



NRCB

Natural Resources
Conservation Board

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

**NATURAL RESOURCES CONSERVATION BOARD
FINANCIAL STATEMENTS
March 31, 2016**

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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, 2016, and the statements of operations, change in net financial assets 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 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, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 25, 2016

Edmonton, Alberta

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

	2016		2015
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Government Transfer			
Transfer from the Department of Environment and Parks	\$6,512,000	\$5,537,000	\$5,920,000
Interest	39,000	38,754	52,469
Other Revenue	1,000	1,946	2,119
	<u>6,552,000</u>	<u>5,577,700</u>	<u>5,974,588</u>
Expenses – Directly Incurred (Note 2a and Schedules 1 and 3)			
Board Reviews and Hearings	1,361,360	1,048,129	1,205,446
Regulating Confined Feeding Operations	5,194,640	4,387,234	4,647,586
	<u>6,556,000</u>	<u>5,435,363</u>	<u>5,853,032</u>
Annual Operating Surplus (Deficit)	(4,000)	142,337	121,556
Accumulated Surplus, Beginning of Year	<u>3,252,764</u>	<u>3,252,764</u>	<u>3,131,208</u>
Accumulated Surplus, End of Year	<u>\$3,248,764</u>	<u>\$3,395,101</u>	<u>\$3,252,764</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>2016</u>	<u>2015</u>
Financial Assets		
Cash and Cash Equivalents (Note 4)	\$3,703,186	\$3,574,798
Accounts Receivable	1,484	2,054
	<u>3,704,670</u>	<u>3,576,852</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	331,952	350,659
Net Financial Assets	<u>3,372,718</u>	<u>3,226,193</u>
Non-Financial Assets		
Tangible Capital Assets (Note 7)	19,825	25,019
Prepaid Expenses	2,558	1,552
	<u>22,383</u>	<u>26,571</u>
Net Assets	<u>\$3,395,101</u>	<u>\$3,252,764</u>
Net Assets		
Accumulated Surplus (Note 9)	<u>\$3,395,101</u>	<u>\$3,252,764</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 CHANGE IN NET FINANCIAL ASSETS
Year ended March 31

	2016		2015
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual Operating Surplus (Deficit)	(\$4,000)	\$142,337	\$121,556
Acquisition of Tangible Capital Assets	(17,000)	(7,698)	-
Amortization of Tangible Capital Assets (Note 7)	30,000	12,892	20,773
Change in Prepaid Expenses	-	(1,006)	2,967
Increase in Net Financial Assets in the Year	9,000	146,525	145,296
Net Financial Assets, Beginning of Year	<u>3,226,193</u>	<u>3,226,193</u>	<u>3,080,897</u>
Net Financial Assets, End of Year	<u><u>\$3,235,193</u></u>	<u><u>\$3,372,718</u></u>	<u><u>\$3,226,193</u></u>

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

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

	<u>2016</u>	<u>2015</u>
Operating Transactions		
Annual Operating Surplus	\$142,337	\$121,556
Non-cash Item:		
Amortization of Tangible Capital Assets	12,892	20,773
	<u>155,229</u>	<u>142,329</u>
Decrease in Accounts Receivable	570	11,883
(Increase) Decrease in Prepaid Expenses	(1,006)	2,967
Decrease in Accounts Payable and Accrued Liabilities	<u>(18,707)</u>	<u>(58,977)</u>
Cash Provided by Operating Transactions	<u>136,086</u>	<u>98,202</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	<u>(7,698)</u>	<u>-</u>
Cash Applied to Capital Transactions	<u>(7,698)</u>	<u>-</u>
Increase in Cash and Cash Equivalents	128,388	98,202
Cash and Cash Equivalents, Beginning of Year	<u>3,574,798</u>	<u>3,476,596</u>
Cash and Cash Equivalents, End of Year	<u><u>\$3,703,186</u></u>	<u><u>\$3,574,798</u></u>

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

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

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. The NRCB is exempt from income taxes under the *Income Tax Act*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS).

a) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

Government Transfers

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.

