

SOUTH NATION RIVER CONSERVATION AUTHORITY
Financial Statements
Year Ended December 31, 2012

SOUTH NATION RIVER CONSERVATION AUTHORITY
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Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Members of South Nation River Conservation Authority

We have audited the accompanying financial statements of South Nation River Conservation Authority, which comprise the statement of financial position as at December 31, 2012, and the statements of continuity of reserves, operations, changes in net 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 accounting policies prescribed for Conservation Authorities in Ontario by the Ministry of Natural Resources, 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

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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report to the Members of South Nation River Conservation Authority
(continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South Nation River Conservation Authority as at December 31, 2012, and the results of its statement of continuity of reserves, its operations and its cash flows for the year then ended in accordance with policies prescribed for Conservation Authorities in Ontario by the Ministry of Natural Resources.

Winchester, Ontario
March 21, 2013

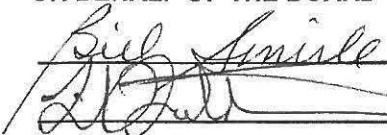
Collins Barrow WCM LLP

Chartered Accountants, Licensed Public Accountants

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Financial Position
December 31, 2012

	2012	2011
ASSETS		
CURRENT		
Cash (Note 5)	\$ 1,588,538	\$ 1,415,771
Accounts receivable	730,082	604,973
Current portion of long term receivable from municipalities (Note 7)	49,349	45,019
Prepaid expenses	25,507	19,259
	<u>2,393,476</u>	<u>2,085,022</u>
CAPITAL ASSETS (Note 6)	7,818,752	7,473,831
LONG TERM RECEIVABLE FROM MUNICIPALITIES (Note 7)	789,213	845,019
	<u>\$ 11,001,441</u>	<u>\$ 10,403,872</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 493,108	\$ 465,662
Government remittances payable	7,725	35,065
Deferred income	404,615	311,675
	<u>905,448</u>	<u>812,402</u>
NET ASSETS		
Reserves	1,834,274	1,884,090
Surplus	442,967	233,549
Capital assets	7,818,752	7,473,831
	<u>10,095,993</u>	<u>9,591,470</u>
	<u>\$ 11,001,441</u>	<u>\$ 10,403,872</u>

ON BEHALF OF THE BOARD

 Chairman

 Director, Organization Effectiveness

The accompanying notes are an integral part of these financial statements.

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Continuity of Reserves
Year Ended December 31, 2012

Year Ended December 31, 2012	Balance Beginning of Year	From Operations	To Operations	Balance End of Year
Committed				
Sewage systems inspections	\$ 68,362	\$ -	\$ 106,498	\$ (38,136)
Dr. Jackson - forestry programs	14,533	133	5,000	9,666
Leitrim wetland	162,130	48,891	100,359	110,662
Environmental projects	20,053	7,936	5,126	22,863
Revenue sharing (Note 8.a.)	191,361	2,105	-	193,466
School programs (Note 8.b.)	2,560	27	256	2,331
Land acquisition - forestry	41,800	460	-	42,260
Memorial fund (Note 8.b.)	35,412	1,912	-	37,324
McIntosh Park	9,319	4,316	-	13,635
Subtotal committed	545,530	65,780	217,239	394,071
Operating	\$ 767,565	\$ 14,970	\$ 63,588	\$ 718,947
Capital projects	494,762	250,756	111,388	634,130
Water control structures	76,233	10,893	-	87,126
Year Ended December 31, 2012	\$ 1,884,090	\$ 342,399	\$ 392,215	\$ 1,834,274
Year Ended December 31, 2011	\$ 1,553,914	\$ 410,902	\$ 80,726	\$ 1,884,090

SOUTH NATION RIVER CONSERVATION AUTHORITY**Statement of Operations****Year Ended December 31, 2012**

	Budget 2012	Actual 2012	Actual 2011
REVENUE			
Municipal levy	\$ 2,631,386	\$ 2,631,386	\$ 2,527,234
M.N.R. (Section 39)	176,409	176,409	176,409
Other	3,254,793	2,801,181	2,971,232
Source water protection	563,577	570,531	703,771
	<u>6,626,165</u>	<u>6,179,507</u>	<u>6,378,646</u>
EXPENDITURES			
Administration	599,110	639,196	571,009
Communications	363,749	279,431	299,490
Conservation programs	2,573,311	2,269,713	2,049,170
Finance	336,961	290,453	277,134
Information Technology	277,350	268,798	217,396
Lands management	1,226,789	641,016	890,709
Planning and engineering	1,411,154	1,115,846	951,015
Source water protection	563,577	570,531	703,771
	<u>7,352,001</u>	<u>6,074,984</u>	<u>5,959,694</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (725,836)	\$ 104,523	\$ 418,952

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Changes in Net Assets
Year Ended December 31, 2012

