

SOUTH NATION RIVER CONSERVATION AUTHORITY
Financial Statements
Year Ended December 31, 2017

SOUTH NATION RIVER CONSERVATION AUTHORITY
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Year Ended December 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

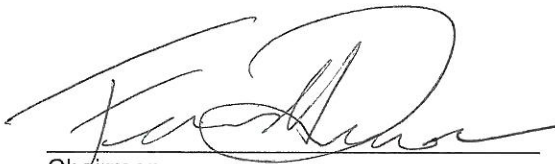
The financial statements of South Nation River Conservation Authority are the responsibility of management and have been approved by the Board.

The financial statements of South Nation River Conservation Authority have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. A summary of the significant accounting policies are described in Note 2 of the financial statements. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

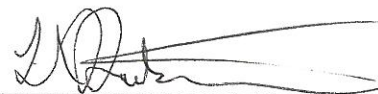
The Authority's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. The Board also considers, for approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Collins Barrow WCM LLP, independent external auditors appointed by the authority, in accordance with Canadian auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.



Chairman



Linda Hutchinson, Director,
Organization Effectiveness

Finch, ON

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, 2017 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.

(continues)

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, 2017 and the results of its statement of changes in net financial assets, its operations, its statement of continuity of reserves and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Collins Barrow WCM LLP


Winchester, Ontario
March 15, 2018

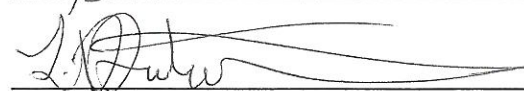
Chartered Professional Accountants, Licensed Public Accountants

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Financial Position
Year Ended December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (Note 4)	\$ 2,349,135	\$ 2,149,498
Accounts receivable	737,983	978,491
Receivable from municipalities (Note 5)	583,013	635,920
	<u>3,670,131</u>	<u>3,763,909</u>
LIABILITIES		
Accounts payable and accrued liabilities	485,125	580,352
Government remittances payable	3,829	6,264
Deferred income (Note 6)	650,200	718,037
	<u>1,139,154</u>	<u>1,304,653</u>
NET FINANCIAL ASSETS	<u>2,530,977</u>	<u>2,459,256</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	9,827,468	9,417,836
Prepaid expenses	46,370	19,219
	<u>9,873,838</u>	<u>9,437,055</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 12,404,815</u>	<u>\$ 11,896,311</u>

ON BEHALF OF THE BOARD


 _____ Chairman


 _____ Director

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

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

	Budget 2017	Actual 2017	Actual 2016
Net surplus for the year	\$ (269,849)	\$ 508,504	\$ 480,439
Acquisition of tangible capital assets	(372,258)	(561,836)	(394,891)
Contributed tangible capital assets	-	(129,000)	(111,600)
Proceeds on disposal of tangible capital assets	-	-	2,600
Gain on disposal of tangible capital assets	-	-	(818)
Depreciation	288,522	281,204	275,257
Change in prepaid expenses	-	(27,151)	(3,260)
Increase (decrease) in net financial assets in the year	(353,585)	71,721	247,727
Net financial assets, beginning of year	2,459,256	2,459,256	2,211,529
Net financial assets, end of year	\$ 2,105,671	\$ 2,530,977	\$ 2,459,256

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, 2017

	Balance, beginning of year	From operations	To operations	Balance, end of year
COMMITTED RESERVES				
Sewage systems inspections	\$ (35,642)	\$ 48,934	\$ -	\$ 13,292
Dr. Jackson - Forestry programs	10,078	105	-	10,183
Findlay Creek	270,886	2,769	8,010	265,645
Environmental Projects	18,732	194	-	18,926
MNR revenue sharing	201,700	2,093	-	203,793
School programs	2,188	23	-	2,211
Land acquisition - forestry	44,058	457	-	44,515
Memorial fund	49,745	1,136	-	50,881
Subtotal, committed reserves	\$ 561,745	\$ 55,711	\$ 8,010	\$ 609,446
OPERATING	\$ 704,092	\$ 12,331	\$ -	\$ 716,423
CAPITAL PROJECTS	816,441	19,670	-	836,111
WATER CONTROL STRUCTURES	106,112	6,127	-	112,239
Year ended December 31, 2017	2,188,390	93,839	8,010	2,274,219
Year ended December 30, 2016	\$ 2,084,713	\$ 172,033	\$ 68,356	\$ 2,188,390

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

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Operations
Year Ended December 31, 2017

