

SOUTH NATION RIVER CONSERVATION AUTHORITY
Financial Statements
Year Ended December 31, 2014

SOUTH NATION RIVER CONSERVATION AUTHORITY
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Year Ended December 31, 2014

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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, 2014 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, 2014, and the results of its statement of changes in net 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 19, 2015

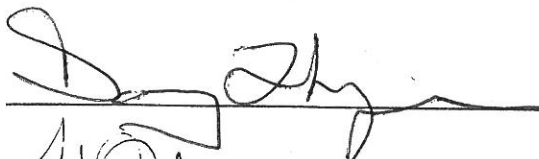
Collins Barrow WCM LLP

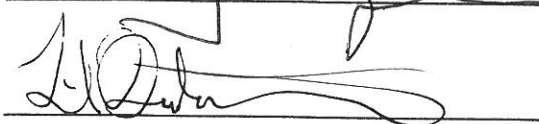
Chartered Accountants, Licensed Public Accountants

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Financial Position
Year Ended December 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash (Note 4)	\$ 2,814,265	\$ 1,807,594
Accounts receivable	489,542	1,161,322
Receivable from municipalities (Note 5)	738,996	789,213
	4,042,803	3,758,129
LIABILITIES		
Accounts payable and accrued liabilities	510,844	490,022
Government remittances payable	8,873	7,212
Deferred income	1,237,521	852,708
Long term debt (Note 6)	111,475	222,950
	1,868,713	1,572,892
Net Financial Assets	2,174,090	2,185,237
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	8,748,657	8,823,425
Deposit on land (Note 8)	207,900	-
Prepaid expenses	26,457	18,657
	8,983,014	8,842,082
NET ASSETS (Note 12)	\$ 11,157,104	\$ 11,027,319

ON BEHALF OF THE BOARD


 _____ Chairman


 _____ Director

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2014

	Budget 2014	Actual 2014	Actual 2013
Surplus for the year	\$ (185,453)	\$ 129,785	\$ 931,326
Acquisition of tangible capital assets	(766,200)	(90,990)	(1,233,141)
Contributed tangible capital assets	-	(124,000)	(67,000)
Proceeds on disposal of tangible capital assets	-	3,363	4,000
Gain on disposal of tangible capital assets	-	(3,363)	(4,000)
Depreciation	323,605	289,758	295,468
Deposit on land	-	(207,900)	-
Change in prepaid expenses	-	(7,800)	6,850
Decrease in net financial assets in the year	(628,048)	(11,147)	(66,497)
Net financial assets, beginning of year	2,185,237	2,185,237	2,251,734
Net financial assets, end of year	\$ 1,557,189	\$ 2,174,090	\$ 2,185,237

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Continuity of Reserves
Year Ended December 31, 2014

Year Ended December 31, 2014	Balance Beginning of Year	From Operations	To Operations	Balance End of Year
COMMITTED				
Sewage systems inspections	\$ (49,925)	\$ 7,971	\$ -	\$ (41,954)
Dr. Jackson - forestry programs	9,777	113	-	9,890
Findlay Creek	168,056	19,442	-	187,498
Environmental projects	18,174	210	-	18,384
Revenue sharing (Note 9.a.)	195,691	2,263	-	197,954
School programs (Note 9.b.)	2,123	25	-	2,148
Land acquisition - forestry	42,746	494	-	43,240
Memorial fund (Note 9.b.)	40,488	2,325	-	42,813
McIntosh Park	7,356	60	4,425	2,991
Subtotal committed	434,486	32,903	4,425	462,964
OPERATING	\$ 731,015	\$ 13,484	\$ 63,395	\$ 681,104
CAPITAL PROJECTS	940,373	70,006	320,000	690,379
WATER CONTROL STRUCTURES	93,157	1,077	-	94,234
Year Ended December 31, 2014	\$ 2,199,031	\$ 117,470	\$ 387,820	\$ 1,928,681
Year Ended December 31, 2013	\$ 1,834,274	\$ 546,641	\$ 181,884	\$ 2,199,031

