

SOUTH NATION RIVER CONSERVATION AUTHORITY
Financial Statements
Year Ended December 31, 2010

SOUTH NATION RIVER CONSERVATION AUTHORITY
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Year Ended December 31, 2010

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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, 2010, and the statements of 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 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.

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INDEPENDENT AUDITOR'S REPORT *(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, 2010, and the results of its operations and its cash flows for the year then ended in accordance with accounting policies prescribed for Conservation Authorities in Ontario by the Ministry of Natural Resources.

Basis of Accounting and Restrictions on Use [and Distribution]

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 user, or for any other purpose.

Winchester, Ontario
April 20, 2011

Collins Barrow WCM Lf

CHARTERED ACCOUNTANTS
Licensed Public Accountants

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Financial Position
December 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	\$ 904,723	\$ 453,684
Accounts receivable	600,604	664,698
Current portion of long term receivable from municipalities (Note 6)	47,685	42,612
Prepaid expenses	12,458	15,754
	1,565,470	1,176,748
CAPITAL ASSETS (Note 5)	7,496,563	7,556,434
LONG TERM RECEIVABLE FROM MUNICIPALITIES (Note 6)	887,027	934,712
	\$ 9,949,060	\$ 9,667,894
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 555,904	\$ 375,502
Deferred income	220,638	234,731
	776,542	610,233
NET ASSETS		
Reserves	1,553,914	1,390,078
Surplus	122,041	111,149
Capital assets	7,496,563	7,556,434
	9,172,518	9,057,661
	\$ 9,949,060	\$ 9,667,894

ON BEHALF OF THE BOARD

_____ Chairman

_____ General Manager/Secretary-Treasurer

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, 2010

Year Ended December 31, 2010	Balance Beginning of Year	From Operations	To Operations	Balance End of Year
Operations - general	\$ 620,796	\$ 134,255	\$ -	\$ 755,051
Operations - septic	20,372	17,642	-	38,014
Operations - Dr. Jackson	7,301	7,081	-	14,382
Operations - donations	128,176	-	9,716	118,460
Replacement of vehicles and equipment	14,850	-	-	14,850
Land acquisition	25,000	-	-	25,000
Capital projects	249,661	-	-	249,661
Revenue sharing (Note 7.a.)	187,963	1,409	-	189,372
School programs (Note 7.b.)	3,726	-	564	3,162
Land acquisition - forestry	41,058	307	-	41,365
Memorial fund (Note 7.b.)	26,289	5,760	-	32,049
McIntosh Park	9,341	-	2,338	7,003
Water Control Structure	55,545	10,000	-	65,545
Year Ended December 31, 2010	\$ 1,390,078	\$ 176,454	\$ 12,618	\$ 1,553,914
Year Ended December 31, 2009	\$ 1,091,059	\$ 305,247	\$ 6,228	\$ 1,390,078

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Operations
Year Ended December 31, 2010

	Budget 2010	Actual 2010	Actual 2009
REVENUE			
Municipal levy	\$ 2,418,406	\$ 2,418,406	\$ 2,327,626
M.N.R. (Section 39)	176,409	176,409	176,409
Other	2,834,367	2,551,506	3,520,277
Source water protection	1,290,375	945,210	1,059,599
	<u>6,719,557</u>	<u>6,091,531</u>	<u>7,083,911</u>
EXPENDITURES			
Administration	565,780	523,706	536,120
Communications	487,057	293,222	260,803
Conservation programs	2,119,931	2,175,265	2,079,296
Finance	489,025	277,534	263,588
Lands management	1,237,856	1,113,343	850,129
Planning and engineering	807,357	640,140	704,175
Source water protection	1,290,375	953,464	1,081,135
	<u>6,997,381</u>	<u>5,976,674</u>	<u>5,775,246</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (277,824)</u>	<u>\$ 114,857</u>	<u>\$ 1,308,665</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Changes in Net Assets
Year Ended December 31, 2010

	Reserves	Capital Assets	Accumulated Surplus	2010	2009
NET ASSETS - BEGINNING OF YEAR	\$ 1,390,078	\$ 7,556,434	\$ 111,149	\$ 9,057,661	\$ 7,748,996
Excess (deficiency) of revenue over expenditures	-	(228,052)	342,909	114,857	1,308,665
Investment in capital assets	-	168,181	(168,181)	-	-
Net appropriations to reserves	163,836	-	(163,836)	-	-
NET ASSETS - END OF YEAR	\$ 1,553,914	\$ 7,496,563	\$ 122,041	\$ 9,172,518	\$ 9,057,661

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Cash Flows
Year Ended December 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Cash receipts from various sources	\$ 6,184,143	\$ 6,677,311
Cash paid to suppliers and employees	<u>(5,566,063)</u>	<u>(5,695,435)</u>
Cash flow from operating activities	<u>618,080</u>	<u>981,876</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(168,181)	(1,433,480)
Proceeds on disposal of capital assets	<u>1,140</u>	<u>-</u>
Cash flow used by investing activities	<u>(167,041)</u>	<u>(1,433,480)</u>
INCREASE (DECREASE) IN CASH FLOW	451,039	(451,604)
CASH - BEGINNING OF YEAR	<u>453,684</u>	<u>905,288</u>
CASH - END OF YEAR	\$ 904,723	\$ 453,684
CASH CONSISTS OF:		
Cash	<u>\$ 904,723</u>	<u>\$ 453,684</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2010

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.