	Budget 2017	Actual 2017	Actual 2016
REVENUE			
MNR	\$ 176,409	\$ 176,409	\$ 176,409
Source water protection	160,642	85,046	167,780
Municipal levy	3,147,471	3,147,472	3,046,157
Special levy	828,258	544,579	459,511
Other sources	3,041,981	3,214,125	2,941,842
TOTAL OPERATING REVENUE	7,354,761	7,167,631	6,791,699
SCIENCE & RESEARCH (Schedule 1)			
Resource management	401,425	523,976	633,644
Resource services	579,750	460,976	468,648
Projects	1,308,742	1,053,766	578,004
	2,289,917	2,038,718	1,680,296
PROPERTY & APPROVALS (Schedule 2)			
Approvals	1,369,362	1,152,043	1,456,761
Property	1,046,757	810,871	800,478
Projects	607,361	488,754	250,978
	3,023,480	2,451,668	2,508,217
ORGANIZATION EFFECTIVENESS (Schedule 3)			
Corporate services	1,296,556	1,217,463	1,267,141
Information management and technology	270,751	210,424	252,883
Communications and outreach	455,384	459,650	327,466
	2,022,691	1,887,537	1,847,490
TOTAL OPERATING EXPENSES	7,336,088	6,377,923	6,036,003
DEPRECIATION	288,522	281,204	275,257
TOTAL EXPENSES	7,624,610	6,659,127	6,311,260
NET SURPLUS	(269,849)	508,504	480,439
ACCUMULATED SURPLUS, BEGINNING OF YEAR	11,896,311	11,896,311	11,415,872
ACCUMULATED SURPLUS, END OF YEAR	\$ 11,626,462	\$ 12,404,815	\$ 11,896,311

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

SOUTH NATION RIVER CONSERVATION AUTHORITY

Statement of Cash Flow
Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Net surplus	\$ 508,504	\$ 480,439
Items not affecting cash:		
Depreciation	281,204	275,257
Contributed tangible capital assets	(129,000)	(111,600)
Gain on disposal of tangible capital assets	-	(818)
	<u>660,708</u>	<u>643,278</u>
Changes in non-cash working capital:		
Accounts receivable	240,508	6,763
Receivable from municipalities	52,907	51,985
Accounts payable and accrued liabilities	(95,227)	100,332
Government remittances payable	(2,435)	(3,668)
Deferred income	(67,837)	(350,784)
Prepaid expenses	(27,151)	(3,260)
	<u>100,765</u>	<u>(198,632)</u>
Cash flow from operating activities	<u>761,473</u>	<u>444,646</u>
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(561,836)	(394,891)
Proceeds on disposal of tangible capital assets	-	2,600
	<u>(561,836)</u>	<u>(392,291)</u>
Cash flow used by capital activity	<u>(561,836)</u>	<u>(392,291)</u>
INCREASE IN CASH FLOW	199,637	52,355
CASH - BEGINNING OF YEAR	<u>2,149,498</u>	<u>2,097,143</u>
CASH - END OF YEAR (Note 4)	<u>\$ 2,349,135</u>	<u>\$ 2,149,498</u>

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

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements Year Ended December 31, 2017

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.

(continues)

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2017

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

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.

3. FINANCIAL INSTRUMENTS

The Authority is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Authority's risk exposure and concentration as of December 31, 2017.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Authority is exposed to credit risk from customers. In order to reduce its credit risk, the Authority 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 Authority is exposed to a high concentration of credit risk as two entities represent 46% of accounts receivable and one entity represents 93% of long-term receivable from municipalities (Note 5). There has been no change to the risk exposure from the prior year.

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant other price risks arising from these financial instruments.

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%.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2017

5. RECEIVABLE FROM MUNICIPALITIES

	2017	2016
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 cost of borrowing).	\$ 583,013	\$ 635,920

Principal receivable terms are approximately:

2018	\$ 52,608
2019	53,799
2020	55,016
2021	56,261
2022	57,534
Thereafter	307,795
	\$ 583,013

6. DEFERRED INCOME

	Balance, beginning of year	Funds received	Funds earned	Balance, end of year
<u>Science & Research</u>				
Resource management	\$ 39,497	\$ 30,713	\$ (28,009)	\$ 42,201
Stewardship	192,821	354,574	(418,493)	128,902
Projects	40,833	234,352	(206,242)	68,943
	273,151	619,639	(652,744)	240,046
<u>Property & Approvals</u>				
Community lands	2,471	99,999	(31,686)	70,784
Buildings & infrastructures	32,764	36,274	(54,787)	14,251
Development review	14,218	329,427	(327,702)	15,943
Sewage systems review	68,000	352,551	(339,857)	80,694
Source water protection	136,265	130,881	(240,159)	26,987
Projects	126,806	243,711	(258,185)	112,332
	380,524	1,192,843	(1,252,376)	320,991
<u>Organization Effectiveness</u>				
Communications & outreach	64,362	61,405	(36,604)	89,163
	\$ 718,037	\$ 1,873,887	\$ (1,941,724)	\$ 650,200

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2017

7. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	2016 Balance	Additions	Disposals	2017 Balance
Land	\$ 6,532,488	\$ 411,037	\$ -	\$ 6,943,525
Buildings	1,207,977	12,893	-	1,220,870
Equipment	370,194	167,781	-	537,975
Furniture and fixtures	231,074	-	-	231,074
Vehicles	310,894	23,099	-	333,993
Computer and networking equipment	473,719	59,745	(9,426)	524,038
Computer software	129,777	6,160	-	135,937
Parking lot and other land improvements	311,014	10,121	-	321,135
Flood control structures	4,814,000	-	-	4,814,000
	<u>\$ 14,381,137</u>	<u>\$ 690,836</u>	<u>\$ (9,426)</u>	<u>\$ 15,062,547</u>

