale of investments	4,000,000	3,116,610
Purchases of investments	(4,072,250)	(4,000,000)
Net change in cash and cash equivalents from investing activities	(72,250)	(883,390)
Financing activities:		
Payments on long-term debt	(982,671)	(1,138,710)
Net change in cash and cash equivalents	576,717	184,722
Cash and cash equivalents, beginning of year	4,409,172	4,224,450
Cash and cash equivalents, end of year	\$ 4,985,889	\$ 4,409,172

See accompanying notes to financial statement.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2017

The Niagara Peninsula Conservation Authority ("the Authority") is established under The Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources. It is exempt from income taxes under section 149(1)(c) of the Income Tax Act.

1. Significant accounting policies:

The financial statements of Niagara Peninsula Conservation Authority ("the Authority") are prepared by management in accordance with Public Sector Accounting Standards ("PSAS"). Significant accounting policies adopted by the Authority are as follows:

(a) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

(c) Investments:

Investments consist of term deposits and are recorded at cost which approximates market value. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss. Investment income earned on investments are reported as revenue in the period earned.

(d) Deferred revenue:

Deferred revenues represent government transfers and user fees which have been collected but for which related expenses or related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Tangible capital assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations:

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. The Authority does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

Cost, less residual value of tangible capital assets are amortized on a straight line basis over their estimated useful life. Land is considered to have an infinite life without amortization. Full year amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Asset	Useful Life - Years
Land Improvements	20 years
Buildings	30 years
Dams	15 to 100 years
Gauge stations	15 to 30 years
Equipment	10 years
Vehicles	5 years
Office equipment	5 years

Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition and recognized as revenue in the year of contribution.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Revenue recognition:

i) Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except when, and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

ii) Municipal levies

Municipal levies are recognized as revenue in the year in which they meet the definition of an asset, the levy is authorized and the levy event has occurred.

iii) Authority generated

User fees, sales and admissions and other income is reported as revenue in the period earned.

(g) Employee future benefits:

The Authority provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefits for early retirees to age 65.

(h) Use of estimates:

The preparation of financial statements in accordance 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 the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in future. Significant estimates include assumptions used in the estimation of employee future benefits.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Employee future benefit:

The Authority provides extended life, health and dental benefits for early retirees to age 65 which will require funding in future periods. The Authority recognizes these retirement benefit costs in the period in which the employees rendered for services. The accrued benefit liability at December 31, 2017 was estimated by management to be \$109,500 (2016 - \$146,000).

Information about the Authority's benefit plan is as follows:

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	\$ 146,000	\$ 153,000
Current benefit cost	(9,086)	16,004
Benefits paid	(27,414)	(23,004)
Accrued benefit obligation, end of year	\$ 109,500	\$ 146,000

3. Long-term debt:

	2017	2016
The Authority has assumed responsibility for the payment of principal and interest charges on long-term debt issued by the Region of Niagara	\$ 1,460,459	\$ 2,443,130
	\$ 1,460,459	\$ 2,443,130

Long-term debt bears interest at rates ranging from 4.15% - 5.1%. Total principal payments to be made on the outstanding long-term debt is as follows:

2018	\$ 760,429
2019	483,705
2020	216,325
	1,460,459

The Authority paid \$109,591 (2016 - \$164,468) in interest on long-term debt during the year.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Deferred revenue:

Deferred revenues are made up of the following:

	Balance at December 31, 2016	Externally restricted inflows	Revenue earned	Balance at December 31, 2017
User fees and other	\$ 210,875	\$ 153,632	\$ (128,323)	\$ 236,184
Government grants	391,366	46,511	(103,668)	334,209
Welland river restoration - Ontario Power Generation	1,736,981	-	(189,396)	1,547,585
Total	\$ 2,339,222	\$ 200,143	\$ (421,387)	\$ 2,117,978

5. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Transfers/ Disposals	Balance at December 31, 2017
Land	\$ 8,504,865	\$ -	\$ (1)	\$ 8,504,864
Land improvements	4,784,568	831,708	-	5,616,276
Buildings	5,653,016	44,712	-	5,697,728
Dams	4,986,642	-	-	4,986,642
Gauge stations	403,351	-	-	403,351
Equipment	1,419,159	462,121	-	1,881,280
Vehicles	210,176	104,078	-	314,254
Office equipment	708,771	100,317	-	809,088
Work-in-progress	540,501	114,651	(522,078)	133,074
Total	\$ 27,211,049	\$ 1,657,587	\$ (522,079)	\$ 28,346,557

Accumulated Amortization	Balance at December 31, 2016	Amortization	Disposals	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	2,507,055	231,118	-	2,738,173
Buildings	1,942,137	180,858	-	2,122,995
Dams	1,594,872	59,085	-	1,653,957
Gauge stations	162,875	20,828	-	183,703
Equipment	826,621	157,146	-	983,767
Vehicles	202,096	28,896	-	230,992
Office equipment	412,107	115,955	-	528,062
Work-in-progress	-	-	-	-
Total	\$ 7,647,763	\$ 793,886	\$ -	\$ 8,441,649

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Tangible capital assets (continued):

	Net Book Value December 31, 2016	Net Book Value December 31, 2017
Land	\$ 8,504,865	\$ 8,504,864
Land improvements	2,277,513	2,878,103
Buildings	3,710,879	3,574,733
Dams	3,391,770	3,332,685
Gauge stations	240,476	219,648
Equipment	592,538	897,513
Vehicles	8,080	83,262
Office equipment	296,664	281,026
Work-in-progress	540,501	133,074
Total	\$ 19,563,286	\$ 19,904,908

Work-in-process, having a value of \$133,074 (\$540,501) has not been amortized. Amortization of these assets will commence when the asset is put into service.

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is \$nil (2016 - \$112,500) and was comprised of land.

Tangible capital assets recognized at nominal value include land used in the operations and conservation of the Authority.

The Authority has not recorded a write-down of tangible capital assets during the year or 2016.

6. Accumulated surplus:

Accumulated surplus consists of the following:

	2017	2016
Invested in tangible capital assets	\$ 18,444,449	\$ 17,120,156
Reserves set aside by the Board of the Authority for specific purpose	6,130,854	5,331,791
Unfunded employee future benefits liability	(109,500)	(146,000)
	\$ 24,465,803	\$ 22,305,947

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Accumulated surplus (continued):

Reserves set aside by the Board of the Authority for specific purpose consists of the following:

	2017	2016
General capital	\$ 1,058,385	\$ 1,283,537
Operating reserve	713,420	703,489
Equipment	279,319	383,398
Flood protection	359,266	404,351
Levy differential	1,206,213	776,469
Land acquisitions	2,431,880	1,698,176
Tree by-law	82,371	82,371
	<u>\$ 6,130,854</u>	<u>\$ 5,331,791</u>

7. Credit facility:

The Authority's credit facility includes an overdraft lending account of \$800,000 bearing interest at prime. No amount was outstanding as at the year end. The facility is secured by a general security agreement.

8. Pension plan:

The Authority makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the 58 (2016 – 59) members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Authority does not recognize any share of the pension plan deficit of \$5.4 billion (2016 - \$2.3 billion) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2017 calendar year at rates ranging from 9.0% to 14.6% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2017 current and past service was \$414,821 (2016 - \$462,855) and were matched by employee contributions.