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SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2010

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.

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SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Changes in Significant Accounting Policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective. The organization 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.

Section 1601, "Consolidated financial statements" replaces Section 1600 effective for years beginning on or after January 1, 2011. The principal change are those reflecting the changes in new Section 1582 and the recognition of non controlling interest at fair value.

Section 1602, "Non controlling interests" effective for years beginning on or after January 1, 2011 in conjunction with Section 1582, "Business combinations", and Section 1601, "Consolidated financial statements", recognizes a non controlling interest at fair value in the equity Section of the balance sheet.

Changes in Accounting Policies

For years beginning on or after January 1, 2009, Section PS3150 of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook requires that tangible capital assets be accounted for and reported as assets on the statement of financial position.

The organization completed its adoption of this requirement in 2010 in accordance with Board resolution NO.BD-157/10. This change in accounting policy was made in accordance with the transitional provisions contained therein, which required retroactive application.

In conjunction with this change in accounting policy, the organization also changed their revenue recognition policy for specific revenue relating to the acquisition and renovation of their office facilities. Previously the revenue was recognized as received from the participating municipalities. It has now been recognized in the period levied with the amounts not received being disclosed as a long term receivable.

The impact of the restatement of the financial statements as a result of this change in accounting policies are summarized in Note 11.

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, 2010

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. 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 of October 22, 2009.

5. CAPITAL ASSETS

	Historical Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	\$ 3,818,888	\$ -	\$ 3,818,888	\$ 3,818,888
Buildings	1,196,576	62,299	1,134,277	1,140,313
Equipment	244,435	115,863	128,572	144,457
Furniture and fixtures	236,411	41,917	194,494	181,366
Vehicles	355,613	265,887	89,726	93,230
Computer and networking equipment	347,232	154,515	192,717	150,177
Computer software	100,389	59,434	40,955	40,038
Parking lot and other land improvements	87,834	8,580	79,254	84,165
Flood control structures	4,814,000	2,996,320	1,817,680	1,903,800
	\$ 11,201,378	\$ 3,704,815	\$ 7,496,563	\$ 7,556,434

The organization purchased \$168,181 in capital asset additions in the year, all of which were acquired using cash.

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
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6. LONG TERM RECEIVABLE FROM MUNICIPALITIES

	2010	2009
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 1.85% (in line with organization's rate of return in its bank account).	\$ 934,712	\$ 977,324
Amounts receivable within one year	(47,685)	(42,612)
	\$ 887,027	\$ 934,712

Principal receivable terms are approximately:

2011	\$	47,685
2012		48,520
2013		49,369
2014		50,233
2015		51,113
Thereafter		687,792
	\$	934,712

7. RESERVES

a. Revenue Sharing

In accordance with the Ministry of Natural Resources Revenue Sharing Policy, \$1,409 (2009 - \$3,595) 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.

8. 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.

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Notes to Financial Statements
Year Ended December 31, 2010

9. 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, 2010 \$1,000,000 was available on this facility.

10. COMPARATIVE AMOUNTS

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

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2010

11. PRIOR YEAR RESTATEMENTS

The prior year numbers have been restated to retroactively apply the newly adopted capital asset policy. Furthermore, certain balances have been reclassified to agree with the current year's treatment. The impact of the restatement is as follows:

Change in Assets

Increase in net book value of capital assets	\$ 6,016,686
Increase in long term receivable from municipalities	977,323
Increase in accounts receivable	<u>86,020</u>
Increase in Assets	<u>7,080,029</u>

Change in Liabilities

Decrease in deferred revenue	<u>(36,000)</u>
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Change in Revenue

Revenue recognized as restricted in prior year	476,000
Grant revenue previously offset against cost of assets	246,104
Revenue related to long term receivable from municipalities	483,400
Previously unrecognized project revenue	<u>162,999</u>
Increase in Revenue	<u>1,368,503</u>

Change in Expenses

Capital assets previously expensed	(100,574)
Depreciation	<u>252,152</u>
Increase in Expenses	<u>\$ 151,578</u>
