

SOUTH NATION RIVER CONSERVATION AUTHORITY
Financial Statements
Year Ended December 31, 2015

SOUTH NATION RIVER CONSERVATION AUTHORITY
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Year Ended December 31, 2015

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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, 2015 and the statements of changes in net financial assets, operations, continuity of reserves 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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, 2015, and the results of its statement of changes in net financial assets, its operations, its statement of continuity of reserves and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winchester, Ontario
March 17, 2016

Collins Barrow WCM LLP

Chartered Accountants, Licensed Public Accountants

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Financial Position
Year Ended December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash (Note 4)	\$ 2,097,143	\$ 2,814,265
Accounts receivable	985,254	489,542
Receivable from municipalities (Note 5)	687,905	738,996
	<u>3,770,302</u>	<u>4,042,803</u>
LIABILITIES		
Accounts payable and accrued liabilities	480,020	510,844
Government remittances payable	9,932	8,873
Deferred income	1,068,821	1,237,521
Long term debt (Note 6)	-	111,475
	<u>1,558,773</u>	<u>1,868,713</u>
NET FINANCIAL ASSETS	<u>2,211,529</u>	<u>2,174,090</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	9,188,384	8,748,657
Deposit on land	-	207,900
Prepaid expenses	15,959	26,457
	<u>9,204,343</u>	<u>8,983,014</u>
NET ASSETS (Note 11)	<u>\$ 11,415,872</u>	<u>\$ 11,157,104</u>

ON BEHALF OF THE BOARD

 Chairman

 Director

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2015

	Budget 2015	Actual 2015	Actual 2014
Surplus for the year	\$ (209,862)	\$ 258,768	\$ 129,785
Acquisition of tangible capital assets	(629,190)	(573,062)	(90,990)
Contributed tangible capital assets	-	(127,000)	(124,000)
Proceeds on disposal of tangible capital assets	-	3,097	3,363
Gain on disposal of tangible capital assets	-	(3,097)	(3,363)
Depreciation	320,400	260,335	289,758
Deposit on land	-	207,900	(207,900)
Change in prepaid expenses	-	10,498	(7,800)
Increase (decrease) in net financial assets in the year	(518,652)	37,439	(11,147)
Net financial assets, beginning of year	2,174,090	2,174,090	2,185,237
Net financial assets, end of year	\$ 1,655,438	\$ 2,211,529	\$ 2,174,090

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Continuity of Reserves
Year Ended December 31, 2015

Year Ended December 31, 2014	Balance Beginning of Year	From Operations	To Operations	Balance End of Year
COMMITTED				
Sewage systems inspections	\$ (41,954)	\$ -	\$ -	\$ (41,954)
Dr. Jackson - forestry programs	9,890	94	-	9,984
Findlay Creek	187,498	1,764	2,060	187,202
Environmental projects	18,384	173	-	18,557
Revenue sharing (Note 8.a.)	197,954	1,864	-	199,818
School programs (Note 8.b.)	2,148	20	-	2,168
Land acquisition - forestry	43,240	407	-	43,647
Memorial fund (Note 8.b.)	42,813	3,354	-	46,168
McIntosh Park	2,991	14	3,005	-
Subtotal committed	462,964	7,690	5,065	465,590
OPERATING	\$ 681,104	\$ 11,443	\$ -	\$ 692,546
CAPITAL PROJECTS	690,379	175,414	39,360	826,432
WATER CONTROL STRUCTURES	94,234	5,911	-	100,145
Year Ended December 31, 2015	\$ 1,928,681	\$ 200,458	\$ 44,425	\$ 2,084,713
Year Ended December 31, 2014	\$ 2,199,031	\$ 117,470	\$ 387,820	\$ 1,928,681

SOUTH NATION RIVER CONSERVATION AUTHORITY

Statement of Operations

Year Ended December 31, 2015

	Budget 2015	Actual 2015	Actual 2014
REVENUE			
MNR	\$ 176,490	\$ 176,409	\$ 176,409
Source water protection	212,546	194,051	240,409
Municipal levy	2,935,182	2,938,949	2,861,352
Special levy	552,937	461,139	438,129
Other sources	3,217,905	2,727,044	2,303,925
TOTAL OPERATING REVENUE	7,095,060	6,497,592	6,020,224
SCIENCE & RESEARCH <i>(Schedule 1)</i>			
Resource management	820,632	651,914	601,257
Resource services	684,519	474,987	522,808
Projects	752,999	732,807	531,428
	2,258,150	1,859,708	1,655,493
PROPERTY MANAGEMENT & APPROVALS <i>(Schedule 2)</i>			
Approvals	1,826,398	1,444,288	1,266,804
Property	875,394	701,868	871,423
Projects	224,120	189,892	219,373
	2,925,912	2,336,048	2,357,600
ORGANIZATION EFFECTIVENESS <i>(Schedule 3)</i>			
Corporate services	1,218,215	1,174,408	1,093,095
Information management and technology	262,747	259,832	243,798
Communications and outreach	319,498	348,493	250,695
	1,800,460	1,782,733	1,587,588
TOTAL OPERATING EXPENSES	6,984,522	5,978,489	5,600,681
DEPRECIATION	320,400	260,335	289,758
TOTAL EXPENSES	7,304,922	6,238,824	5,890,439
SURPLUS	\$ (209,862)	\$ 258,768	\$ 129,785