9. Budget data:

The budget data presented in these financial statements is based upon the 2017 budget approved by the Board of the Authority on October 19, 2016. Amortization was not incorporated in the development of the budget and, as such, were not provided on the statement of changes in net financial assets. The chart below reconciles the approved budget to the budget figures reported in these financial statements:

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Budget data (continued):

	Budget Amount
Revenues	
Operating	
Approved budget	\$ 10,143,392
Capital	741,871
Special levy - reserves	1,031,744
Total revenues	11,917,007
Expenses:	
Operating	
Approved budget	11,917,007
Add:	
Amortization	793,886
Less:	
Tangible capital assets included in operating expense	(741,871)
Transfers to reserves	(1,031,744)
Debt principal payments	(982,671)
Total expenses	9,954,607
Annual surplus	\$ 1,962,400

10. Contingencies:

The Authority is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Authority believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2017

11. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year. There is no impact to accumulated surplus as a result of the reclassification.

12. Segmented information:

The Authority provides a wide range of services which are categorized by department. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Corporate services

Corporate services is comprised of the administration of the offices.

Watershed

The watershed department is the umbrella for three divisions dedicated to monitoring, regulating, protecting and improving the health and safety of our watersheds.

Operations

The operations department is the umbrella for three divisions dedicated to conservation land management, conservation land programming and development and managing the Authority's vehicles and equipment. Conservation land management is the administration department for the conservation areas. Conservation land programming and development is responsible for maintenance and improvements to the conservation areas. The vehicles and equipment department accounts for the cost of maintaining the vehicles and equipment.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Municipal levies have been allocated to the segments based upon budgeted levies for the segment. Interest earned on investments has been allocated to the corporate services segment.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

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

12. Segmented information (continued)

2017				
	Corporate Services	Watershed	Operations	Total
Revenues:				
MNRF transfers	\$ 75,796	\$ 98,700	\$ -	\$ 174,496
Government transfers	50,639	286,451	99,291	436,381
Municipal levies	4,216,285	2,190,679	2,484,008	8,890,972
User fees, sales and administration	-	-	1,724,747	1,724,747
Niagara Peninsula Conservation Foundation	-	-	68,750	68,750
Administration fees	-	533,178	-	533,178
Interest	111,391	-	-	111,391
Other	152,732	152,027	282,373	587,132
Total revenues	4,606,843	3,261,035	4,659,169	12,527,047
Expenses:				
Salaries and benefits	1,372,836	2,267,986	2,234,344	5,875,166
Materials and supplies	933,182	225,645	869,942	2,028,769
Contracted services	149,667	113,418	135,336	398,421
Professional fees	567,368	221,181	87,251	875,800
Rent and financial expenses	282,652	-	2,906	285,558
Debt service	109,591	-	-	109,591
Amortization	148,354	79,913	565,619	793,886
Total expenses	3,563,650	2,908,143	3,895,398	10,367,191
Annual surplus	\$ 1,043,193	\$ 352,892	\$ 763,771	\$ 2,159,856
2016				
	Corporate Services	Watershed	Operations	Total
Revenues:				
MNRF transfers	\$ 75,796	\$ 98,700	\$ -	\$ 174,496
Government transfers	-	534,158	117,631	651,789
Municipal levies	4,498,767	2,125,641	2,178,535	8,802,943
User fees, sales and administration	-	-	1,612,548	1,612,548
NPCF	-	-	13,500	13,500
Administration fees	-	393,255	-	393,255
Interest	73,872	-	-	73,872
Land contribution	-	-	-	-
Other	34,634	294,310	213,027	541,971
Total revenues	4,683,069	3,446,064	4,135,241	12,264,374
Expenses:				
Salaries and benefits	1,616,418	2,600,430	2,000,650	6,217,498
Materials and supplies	785,455	318,541	858,935	1,962,931
Contracted services	173,059	59,819	223,402	456,280
Professional fees	92,385	259,982	4,920	357,287
Rent and financial expenses	308,326	-	2,035	310,361
Debt service	164,468	-	-	164,468
Amortization	105,132	80,176	501,977	687,285
Total expenses	3,245,243	3,318,948	3,591,919	10,156,110
Annual surplus	\$ 1,437,826	\$ 127,116	\$ 543,322	\$ 2,108,264