	Reserves	Capital Assets	Accumulated Surplus	2012	2011
NET ASSETS - BEGINNING OF YEAR	\$ 1,884,090	\$ 7,473,831	\$ 233,549	\$ 9,591,470	\$ 9,172,518
Excess (deficiency) of revenue over expenditures	-	(296,104)	400,627	104,523	418,952
Investment in capital assets	-	641,025	(241,025)	400,000	-
Net appropriations to reserves	(49,816)	-	49,816	-	-
NET ASSETS - END OF YEAR	\$ 1,834,274	\$ 7,818,752	\$ 442,967	\$ 10,095,993	\$ 9,591,470

SOUTH NATION RIVER CONSERVATION AUTHORITY**Statement of Cash Flows**
Year Ended December 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Cash receipts from various sources	\$ 6,198,812	\$ 6,509,990
Cash paid to suppliers and employees	(5,785,020)	(5,742,064)
Cash flow from operating activities	413,792	767,926
INVESTING ACTIVITIES		
Acquisition of capital assets	(641,025)	(256,878)
Donated assets	400,000	-
Cash flow used by investing activities	(241,025)	(256,878)
INCREASE IN CASH FLOW	172,767	511,048
CASH - BEGINNING OF YEAR	1,415,771	904,723
CASH - END OF YEAR (Note 5)	\$ 1,588,538	\$ 1,415,771

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2012

1. DESCRIPTION OF BUSINESS

The South Nation Conservation Authority (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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. Areas where estimations are used include accrued liabilities, deferred revenue, useful life of capital assets and allowance for doubtful accounts.

(continues)

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital Assets are stated at cost less accumulated amortization. Capital Assets are amortized over their estimated useful lives at the following rates and methods:

Land improvements - Trails	10 years	straight-line method
Land improvements - Parking Lots and Leirrim Boardwalk	20 years	straight-line method
Buildings - Frame	25 years	straight-line method
Building - Bricks and Steel	40 years	straight-line method
Equipment - Monitoring	8 years	straight-line method
Equipment - Other	10 years	straight-line method
Vehicles - Cars	5 years	straight-line method
Vehicles - Trucks	7 years	straight-line method
Computer equipment - Computers	3 years	straight-line method
Computer equipment - Network/AV	5 years	straight-line method
Computer software - Computer	3 years	straight-line method
Computer software - Network/AV	5 years	straight-line method
Furniture and fixtures	10 years	straight-line method
Flood control structures	50 years	straight-line method

The organization regularly reviews its capital assets to eliminate obsolete items.

Capital Assets acquired during the year but not placed into use are not amortized until they are placed into use.

The organization has capitalization thresholds. For land improvement, building, flood control structures, equipment and vehicles, the capitalization threshold is \$3,500. For computer software, computer equipment and furniture and fixtures, the capitalization threshold is \$1,000. Furthermore, computer equipment, computer software and furniture and fixtures can be pooled, with a pool threshold of \$3,500 for each class.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2012

3. FINANCIAL INSTRUMENTS

The significant financial risks to which the Authority is exposed are credit risk and interest rate risk.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers and funding partners. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization is exposed to credit risk as it relates to its long term receivable, as one entity represents 93% of the year end balance (Note 7).

Interest Rate

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

4. BUDGET AMOUNTS

Budget amounts presented in the statement of operations are those approved at the Board of Directors' Meeting on January 21, 2012 per Board Resolution No. BD-005/12.

5. 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%.

6. CAPITAL ASSETS

	Historical Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Land	\$ 4,393,930	\$ -	\$ 4,393,930	\$ 3,979,050
Buildings	1,196,576	123,202	1,073,374	1,103,497
Equipment	262,890	168,500	94,390	100,521
Furniture and fixtures	246,817	89,892	156,925	172,493
Vehicles	325,045	193,275	131,770	111,634
Computer and networking equipment	415,836	291,237	124,599	176,142
Computer software	111,288	88,732	22,556	24,592
Parking lot and other land improvements	196,898	21,130	175,768	74,342
Flood control structures	4,814,000	3,168,560	1,645,440	1,731,560
	<u>\$ 11,963,280</u>	<u>\$ 4,144,528</u>	<u>\$ 7,818,752</u>	<u>\$ 7,473,831</u>

The organization acquired \$641,025 of capital assets during the year, \$400,000 was donated, and the remaining \$241,025 of which was acquired using cash.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2012

7. LONG TERM RECEIVABLE FROM MUNICIPALITIES

	2012	2011
Due from various municipalities for their portion of the funds used to purchase and renovate the new head office in Finch. Receivable in blended payments with interest charged at approximately prime less 1.25% (in line with organization's expected rate of return in its bank account).	\$ 838,562	\$ 890,038
Amounts receivable within one year	(49,349)	(45,019)
	<u>\$ 789,213</u>	<u>\$ 845,019</u>

Principal receivable terms are approximately:

2013	\$ 49,349
2014	50,217
2015	51,099
2016	51,998
2017	52,912
Thereafter	582,987
	<u>\$ 838,562</u>

8. RESERVES

a. Revenue Sharing

In accordance with the Ministry of Natural Resources Revenue Sharing Policy, \$2,105 (2011 - \$1,989) 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.

9. 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. As of December 31, 2012, management is not aware of any liability in this regard.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2012

10. 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 resolution.

As at December 31, 2012 \$1,000,000 was available on this facility.

11. COMPARATIVE AMOUNTS

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