SOUTH NATION RIVER CONSERVATION AUTHORITY

Statement of Cash Flows Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Surplus	\$ 258,768	\$ 129,785
Items not affecting cash:		
Depreciation	260,335	289,758
Contributed tangible capital assets	(127,000)	(124,000)
Gain on disposal of tangible capital assets	(3,097)	(3,363)
	<u>389,006</u>	<u>292,180</u>
Changes in non-cash working capital:		
Accounts receivable	(495,712)	671,780
Receivable from municipalities	51,091	50,217
Accounts payable and accrued liabilities	(98,357)	20,822
Government remittances payable	1,059	1,661
Deferred income	(168,700)	384,813
Deposit on land	-	(207,900)
Prepaid expenses	10,498	(7,800)
	<u>(700,121)</u>	<u>913,593</u>
Cash flow from (used by) operating activities	<u>(311,115)</u>	<u>1,205,773</u>
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(297,629)	(90,990)
Proceeds on disposal of tangible capital assets	3,097	3,363
Cash flow used by capital activity	<u>(294,532)</u>	<u>(87,627)</u>
FINANCING ACTIVITY		
Repayment of long term debt	(111,475)	(111,475)
INCREASE (DECREASE) IN CASH FLOW	<u>(717,122)</u>	<u>1,006,671</u>
CASH - BEGINNING OF PERIOD	<u>2,814,265</u>	<u>1,807,594</u>
CASH - END OF YEAR (Note 4)	<u>\$ 2,097,143</u>	<u>\$ 2,814,265</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2015

1. DESCRIPTION OF BUSINESS

The South Nation River 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 Canadian public sector accounting standards.

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.

Cash and cash equivalents

Cash includes cash held in banks and cash on hand.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Deferred income

The authority receives certain amounts from other entities, the proceeds of which may only be used in the conduct of certain programs or completion of specific work. Further, certain user charges and fees are collected but for which the related services have yet to be performed. These amounts are recognized as revenue when the related expenditures are incurred or services performed.

Reserves

Reserves for future expenditures and contingencies are established as required at the discretion of the members of the Board of Directors of the Authority. Increases or decreases in these reserves are made by appropriations to or from reserves.

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SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair market value at the date of contribution. Tangible 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 Boardwalks	20 years	straight-line method
Buildings - Frame	25 years	straight-line method
Building - Bricks and Steel	40 years	straight-line method
Equipment - Telecommunications	5 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

One half of the above rates are used in the year of acquisition

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Tangible capital assets received as unrestricted contributions are recorded at fair market value at the date of receipt and are also recorded as revenue. Tangible capital assets received as restricted contributions are recorded at fair market value at the date of receipt and are applied directly to net assets.

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

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.

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SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

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.

Donated materials and services.

Donated materials and services are recorded at fair market value if they would otherwise have been purchased.

Contributed services

Volunteers contribute a significant amount of their time each year. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

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 tangible capital assets and allowance for doubtful accounts.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2015

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 a high concentration of credit risk as two entities represent 54% of accounts receivable and one entity represents 93% of long-term receivable from municipalities (Note 5).

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. 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. CASH

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

5. RECEIVABLE FROM MUNICIPALITIES

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).

	2015	2014
	<u>\$ 687,905</u>	<u>\$ 738,996</u>

Principal receivable terms are approximately:

2016	\$ 52,682
2017	53,484
2018	54,298
2019	55,125
2020	55,964
Thereafter	<u>416,352</u>
	<u>\$ 687,905</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2015

6. LONG TERM DEBT

	2015	2014
Harmke Velema non-interest bearing loan, repayable in annual payments of \$111,475. The loan matured January 2015.	\$ -	\$ 111,475

7. TANGIBLE CAPITAL ASSETS

	Historical Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land	\$ 6,158,870	\$ -	\$ 6,158,870	\$ 5,637,551
Buildings	1,204,756	215,073	989,683	1,020,343
Equipment	330,954	217,449	113,505	97,513
Furniture and fixtures	271,496	169,555	101,941	129,137
Vehicles	302,804	203,630	99,174	120,470
Computer and networking equipment	407,119	342,950	64,169	59,664
Computer software	129,777	60,983	68,794	20,005
Parking lot and other land improvements	266,292	61,124	205,168	190,774
Flood control structures	4,814,000	3,426,920	1,387,080	1,473,200
	\$ 13,886,068	\$ 4,697,684	\$ 9,188,384	\$ 8,748,657

The organization acquired \$700,062 of tangible capital assets during the year including \$127,000 (2014 - \$124,000) of donated land.