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 10 and in Schedule 3.

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	Cost
Accounts Receivable	Lower Cost or Net Recoverable Value
Accounts Payable and Accrued Liabilities	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.

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

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

a) Basis of Financial Reporting (Cont'd)

Financial Assets

Financial assets are NRCB's financial claims on external organizations and individuals at the year end.

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.

Accounts Receivable

Accounts receivable are recorded at the lower of cost or net recoverable value.

Liabilities

Liabilities represent present obligations of the NRCB to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the NRCB at the year end; and
- accrued employee vacation entitlements.

Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. Management has reviewed the accounting standard PS 3260 and has concluded that the NRCB does not have any liability for contaminated sites.

Non-Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible Capital Assets

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the NRCB's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

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

a) Basis of Financial Reporting (Cont'd)

Prepaid Expense

Prepaid expense are recorded at cost and amortized based on the terms of the agreement.

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.

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.

b) Change in Accounting Policy

Adoption of the Net Debt Presentation

The net debt presentation (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net debt or net financial assets is measured as the difference between NRCB's financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding the Statement of Change in Net Financial Assets.

**NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016**

NOTE 3 FUTURE ACCOUNTING CHANGES

In 2015 the Public Sector Accounting Board issued the following accounting standards:

- **PS2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the financial statements.
- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
PS3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights. Management is currently assessing the impact of these standards on the financial statements.
- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Management is currently assessing the impact of these standards on the financial statements.

NOTE 4 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, 2016, securities held by the CCITF have a time weighted rate of return of 0.8% per annum (2015 - 1.2% per annum).

NOTE 5 FINANCIAL INSTRUMENTS

The NRCB has the following financial instruments: accounts receivable and accounts payable and accrued liabilities.

The NRCB has exposure to the following risks from its use of financial instruments:

(a) Liquidity Risk

Liquidity risk is the risk that the NRCB will encounter difficulty in meeting obligations associated with financial liabilities. The NRCB does not consider this to be a significant risk as the NRCB collects government transfers quarterly to meet all obligations that arise during the year.

(b) Credit Risk

The NRCB is exposed to credit risk from potential non-payment of accounts receivable. As at March 31, 2016, there were no uncollectible receivable balances.

**NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016**

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Accounts Payable	\$37,318	\$44,590
Accrued Liabilities - Employee Benefits	<u>294,634</u>	<u>306,069</u>
	<u>\$331,952</u>	<u>\$350,659</u>

NOTE 7 TANGIBLE CAPITAL ASSETS

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

	<u>2016</u>				<u>2015</u>	
	<u>Computer Hardware</u>	<u>Computer Software</u>	<u>Office Equipment</u>	<u>Office Furniture</u>	<u>Total</u>	<u>Total</u>
Historical Cost						
Beginning of year	\$188,237	\$13,742	\$45,406	\$201,785	\$449,170	\$449,527
Additions	7,698	-	-	-	7,698	-
Disposals, including write-downs	<u>(640)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(640)</u>	<u>(356)</u>
	<u>195,295</u>	<u>13,742</u>	<u>45,406</u>	<u>201,785</u>	<u>456,228</u>	<u>449,171</u>
Accumulated Amortization						
Beginning of year	179,447	13,742	40,841	190,121	424,151	403,735
Amortization expense	9,646	-	913	2,333	12,892	20,773
Effect of disposals including write-downs	<u>(640)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(640)</u>	<u>(356)</u>
	<u>188,453</u>	<u>13,742</u>	<u>41,754</u>	<u>192,454</u>	<u>436,403</u>	<u>424,152</u>
Net Book Value at March 31, 2016	<u>\$6,842</u>	<u>\$-</u>	<u>\$3,652</u>	<u>\$9,331</u>	<u>\$19,825</u>	<u>\$25,019</u>
Net Book Value at March 31, 2015	<u>\$8,790</u>	<u>\$-</u>	<u>\$4,565</u>	<u>\$11,664</u>	<u>\$25,019</u>	

NOTE 8 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 \$85,470 for the year ended March 31, 2016 (2015 - \$87,402). The NRCB is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2015, the Management Employees Pension Plan reported a surplus of \$299,051,000 (2014 - surplus \$75,805,000), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$16,305,000 (2014 - deficiency \$17,203,000).

**NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016**

NOTE 8 BENEFIT PLANS (Cont'd)

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 \$241,155 for the year ended March 31, 2016 (2015 - \$245,261). Pension expense comprises the cost of employer contributions during the year.

NOTE 9 ACCUMULATED SURPLUS

	2016		2015	
	Investment in Capital Assets	Unrestricted Surplus	Total	Total
Balance April 1, 2015	\$25,019	\$3,227,745	\$3,252,764	\$3,131,208
Annual Operating Surplus	-	142,337	142,337	121,556
Net Investment in Capital Assets	(5,194)	5,194	-	-
Balance March 31, 2016	\$19,825	\$3,375,276	\$3,395,101	\$3,252,764

NOTE 10 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 \$5,537,000 (2015 - \$5,920,000) in net transfers from the Department of Environment and Parks. During the year, the NRCB paid \$32,429 (2015 - \$32,111) to various Government of Alberta departments and agencies for supplies and/or services. The Statement of Financial Position also includes \$0 (2015 - \$4,946) 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 \$481,544 (2015 - \$471,610) and are reflected in Schedule 3.

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 \$0 (2015 - \$7,798) 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.

**NATURAL RESOURCES CONSERVATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016**

NOTE 11 BUDGET

The budget was included in the 2015-16 Government Estimates. The budget was approved by the Board on June 9, 2015. The budget was modified and approved by the Board on February 3, 2016 to reflect the final Government of Alberta budget released on October 27, 2015.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of the NRCB.

NATURAL RESOURCES CONSERVATION BOARD
EXPENSES – DIRECTLY INCURRED DETAILED BY OBJECT
Year ended March 31, 2016

Schedule 1

	2016		2015
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Salaries, Wages and Employee Benefits	\$5,479,470	\$4,833,813	\$4,883,661
Supplies and Services	1,046,530	588,658	948,598
Amortization of Tangible Capital Assets	30,000	12,892	20,773
	<u>\$6,556,000</u>	<u>\$5,435,363</u>	<u>\$5,853,032</u>

**NATURAL RESOURCES CONSERVATION BOARD
SALARY AND BENEFITS DISCLOSURE
Year ended March 31, 2016**

Schedule 2

	2016			Total	2015
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)		Total
Chair ^{(d)(e)}	\$174,071	\$23,333	\$34,690	\$232,094	\$223,315
Board Member 1 ^(f)	101,889	6,506	35,060	143,455	139,877
Board Member 2 ^{(e)(g)}	84,905	5,159	27,817	117,881	174,139
Board Member 3 ^{(f)(h)}	13,118	1,848	3,427	18,393	-
Board Member 4 ^{(f)(i)}	-	-	-	-	74,058
CEO	200,863	12,810	56,954	270,627	257,433

(a) Base salary includes regular salary.

(b) Other cash benefits include health benefits pay in lieu and vacation payouts. There were no bonuses paid in 2016 and 2015.

(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, parking 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 term of the position expired on November 12, 2015

(h) The position commenced on February 1, 2016.

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

**NATURAL RESOURCES CONSERVATION BOARD
 ALLOCATED COSTS
 Year ended March 31, 2016**

Schedule 3

	2016		2015	
	Expenses	Expenses incurred by others Office Costs ⁽¹⁾	Total Expenses	Total Expenses
AOPA and NRCBA Mandates				
Board Reviews and Hearings ⁽²⁾	\$1,048,129	\$92,859	\$1,140,988	\$1,302,575
Regulating Confined Feeding Operations ⁽³⁾	4,387,234	388,685	4,775,919	5,022,067
	<u>\$5,435,363</u>	<u>\$481,544</u>	<u>\$5,916,907</u>	<u>\$6,324,642</u>

(1) See Note 10, 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.