



NRCB

Natural Resources
Conservation Board

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015



Independent Auditor's Report

To the Members of the Natural Resources Conservation Board

Report on the Financial Statements

I have audited the accompanying financial statements of the Natural Resources Conservation Board, which comprise the statement of financial position as at March 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Natural Resources Conservation Board as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 21, 2015

Edmonton, Alberta

NATURAL RESOURCES CONSERVATION BOARD
STATEMENT OF OPERATIONS
Year ended March 31

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Government Transfer			
Transfer from the Department of Environment and Sustainable Resource Development	\$6,620,000	\$5,920,000	\$6,044,000
Interest	38,000	52,469	51,873
Other Revenue	1,000	2,119	1,728
	<u>6,659,000</u>	<u>5,974,588</u>	<u>6,097,601</u>
Expenses – Directly Incurred (Note 2b and Schedules 1 and 2)			
Board Reviews and Hearings	1,383,785	1,205,446	1,221,088
Regulating Confined Feeding Operations	5,280,215	4,647,586	4,708,736
	<u>6,664,000</u>	<u>5,853,032</u>	<u>5,929,824</u>
Annual Operating Surplus (Deficit)	<u>(\$5,000)</u>	<u>\$121,556</u>	<u>\$167,777</u>

The accompanying notes and schedules are part of these financial statements.

**NATURAL RESOURCES CONSERVATION BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>2015</u>	<u>2014</u>
Assets		
Cash and Cash Equivalents (Note 3)	\$3,574,798	\$3,476,596
Accounts Receivable and Prepaid Expenses	3,606	18,456
Tangible Capital Assets (Note 4)	<u>25,019</u>	<u>45,792</u>
	<u>\$3,603,423</u>	<u>\$3,540,844</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	\$350,659	\$409,636
Net Assets		
Accumulated Surplus, Beginning of Year	3,131,208	2,963,431
Annual Operating Surplus	<u>121,556</u>	<u>167,777</u>
Accumulated Surplus, End of Year	<u>3,252,764</u>	<u>3,131,208</u>
	<u>\$3,603,423</u>	<u>\$3,540,844</u>

The accompanying notes and schedules are part of these financial statements.

Approved:

[Original signed by Vern Hartwell]

Vern Hartwell
Chair

Approved:

[Original signed by Peter Woloshyn]

Peter Woloshyn
Chief Executive Officer

NATURAL RESOURCES CONSERVATION BOARD
STATEMENT OF CASH FLOWS
Year ended March 31

	<u>2015</u>	<u>2014</u>
Operating Transactions		
Annual Operating Surplus	\$121,556	\$167,777
Non-cash Item:		
Amortization of Tangible Capital Assets	20,773	39,218
	<u>142,329</u>	<u>206,995</u>
Decrease in Accounts Receivable and Prepaid Expenses	14,850	14,791
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>(58,977)</u>	<u>30,051</u>
Cash Provided by Operating Transactions	<u>98,202</u>	<u>251,837</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	<u>-</u>	<u>-</u>
Cash Applied to Capital Transactions	<u>-</u>	<u>-</u>
Increase in Cash and Cash Equivalents	98,202	251,837
Cash and Cash Equivalents at Beginning of Year	<u>3,476,596</u>	<u>3,224,759</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,574,798</u></u>	<u><u>\$3,476,596</u></u>

The accompanying notes and schedules are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 1 AUTHORITY AND PURPOSE

The Natural Resources Conservation Board (NRCB) operates under the authority of the *Natural Resources Conservation Board Act*, Chapter N-3, RSA 2000 (NRCBA). NRCB's mandate is to provide for an impartial process to review projects that will or may affect the natural resources of the Province of Alberta. Included in this mandate are reviewable projects described in the NRCBA as well as the regulatory responsibilities set out in Part 2 of the *Agricultural Operation Practices Act*, Chapter A-7, RSA 2000 (AOPA) for the approval, monitoring and compliance of livestock confined feeding operations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

a) Revenue Recognition

All revenues are reported on the accrual basis of accounting.

Government Transfer

Transfers from the Government of Alberta are recorded as revenue when the transfer is authorized and the NRCB meets the eligibility criteria.

Investment Income

Investment income includes interest income and is recorded when earned.

b) Expenses

Expenses are reported on an accrual basis.

Directly Incurred

Directly Incurred expenses are those costs the NRCB has primary responsibility and accountability for, as reflected in the budget.

Incurred by Others

Services contributed by other entities in support of NRCB's operations are not recognized and are disclosed in Note 8 and in Schedule 2.

c) Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the NRCB are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Tangible capital assets are recorded at historical cost. The threshold for capitalizing new tangible capital assets is \$5,000. These assets are amortized over their estimated useful lives commencing in the month following acquisition, using the following annual rates and methods:

Computer Hardware	Straight line – 3 years
Computer Software	Straight line – 2 to 3 years
Office Equipment	Declining balance – 20% per year
Office Furniture	Declining balance – 20% per year

d) Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

e) Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The NRCB's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Components</u>	<u>Measurement</u>
Cash and Cash Equivalents	Amortized Cost
Accounts Receivable and Prepaid Expenses	Amortized Cost
Accounts Payable and Accrued Liabilities	Amortized Cost

The NRCB does not hold equities traded in an active market, nor engages in derivative contracts or foreign currency transactions. The NRCB is not exposed to remeasurement gains and losses and, consequently, a statement of remeasurement gains and losses is not presented.

f) Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies. The amounts recorded for amortization of tangible capital assets are based on estimates of the useful life of the related assets.

g) Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

h) Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the assets held by the NRCB and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The NRCB operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

i) Pension Expense

The NRCB does not have sufficient plan information on the Government of Alberta multi-employer defined benefit pension plans to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the Government of Alberta multi-employer defined benefit pension plans is limited to the employer's annual contributions to the plans for the year.