At year end, a total of \$67,539 of tangible capital assets were not in use and thus have not been amortized.

8. RESERVES

a) Revenue Sharing

In accordance with the Ministry of Natural Resources and Forestry Revenue Sharing Policy, \$1,864 (2014 - \$2,263) 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.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2015

9. CONTINGENCIES

Under the Forestry Act, the Authority may be liable to the Ministry of Natural Resources and Forestry 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 and Forestry. As of December 31, 2015, management is not aware of any liability in this regard.

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, 2015, \$1,000,000 was available on this facility.

11. NET ASSETS

	2015	2014
Net Assets, beginning of year	\$ 11,157,104	\$ 11,027,319
Surplus for the year	258,768	129,785
	<u>\$ 11,415,872</u>	<u>\$ 11,157,104</u>
Net Assets consists of:		
Tangible capital assets	\$ 9,188,384	\$ 8,637,182
Reserves	2,084,713	1,928,681
Deposit on land	-	207,900
Accumulated surplus	142,775	383,341
	<u>\$ 11,415,872</u>	<u>\$ 11,157,104</u>
Net Assets Invested in Tangible Capital Assets consists of:		
Tangible capital assets	\$ 9,188,384	\$ 8,748,657
Long term debt	-	(111,475)
	<u>\$ 9,188,384</u>	<u>\$ 8,637,182</u>

12. COMPARATIVE AMOUNTS

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

SOUTH NATION RIVER CONSERVATION AUTHORITY

Science & Research (Schedule 1)

Year Ended December 31, 2015

	2015	2014
SCIENCE & RESEARCH		
Salaries and employee benefits	\$ 935,495	\$ 883,597
Contracted and technical services	228,143	62,077
Grants	211,162	229,299
Tree planting material and services	134,645	141,611
Consultants and legal fees	90,106	170,342
Supplies	62,816	33,021
Vehicle	48,037	22,944
Equipment repairs and maintenance	43,038	21,023
Program support	39,899	34,014
Advertising and promotion	28,810	20,713
Travel and training	24,231	25,165
Leases	5,477	4,093
Committee meetings	4,661	3,314
Telephone	2,851	2,012
Bank charges and interest	337	347
Memberships	-	1,921
	\$ 1,859,708	\$ 1,655,493

SOUTH NATION RIVER CONSERVATION AUTHORITY
Property Management & Approvals (Schedule 2)
Year Ended December 31, 2015

	2015	2014
PROPERTY MANAGEMENT & APPROVALS		
Salaries and employee benefits	\$ 1,629,641	\$ 1,421,222
Contracted and technical services	324,159	420,060
Equipment repairs and maintenance	62,824	22,912
Supplies	60,393	116,755
Property taxes and drainage assessment	54,585	54,081
Consultants and legal fees	43,557	111,643
Travel and training	43,440	41,585
Utilities	38,513	41,391
Vehicle	22,138	45,201
Program support	21,656	34,069
Advertising and promotion	10,415	21,245
Leases	7,619	10,362
Bank charges and interest	4,949	4,751
Tree planting material	4,726	2,009
Memberships	3,703	4,721
Telephone	2,506	2,763
Committee meetings	1,224	2,830
	\$ 2,336,048	\$ 2,357,600

SOUTH NATION RIVER CONSERVATION AUTHORITY
Organization Effectiveness (Schedule 3)
Year Ended December 31, 2015

	2015	2014
ORGANIZATION EFFECTIVENESS		
Salaries and employee benefits	\$ 1,140,389	\$ 1,070,614
Contracted and technical services	122,151	60,431
Board and committee meetings	91,901	82,441
Travel and training	78,288	72,460
Consultants, legal and audit fees	70,185	64,900
Supplies	69,283	58,334
Insurance	51,364	46,903
Telephone and internet	39,902	38,220
Advertising and promotion	35,994	22,217
Conservation Ontario levy	28,695	27,340
Memberships	26,853	14,442
Equipment, software, repairs and maintenance	19,906	18,238
Grants	4,800	4,050
Bank charges and interest	1,845	1,846
Program support	1,177	5,152
	\$ 1,782,733	\$ 1,587,588