

South Nation Conservation Authority
Financial Statements
For the year ended December 31, 2009

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For the year ended December 31, 2009

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Auditors' Report

To the Members of South Nation Conservation Authority

We have audited the statement of financial position of South Nation Conservation Authority as at December 31, 2009 and the statements of operations and continuity of reserves for the year then ended. These financial statements have been prepared in accordance with accounting policies prescribed for Conservation Authorities in Ontario by the Ministry of Natural Resources. These financial statements are the responsibility of the Conservation Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Note 10 indicates that certain capital assets of the Authority that should be capitalized have not been recorded as tangible capital assets because management has not yet determined the correct net book value as of the balance sheet date. Also, capital assets that have been capitalized have not been amortized. Under new guidance from the Conservation Authorities in Ontario by the Ministry of Natural Resources, tangibles capital assets must now be capitalized and amortized. The effect of this departure from Canadian generally accepted accounting principles on the Authority's financial statements is to understate the capital assets and the amortization expense of the Authority by a currently unknown amount.

Except for the failure, as described in the preceding paragraph, to properly present certain capital assets, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with the basis of accounting described in the Summary of Significant Accounting Policies accompanying the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Members of the Authority, the participating municipalities and the Ontario Ministry of Natural Resources. The financial statements are not intended to be and should not be used by anyone other than the specified users, or for any other purpose.

Collins Barrow WCM LLP

Chartered Accountants, Licensed Public Accountants
Winchester, Ontario
January 22, 2010

South Nation Conservation Authority

Statement of Financial Position

December 31 **2009** **2008**

Assets

Current

Cash (Note 3)	\$ 453,684	\$ 905,288
Accounts receivable	578,678	564,955
Prepaid expenses	15,754	30,985
	<u>1,048,116</u>	<u>1,501,228</u>

Capital assets (Note 4)	<u>1,539,748</u>	<u>636,855</u>
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	<u>\$ 2,587,864</u>	<u>\$ 2,138,083</u>
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Liabilities and Equity

Liabilities

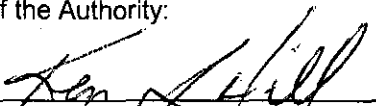
Accounts payable and accrued charges	\$ 375,503	\$ 570,329
Deferred revenue	270,731	193,864
	<u>646,234</u>	<u>764,193</u>

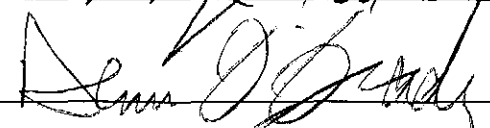
Net Assets

Reserves	1,390,078	1,091,058
Surplus	551,552	282,832
	<u>1,941,630</u>	<u>1,373,890</u>

	<u>\$ 2,587,864</u>	<u>\$ 2,138,083</u>
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On behalf of the Authority:

 Chairman

 General Manager/Secretary-Treasurer

South Nation Conservation Authority Statement of Continuity of Reserves

For the year ended December 31, 2009	Balance Beginning of Year	From Operations	To Operations	Balance End of Year
Operations - general	\$ 353,169	\$ 267,627	\$ -	\$ 620,796
Operations - septic	10,937	9,435	-	20,372
Operations - Dr. Jackson	3,200	4,101	-	7,301
Operations - donations	113,736	14,440	-	128,176
Replacement of vehicles and equipment	14,850	-	-	14,850
Land acquisition	25,000	-	-	25,000
Capital projects	249,661	-	-	249,661
Revenue sharing (Note 5.a.)	184,368	3,595	-	187,963
School programs (Note 5.b.)	3,726	-	-	3,726
Land acquisition - forestry (Note 6)	40,272	786	-	41,058
Memorial fund (Note 5.b.)	26,025	264	-	26,289
McIntosh Park	15,569	-	6,228	9,341
Water Control Structure	50,545	5,000	-	55,545
	\$ 1,091,058	\$ 305,248	\$ 6,228	\$ 1,390,078
December 31, 2008	\$ 1,010,507	\$ 80,551	\$ -	\$ 1,091,058

