



Collins Barrow

Chartered Accountants

SOUTH NATION RIVER CONSERVATION AUTHORITY

Financial Statements

Year Ended December 31, 2011

SOUTH NATION RIVER CONSERVATION AUTHORITY
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Year Ended December 31, 2011

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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, 2011, 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, 2011, 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
February 16, 2012

Collins Barrow WCM LLP

Chartered Accountants, Licensed Public Accountants

SOUTH NATION RIVER CONSERVATION AUTHORITY

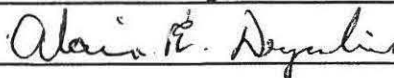
Statement of Financial Position

December 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash (Note 5)	\$ 1,415,771	\$ 904,723
Accounts receivable	604,975	600,604
Current portion of long term receivable from municipalities (Note 7)	45,019	47,685
Prepaid expenses	19,259	12,458
	2,085,024	1,565,470
CAPITAL ASSETS (Note 6)	7,473,831	7,496,563
LONG TERM RECEIVABLE FROM MUNICIPALITIES (Note 7)	845,019	887,027
	\$ 10,403,874	\$ 9,949,060
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 471,239	\$ 505,302
Government remittances payable	29,490	50,602
Deferred income	311,675	220,638
	812,404	776,542
NET ASSETS		
Reserves	1,884,090	1,553,914
Surplus	233,549	122,041
Capital assets	7,473,831	7,496,563
	9,591,470	9,172,518
	\$ 10,403,874	\$ 9,949,060

ON BEHALF OF THE BOARD


 _____ Chairman


 _____ Director of Finance

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, 2011

Year Ended December 31, 2011	Balance Beginning of Year	From Operations	To Operations	Balance End of Year
Operations - General	\$ 755,051	\$ 12,584	\$ 70	\$ 767,565
Operations - Septic	38,014	30,348	-	68,362
Operations - Dr. Jackson	14,382	151	-	14,533
Operations - Donations	118,460	63,723	-	182,183
Replacement of vehicles and equipment	14,850	-	-	14,850
Land acquisition	25,000	-	-	25,000
Capital projects	249,661	284,548	79,297	454,912
Revenue sharing (Note 8.a.)	189,372	1,989	-	191,361
School programs (Note 8.b.)	3,162	27	629	2,560
Land acquisition - forestry	41,365	435	-	41,800
Memorial fund (Note 8.b.)	32,049	4,093	730	35,412
McIntosh Park	7,003	2,316	-	9,319
Water Control Structure	65,545	10,688	-	76,233
Year Ended December 31, 2011	\$ 1,553,914	\$ 410,902	\$ 80,726	\$ 1,884,090
Year Ended December 31, 2010	\$ 1,390,078	\$ 176,454	\$ 12,618	\$ 1,553,914

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

SOUTH NATION RIVER CONSERVATION AUTHORITY

Statement of Operations

Year Ended December 31, 2011

	Budget 2011	Actual 2011	Actual 2010
REVENUE			
Municipal levy	\$ 2,527,234	\$ 2,527,234	\$ 2,418,406
M.N.R. (Section 39)	176,409	176,409	176,409
Other	3,845,322	2,971,232	2,551,506
Source water protection	744,383	703,771	945,210
	<u>7,293,348</u>	<u>6,378,646</u>	<u>6,091,531</u>
EXPENDITURES			
Administration	662,282	571,009	523,706
Communications	448,436	299,490	293,222
Conservation programs	2,414,141	2,049,170	2,175,265
Finance	296,481	277,134	277,534
Information Technology	315,193	217,396	203,155
Lands management	1,379,288	890,709	910,188
Planning and engineering	1,319,066	951,015	640,140
Source water protection	744,383	703,771	953,464
	<u>7,579,270</u>	<u>5,959,694</u>	<u>5,976,674</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (285,922)</u>	<u>\$ 418,952</u>	<u>\$ 114,857</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Changes in Net Assets
Year Ended December 31, 2011

	Reserves	Capital Assets	Accumulated Surplus	2011	2010
NET ASSETS - BEGINNING OF YEAR	\$ 1,553,914	\$ 7,496,563	\$ 122,041	\$ 9,172,518	\$ 9,057,661
Excess (deficiency) of revenue over expenditures	-	(279,610)	698,562	418,952	114,857
Investment in capital assets	-	256,878	(256,878)	-	-
Net appropriations to reserves	330,176	-	(330,176)	-	-
NET ASSETS - END OF YEAR	\$ 1,884,090	\$ 7,473,831	\$ 233,549	\$ 9,591,470	\$ 9,172,518

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

SOUTH NATION RIVER CONSERVATION AUTHORITY**Statement of Cash Flows
Year Ended December 31, 2011**

	2011	2010
OPERATING ACTIVITIES		
Cash receipts from various sources	\$ 6,509,990	\$ 6,184,143
Cash paid to suppliers and employees	<u>(5,742,064)</u>	<u>(5,566,063)</u>
Cash flow from operating activities	<u>767,926</u>	<u>618,080</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(256,878)	(168,181)
Proceeds on disposal of capital assets	<u>-</u>	<u>1,140</u>
Cash flow used by investing activities	<u>(256,878)</u>	<u>(167,041)</u>
INCREASE IN CASH FLOW	511,048	451,039
CASH - BEGINNING OF YEAR	<u>904,723</u>	<u>453,684</u>
CASH - END OF YEAR (Note 5)	<u>\$ 1,415,771</u>	<u>\$ 904,723</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2011

1. DESCRIPTION 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.

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, 2011

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	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.

Capital Management Requirements

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 contributors and the community. Annual budgets are developed and monitored to ensure the Authority's capital is maintained at an appropriate level.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2011

3. FINANCIAL INSTRUMENTS

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

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.

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 February 3, 2011 per Board Resolution No. BD-006/11.

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%.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2011

6. CAPITAL ASSETS

	Historical Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Land	\$ 3,979,050	\$ -	\$ 3,979,050	\$ 3,818,888
Buildings	1,196,576	93,079	1,103,497	1,134,277
Equipment	244,435	143,914	100,521	128,572
Furniture and fixtures	238,137	65,644	172,493	194,494
Vehicles	402,418	290,784	111,634	89,726
Computer and networking equipment	395,417	219,275	176,142	192,717
Computer software	100,389	75,797	24,592	40,955
Parking lot and other land improvements	87,834	13,492	74,342	79,254
Flood control structures	4,814,000	3,082,440	1,731,560	1,817,680
	<u>\$ 11,458,256</u>	<u>\$ 3,984,425</u>	<u>\$ 7,473,831</u>	<u>\$ 7,496,563</u>

The organization purchased \$256,878 of capital assets during the year, all of which were acquired using cash.

7. LONG TERM RECEIVABLE FROM MUNICIPALITIES

	2011	2010
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).	\$ 890,038	\$ 934,712
Amounts receivable within one year	(45,019)	(47,685)
	<u>\$ 845,019</u>	<u>\$ 887,027</u>

Principal receivable terms are approximately:

2012	\$ 45,020
2013	45,807
2014	46,609
2015	47,425
2016	48,255
Thereafter	656,922
	<u>\$ 890,038</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2011

8. RESERVES

a. Revenue Sharing

In accordance with the Ministry of Natural Resources Revenue Sharing Policy, \$1,989 (2010 - \$1,409) 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, 2011, 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 By-Law.

As at December 31, 2011 \$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.
