



**NRCB**

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Natural Resources  
Conservation Board

**FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2013**



## 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, 2013, 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, 2013, 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 30, 2013

Edmonton, Alberta

**NATURAL RESOURCES CONSERVATION BOARD**  
**STATEMENT OF OPERATIONS**  
**Year ended March 31, 2013**

	<b>2013</b>		<b>2012</b>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Transfer from the Department of Environment and Sustainable Resource Development	\$6,405,000	\$6,105,000	\$5,922,000
Interest	30,000	51,408	50,073
Other	1,000	2,425	2,725
	<u>6,436,000</u>	<u>6,158,833</u>	<u>5,974,798</u>
<b>Expenses – Directly Incurred (Note 2b)</b>			
Salaries and Benefits	5,360,130	5,107,200	4,850,282
Travel	459,600	327,454	369,787
Office	321,370	325,159	355,500
Consulting Services	169,100	196,879	167,951
Telecommunications	86,800	75,864	77,204
Amortization of Tangible Capital Assets	30,000	34,058	34,517
Advertising	22,000	16,687	33,281
	<u>6,449,000</u>	<u>6,083,301</u>	<u>5,888,522</u>
<b>Net Operating Results</b>	<u>(\$13,000)</u>	<u>\$75,532</u>	<u>\$86,276</u>

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

**NATURAL RESOURCES CONSERVATION BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash and Cash Equivalents (Note 3)	\$3,224,759	\$3,160,230
Accounts Receivable and Prepaid Expenses	33,247	28,418
Tangible Capital Assets (Note 4)	<u>85,010</u>	<u>87,424</u>
	<u>\$3,343,016</u>	<u>\$3,276,072</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$379,585	\$388,173
<b>Net Assets</b>		
Net Assets at Beginning of Year	2,887,899	2,801,623
Net Operating Results	<u>75,532</u>	<u>86,276</u>
Net Assets at End of Year	<u>2,963,431</u>	<u>2,887,899</u>
	<u>\$3,343,016</u>	<u>\$3,276,072</u>

The accompanying notes and schedule 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, 2013**

	<u>2013</u>	<u>2012</u>
<b>Operating Transactions</b>		
Net Operating Results	\$75,532	\$86,276
Non-cash Item Included in Net Operating Results		
Amortization	34,058	34,517
	<u>109,590</u>	<u>120,793</u>
Increase in Accounts Receivable and Prepaid Expenses	(4,829)	(9,296)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(8,588)	34,189
	<u>96,173</u>	<u>145,686</u>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(31,644)	(29,093)
	<u>(31,644)</u>	<u>(29,093)</u>
Cash Applied to Capital Transactions	(31,644)	(29,093)
	<u>(31,644)</u>	<u>(29,093)</u>
<b>Increase in Cash and Cash Equivalents</b>	64,529	116,593
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>3,160,230</u>	<u>3,043,637</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$3,224,759</u></u>	<u><u>\$3,160,230</u></u>

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

**NATURAL RESOURCES CONSERVATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2013**

**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. 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 summarized below:

**a) Revenue Recognition**

All revenues are reported on the accrual basis of accounting.

**b) Expenses**

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 7 and in the Schedule of Allocated Costs.

**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.

**NATURAL RESOURCES CONSERVATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2013**

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

**c) Assets (Cont'd)**

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.

**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 fair values of Cash and Cash Equivalents, Accounts Receivable and Prepaid Expenses, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

**f) Net Assets**

Net assets represent the difference between the carrying value of 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.

**g) Pension Expense**

Multi-employer defined benefit plans are accounted for as defined contribution plans, the expense being limited to the employer's annual contributions for the year.

**NATURAL RESOURCES CONSERVATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2013**

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

**h) Adoption of Accounting Policies**

Effective April 1, 2012, the NRCB adopted PS 3410 - Government Transfers. This standard deals with how to account for and report government transfers. There was no impact on the NRCB's financial statements as a result of the adoption of this standard.

Effective April 1, 2012, the NRCB also adopted PS 3450, Financial Instruments together with PS 2601, Foreign Currency Translation. These new standards establish recognition, measurement, and disclosure requirements for financial instruments. Any unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There was no impact on the NRCB's financial statements as a result of the adoption of these standards, except that the NRCB does not present the statement of re-measurement gains and losses, as it does not have any unrealized gains or losses.