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consist primarily of deposits in the Consolidated Cash Investment Trust Fund (the CCITF). The CCITF is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The CCITF is a pool comprised of short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2015, securities held by the CCITF have a time weighted rate of return of 1.2% per annum (2014 - 1.2% per annum).

NOTE 4 TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization.

	Historical Cost	2015 Accumulated Amortization	Net Book Value	2014 Net Book Value
Computer Hardware	\$188,237	\$179,447	\$8,790	\$25,503
Computer Software	13,742	13,742	-	-
Office Equipment	45,406	40,841	4,565	5,706
Office Furniture	201,785	190,121	11,664	14,583
	\$449,170	\$424,151	\$25,019	\$45,792

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Accounts Payable	\$44,590	\$50,663
Accrued Liabilities - Employee Benefits	306,069	358,973
	\$350,659	\$409,636

NOTE 6 BENEFIT PLANS

The NRCB participates in the Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers which are government multi-employer pension plans. The expense for these pension plans is equivalent to the annual contribution of \$87,402 for the year ended March 31, 2015 (2014 - \$96,955). The NRCB is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2014, the Management Employees Pension Plan reported a surplus of \$75,805,000 (2013 - surplus \$50,457,000), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$17,203,000 (2013 - deficiency \$12,384,000).

In addition, the NRCB sponsors a defined contribution pension plan for employees who are not eligible to participate in the government sponsored pension plans. The expense for this pension plan is \$245,261 for the year ended March 31, 2015 (2014 - \$254,570). Pension expense comprises the cost of employer contributions during the year.

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 7 SALARIES AND BENEFITS

	2015			2014	
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)	Total	Total
Chair ^{(d)(e)}	\$170,240	\$22,649	\$30,426	\$223,315	\$212,198
Board Member 1 ^(e)	132,858	765	40,516	174,139	171,987
Board Member 2 ^(f)	99,647	5,727	34,503	139,877	139,426
Board Member 3 ^{(f)(g)}	49,824	12,370	11,864	74,058	123,156
CEO	196,443	12,477	48,513	257,433	255,265

(a) Base salary includes pensionable base pay.

(b) Other cash benefits include health benefits pay in lieu and vacation payouts.

(c) Other non-cash benefits include the NRCB's share of all employee benefits and contributions or payments made on behalf of employees including Employment Insurance, Canada Pension Plan, pension and supplementary retirement plans, RRSP, Non-Registered Savings Plan, health benefits, professional memberships, and WCB premiums. The NRCB is a participant in the Alberta Energy Regulator (AER) flexible health benefit plan.

(d) Automobile allowance included in other cash benefits.

(e) The position is 80% permanent part-time.

(f) The position is 60% permanent part-time.

(g) The position took an unpaid leave of absence starting October 1, 2014.

NOTE 8 RELATED PARTY TRANSACTIONS

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel of the NRCB.

The NRCB and its employees paid certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this note.

The NRCB received \$5,920,000 (2014 - \$6,044,000) in net transfers from the Department of Environment and Sustainable Resource Development and \$52,469 (2014 - \$51,873) in revenue from other Government of Alberta departments. During the year, the NRCB paid \$32,111 (2014 - \$59,799) to various Government of Alberta departments and agencies for supplies and/or services. The Statement of Financial Position also includes \$4,946 (2014 - \$6,082) as payable to various government entities.

In addition, certain expenses for office space and parking incurred on behalf of the NRCB by the Department of Infrastructure are not reflected in the Statement of Operations. These expenses amount to \$471,610 (2014 - \$458,602) and are reflected in Schedule 2.

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2015

NOTE 8 RELATED PARTY TRANSACTIONS (Cont'd)

The NRCB has a Memorandum of Understanding (MOU) with the AER and an MOU with the Alberta Utilities Commission (AUC) to share resources on an on-going basis. Under the MOUs, the NRCB is both a service provider and a service recipient. As a service provider, the NRCB contributed \$7,798 (2014 - \$23,877) in services to the AUC.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 9 BUDGET

The budget was included in the 2014-15 Government Estimates. The budget was approved by the Board on May 6, 2014.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board.

NATURAL RESOURCES CONSERVATION BOARD
EXPENSES – DIRECTLY INCURRED DETAILED BY OBJECT
Year ended March 31, 2015

Schedule 1

	2015		2014
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$5,402,650	\$4,883,661	\$5,012,488
Supplies and Services	1,231,350	948,598	878,118
Amortization of Tangible Capital Assets	30,000	20,773	39,218
	<u>\$6,664,000</u>	<u>\$5,853,032</u>	<u>\$5,929,824</u>

**NATURAL RESOURCES CONSERVATION BOARD
 ALLOCATED COSTS
 Year ended March 31, 2015**

Schedule 2

	2015		2014	
	Expenses	Expenses incurred by others Office Costs ⁽¹⁾	Total Expenses	Total Expenses
AOPA and NRCBA Mandates				
Board Reviews and Hearings ⁽²⁾	\$1,205,446	\$97,129	\$1,302,575	\$1,315,525
Regulating Confined Feeding Operations ⁽³⁾	4,647,586	374,481	5,022,067	5,072,901
	\$5,853,032	\$471,610	\$6,324,642	\$6,388,426

(1) See Note 8, Related Party Transactions.

(2) Board reviews and hearings comprise expenses related to AOPA appeals and NRCBA reviews.

(3) Regulating confined feeding operations comprise expenses related to (a) the approval, monitoring and compliance activities under AOPA and (b) science and technical activities in support of AOPA and NRCBA mandates. NRCBA applications include the following projects: Parsons Creek Aggregates Limestone Quarry, and past and potential projects.