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

South Nation Conservation Authority Statement of Operations

For the year ended December 31	2009 Budget	2009 Actual	2008 Actual
Revenue			
Municipal levy	\$ 2,327,626	\$ 2,242,349	\$ 2,257,675
M.N.R. (Section 39)	176,409	176,409	207,985
Other	3,452,622	2,220,159	2,002,972
Source water protection	2,506,093	1,076,491	1,118,637
	<u>8,462,750</u>	<u>5,715,408</u>	<u>5,587,269</u>
Expenditure			
Administration	566,206	538,127	519,645
Communications	282,839	260,803	244,252
Conservation programs	2,771,228	2,038,151	1,639,940
Finance	265,233	267,030	259,535
Lands management	1,622,564	832,138	643,320
Planning and engineering	840,310	610,928	875,734
Source water protection	2,506,093	1,076,491	1,123,813
	<u>8,854,473</u>	<u>5,623,668</u>	<u>5,306,239</u>
Excess of revenue over expenditure	<u>\$ (391,723)</u>	<u>\$ 91,740</u>	<u>\$ 281,030</u>

South Nation Conservation Authority Change in Surplus

For the year ended December 31	2009	2008
Surplus, beginning of year	\$ 282,832	\$ 82,353
Excess of revenue over expenditure	91,740	281,030
Restricted contributions for purchase of land	476,000	-
Net appropriations to reserves	(299,020)	(80,551)
Surplus, end of year	\$ 551,552	\$ 282,832

South Nation Conservation Authority Summary of Significant Accounting Policies

December 31, 2009

Nature of Business	The Authority is established under the Conservation Authorities Act - Ontario. It acts as the agent for water and land conservation and management for its member municipalities. The Authority is a registered charity and, as such, is exempt from income tax and may issue tax receipts to donors.
Significant Accounting Policies	The financial statements of the Authority are the representations of management prepared in accordance with accounting policies prescribed for Conservation Authorities in Ontario by the Ministry of Natural Resources. Revenue and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable and an expenditure is recognized when incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.
Revenue Recognition (Deferral Method)	The Authority follows the deferral method of accounting for contributions. Government assistance is recorded as revenue when eligible claims are determined and the expenditure incurred. Levies on member municipalities are recorded after Board of Directors' approval and recorded as revenue in the year levied. When revenue from special programs is received in advance of the related expenditure, such revenue is deferred until the year in which the expenditure is incurred.
Capital Assets	The historical cost and accumulated amortization for capital assets prior to 2008 have not been recorded for financial statement purposes. Prior to 2008, capital assets were reported as expenditures on the statement of operations in the year of acquisition and include acquisitions of land, building improvements, equipment, vehicles and furniture and fixtures. Land, building and equipment related to the new office building in Finch acquired in 2008 have been recorded at cost. Capital assets acquired in 2009 onwards have been recorded at cost. This change in accounting policy is the result of changes to guidelines mandated by the Members of the Authority.
Use of Estimates	Since precise determination of many assets and liabilities is dependant upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and assumptions. These have been made using careful judgments. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

South Nation Conservation Authority Summary of Significant Accounting Policies

December 31, 2009

Future Accounting Changes

The following accounting standard has been issued by the Canadian Institute of Chartered Accountants (CICA) but is not yet effective. The Authority is currently evaluating the effect of adopting these standards on their financial statements.

Section 1582, "Business combinations" replaces Section 1581 effective for years beginning on or after January 1, 2011. The principal changes are: assets, liability and equity are recognized at full fair value rather than the acquirer's interest in the fair value; a bargain purchase resulting in negative goodwill is recognized as a gain in net income in the acquisition period.