**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, 2013, securities held by the CCITF have a time weighted rate of return of 1.3% per annum (2012 - 1.3% per annum).

**NOTE 4 TANGIBLE CAPITAL ASSETS**

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

	<b>2013</b>		<b>2012</b>	
	<b>Historical Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Computer Hardware	\$198,091	\$140,490	\$57,601	\$51,547
Computer Software	13,742	11,914	1,828	3,656
Office Equipment	46,630	39,369	7,261	9,083
Office Furniture	204,957	186,637	18,320	23,138
	<u>\$463,420</u>	<u>\$378,410</u>	<u>\$85,010</u>	<u>\$87,424</u>



**NATURAL RESOURCES CONSERVATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2013**

**NOTE 5 PENSION**

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 \$95,321 for the year ended March 31, 2013 (2012 - \$90,788). The NRCB is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012 the Management Employees Pension Plan reported a deficiency of \$303,423,000 (2011 - deficiency \$517,726,000) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870,000 (2011 - deficiency \$53,489,000).

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 \$261,705 for the year ended March 31, 2013 (2012 - \$251,767). Pension expense comprises the cost of employer contributions during the year.

**NOTE 6 SALARIES AND BENEFITS**

	2013			2012	
	Base Salary <sup>(a)</sup>	Other Cash Benefits <sup>(b)</sup>	Other Non-cash Benefits <sup>(c)</sup>	Total	Total
Chair <sup>(d) (e)</sup>	\$161,475	\$17,483	\$30,588	\$209,546	\$198,984
Board Member 1 <sup>(e)</sup>	130,254	-	38,626	168,880	165,809
Board Member 2 <sup>(d)</sup>	97,693	3,743	34,233	135,669	152,780
Board Member 3 <sup>(d)</sup>	97,352	7,486	23,977	128,815	48,445
CEO	192,591	8,089	55,505	256,185	240,731

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(a) Base salary includes pensionable base pay.

(b) Other cash benefits include health benefits pay in lieu and vacation payouts. There were no bonuses paid in 2013.

(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 Energy Resources Conservation Board (ERCB) flexible health benefit plan.

(d) Automobile allowance included in other cash benefits.

**NATURAL RESOURCES CONSERVATION BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2013**

**NOTE 6 SALARIES AND BENEFITS (Cont'd)**

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

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

**NOTE 7 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 \$6,105,000 (2012 - \$5,922,000) in net transfers from the Department of Environment and Sustainable Resource Development and \$51,408 (2012 - \$50,073) in revenue from other Government of Alberta departments. During the year, the NRCB paid \$88,780 (2012 - \$102,152) to various Government of Alberta departments and agencies for supplies and/or services. The Statement of Financial Position also includes \$656 (2012 - \$14,015) as payable to various government entities.

In addition, certain expenses for office space incurred on behalf of the NRCB by the Department of Infrastructure are not reflected in the Statement of Operations. These expenses amount to \$453,755 (2012 - \$456,139) and are reflected in the Schedule of Allocated Costs.

The NRCB has a Memorandum of Understanding (MOU) with the ERCB 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.

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

**NOTE 8 BUDGET**

The budget was included in the 2012-13 Government Estimates. The budget was approved by the Board on April 18, 2012.

**NOTE 9 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board on May 30, 2013.

**NATURAL RESOURCES CONSERVATION BOARD  
SCHEDULE TO FINANCIAL STATEMENTS  
ALLOCATED COSTS  
Year ended March 31, 2013**

	2013		2012	
	Expenses	Expenses incurred by others Office Costs <sup>(1)</sup>	Total Expenses	Total Expenses
<b>AOPA and NRCBA Mandates</b>				
Board <sup>(2)</sup>	\$1,220,010	\$91,001	\$1,311,011	\$1,214,461
Operations <sup>(3)</sup>	4,863,291	362,754	5,226,045	5,130,200
	\$6,083,301	\$453,755	\$6,537,056	\$6,344,661

(1) See Note 7, Related Party Transactions.

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

(3) 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.