<u>Accumulated Amortization</u>	2016 Balance	Amortization	Accumulated Amortization on Disposals	2017 Balance
Buildings	\$ 245,888	\$ 31,478	\$ -	\$ 277,366
Equipment	234,300	32,892	-	267,192
Furniture and fixtures	174,375	23,107	-	197,482
Vehicles	242,692	29,999	-	272,691
Computer and networking equipment	375,255	40,737	(9,426)	406,566
Computer software	78,181	16,965	-	95,146
Parking lot and other land improvements	99,570	20,846	-	120,416
Flood control structures	3,513,040	85,180	-	3,598,220
	<u>\$ 4,963,301</u>	<u>\$ 281,204</u>	<u>\$ (9,426)</u>	<u>\$ 5,235,079</u>

<u>Net book value</u>	2017	2016
Land	\$ 6,943,525	\$ 6,532,488
Buildings	943,504	962,089
Equipment	270,783	135,894
Furniture and fixtures	33,592	56,699
Vehicles	61,302	68,202
Computer and networking equipment	117,472	98,464
Computer software	40,791	51,596
Parking lot and other land improvements	200,719	211,444
Flood control structures	1,215,780	1,300,960
	<u>\$ 9,827,468</u>	<u>\$ 9,417,836</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2017

8. RESERVES

a) Revenue Sharing

In accordance with the Ministry of Natural Resources and Forestry Revenue Sharing Policy, \$2,093 (2016 - \$1,882) 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. 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, 2017, 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.

At year end, \$1,000,000 (2016 - \$1,000,000) was available on this facility.

11. ACCUMULATED SURPLUS

Accumulated surplus consists of:

Tangible capital assets	\$ 9,827,468	\$ 9,417,836
Reserves	2,274,219	2,188,390
Surplus - operations	<u>303,128</u>	<u>290,085</u>
	<u>\$ 12,404,815</u>	<u>\$ 11,896,311</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Science & Research (Schedule 1)
Year Ended December 31, 2017

	2017	2016
SCIENCE & RESEARCH		
Salaries and employee benefits	\$ 838,733	\$ 897,757
Contracted and technical services	725,133	252,259
Grants	205,600	177,800
Tree planting material and services	135,050	176,987
Supplies	61,049	17,620
Travel and training	35,712	20,325
Advertising and promotion	9,336	20,898
Equipment repairs and maintenance	8,961	20,241
Vehicle	8,798	33,824
Consultants and legal fees	4,871	26,045
Telephone	2,710	2,539
Leases	1,380	-
Committee meetings	834	3,192
Program support	287	30,328
Bank charges and interest	264	481
	<u>\$ 2,038,718</u>	<u>\$ 1,680,296</u>

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

SOUTH NATION RIVER CONSERVATION AUTHORITY
Property & Approvals (Schedule 2)
Year Ended December 31, 2017

	2017	2016
PROPERTY & APPROVALS		
Salaries and employee benefits	\$ 1,821,640	\$ 1,924,556
Contracted and technical services	163,174	190,388
Consultants and legal fees	127,082	52,449
Supplies	81,682	46,819
Vehicle	71,954	31,126
Property taxes and drainage assessment	66,302	59,484
Utilities	36,985	42,107
Travel and training	29,668	29,564
Equipment repairs and maintenance	15,250	24,247
Committee meetings	11,331	-
Bank charges and interest	6,919	6,277
Leases	6,792	6,793
Program support	4,370	8,373
Telephone	2,564	2,812
Tree planting material	2,497	778
Memberships	1,733	3,681
Advertising and promotion	1,725	3,123
Grants	-	75,640
	\$ 2,451,668	\$ 2,508,217

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

SOUTH NATION RIVER CONSERVATION AUTHORITY
Organization Effectiveness (Schedule 3)
Year Ended December 31, 2017

	2017	2016
ORGANIZATION EFFECTIVENESS		
Salaries and employee benefits	\$ 1,290,844	\$ 1,229,096
Contracted and technical services	118,035	90,832
Board and committee meetings	71,643	80,507
Supplies	66,611	58,325
Travel and training	66,033	77,274
Insurance	59,868	53,863
Consultants, legal and audit fees	46,991	112,783
Telephone and internet	37,943	38,883
Advertising and promotion	36,052	26,890
Conservation Ontario levy	31,403	30,391
Equipment, software, repairs and maintenance	27,482	17,343
Memberships	22,549	21,723
Grants	7,900	5,248
Program support	2,203	2,763
Bank charges and interest	1,500	1,569
Vehicle	480	-
	\$ 1,887,537	\$ 1,847,490

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