Capital Management

The Authority considers its capital to be its surplus and various reserve accounts as described in the Statement of Continuity of Reserves. The reserve accounts are directed by the Board of Directors. The Authority's objective when managing its capital is to safeguard its ability to continue as a going concern so it can continue to provide services to its donors and the community. Annual budgets are developed and monitored to ensure the Authority's capital is maintained at an appropriate level.

South Nation Conservation Authority Notes to Financial Statements

December 31, 2009

1. Financial Instruments

The Authority's financial instruments consist of cash, accounts receivable and accounts payable and accrued charges. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant currency risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Interest Rate Risk

Interest on the Authority's bank accounts are based on variable rates. Fluctuations in the bank's prime rates would result in variations to interest income.

Credit Risk

The Authority is exposed, in its normal course of business, to credit risk from its customers. The accounts receivable are due from a variety of customers including individuals and other Conservation Authorities. No single party accounts for a significant balance of accounts receivable.

2. Budget Amounts

Budget amounts presented in the statement of operations are those approved at the Board of Directors' Meeting of March 26, 2009.

3. Cash and Bank

The Authority's bank account is held at a chartered bank. The bank account earns interest at prime less 1.85% to prime less 1.95%.

South Nation Conservation Authority Notes to Financial Statements

December 31, 2009

4. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 624,351	\$ -	\$ 624,351	\$ 27,221
Buildings	754,222	-	754,222	524,808
Equipment	10,496	-	10,496	84,826
Furniture and fixtures	111,500	-	111,500	-
Vehicles	26,572	-	26,572	-
Computer equipment	3,064	-	3,064	-
Networking equipment	9,543	-	9,543	-
	\$ 1,539,748	\$ -	\$ 1,539,748	\$ 636,855

5. Reserves

a. Revenue Sharing

In accordance with the Ministry of Natural Resources Revenue Sharing Policy, \$3,595 (2008 \$5,370) of interest received during the year has been transferred to the revenue sharing reserve.

b. School Programs and Memorial Fund

These reserves were established in 1998 to receive specified donations that are used to fund the School Programs and the Memorial Fund.

6. Commitments

Under the Forestry Act, the Authority may be liable to the Ministry of Natural Resources for an amount not greater than 50% of the proceeds from sale of lands for which acquisition grants were received from the Ministry of Natural Resources.

South Nation Conservation Authority Notes to Financial Statements

December 31, 2009

7. Credit Facilities - Royal Bank

The Authority has an authorized \$1,000,000 revolving demand facility by way of Royal Bank Prime based loans bearing interest at prime less 0.50% and Bankers' Acceptance with an acceptance fee of 0.40%.

This facility is secured by:

- a) General security agreement signed by the borrower constituting a first ranking security interest in all personal property of the borrower;
- b) Borrowing By-Law

As at December 31, 2009 \$1,000,000 remains available on this facility.

8. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

9. Statement of Cash Flows

A statement of cash flows has not been provided since the sources and uses of cash are readily apparent from other financial statements.

10. Accounting Principles and Financial Reporting Departure

For fiscal years beginning on or after January 1, 2009, all Conservation Authorities are required to record the value of their tangible capital assets at the lesser of net realizable value and adjusted cost base and to establish an amortization policy for capital assets.

The Authority has not completed its valuation of the assets under its control as of December 31, 2009. As such, the reported value for tangible capital assets of \$1,539,748 represents the land, building and equipment related to the new office building in Finch that were purchased in 2008 and all those tangible capital assets purchased on or after January 1, 2009. As a result, the Authority has not recognized the value of tangible capital assets acquired prior to this fiscal year (with the exception of the Finch building - which was recorded at cost in 2008). Management will continue the process of determining proper values for its tangible capital assets and this process should be complete in time for the 2010 financial statements. As such, it has not amortized capital assets that have been capitalized.

Management has not established an amortization policy as of December 31, 2009. Management will continue the process of establishing this policy and this process should be complete in time for the 2010 financial statements.