SOUTH NATION RIVER CONSERVATION AUTHORITY

Statement of Operations

Year Ended December 31, 2014

	Budget 2014	Actual 2014	Actual 2013
REVENUE			
MNR	\$ 176,409	\$ 176,409	\$ 176,409
Source water protection	258,081	240,409	322,750
Municipal levy	2,837,012	2,861,352	2,756,549
Special levy	598,177	438,129	581,078
Other sources	2,089,375	2,338,185	2,159,329
TOTAL OPERATING REVENUE	5,959,054	6,054,484	5,996,115
SCIENCE & RESEARCH (Schedule 1)			
Resource management	583,872	704,371	700,801
Resource services	1,116,118	557,068	534,238
Projects	512,467	467,943	404,602
	2,212,457	1,729,382	1,639,641
PROPERTY MANAGEMENT & APPROVALS (Schedule 2)			
Approvals	1,053,426	1,266,804	1,067,831
Property	684,421	768,309	571,878
Projects	226,000	123,814	62,035
	1,963,847	2,158,927	1,701,744
ORGANIZATION EFFECTIVENESS (Schedule 3)			
Corporate Services	1,061,730	1,093,095	956,866
Information management and technology	232,569	243,798	180,379
Communications and outreach	350,299	250,695	290,691
Projects	-	159,044	-
	1,644,598	1,746,632	1,427,936
TOTAL OPERATING EXPENSES	5,820,902	5,634,941	4,769,321
DEPRECIATION	323,605	289,758	295,468
TOTAL EXPENSES	6,144,507	5,924,699	5,064,789
SURPLUS	\$ (185,453)	\$ 129,785	\$ 931,326

SOUTH NATION RIVER CONSERVATION AUTHORITY

Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Surplus	\$ 129,785	\$ 931,326
Items not affecting cash:		
Depreciation	289,758	295,468
Contributed tangible capital assets	(124,000)	(67,000)
Gain on disposal of tangible capital assets	(3,363)	(4,000)
	<u>292,180</u>	<u>1,155,794</u>
Changes in non-cash working capital:		
Accounts receivable	671,780	(431,240)
Receivable from municipalities	50,217	49,349
Accounts payable and accrued liabilities	20,822	(3,086)
Government remittances payable	1,661	(513)
Deferred income	384,813	448,093
Deposit on land	(207,900)	-
Prepaid expenses	(7,800)	6,850
	<u>913,593</u>	<u>69,453</u>
Cash flow from operating activities	<u>1,205,773</u>	<u>1,225,247</u>
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(90,990)	(1,233,141)
Proceeds on disposal of tangible capital assets	3,363	4,000
Cash flow used by capital activity	<u>(87,627)</u>	<u>(1,229,141)</u>
FINANCING ACTIVITIES		
Proceeds from long term financing	-	367,250
Repayment of long term debt	(111,475)	(144,300)
Cash flow from (used by) financing activities	<u>(111,475)</u>	<u>222,950</u>
INCREASE IN CASH FLOW	1,006,671	219,056
CASH - BEGINNING OF PERIOD	1,807,594	1,588,538
CASH - END OF YEAR (Note 4)	\$ 2,814,265	\$ 1,807,594

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2014

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 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, 2014

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 - 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 contributions are recorded at fair market value at the date of receipt and are also recorded as revenue.

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.

(continues)

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2014

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 tangible capital assets, materials and services.

Donated tangible capital assets are recorded at their fair market value at the time of the donation when a fair value can be reasonably estimated. During the year \$124,000 of land was donated (2013 - \$67,000).

Donated materials and services are recorded 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, 2014

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 one entity represents 47% 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

	<u>2014</u>	<u>2013</u>
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).	<u>\$ 738,996</u>	<u>\$ 789,212</u>

Principal receivable terms are approximately:

2015	\$ 51,099
2016	51,998
2017	52,912
2018	53,842
2019	54,789
Thereafter	<u>474,356</u>
	<u>\$ 738,996</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2014

6. LONG TERM DEBT

Harmke Velema non-interest bearing loan, repayable in annual payments of \$111,475. The loan matures January 2015 and is secured by property with carrying value of \$392,372.

	2014	2013
	\$ 111,475	\$ 222,950

7. TANGIBLE CAPITAL ASSETS

	Historical Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ 5,637,551	\$ -	\$ 5,637,551	\$ 5,484,779
Buildings	1,204,756	184,413	1,020,343	1,051,000
Equipment	325,716	228,203	97,513	127,065
Furniture and fixtures	271,496	142,359	129,137	150,444
Vehicles	333,335	212,865	120,470	139,445
Computer and networking equipment	381,888	322,224	59,664	92,814
Computer software	130,689	110,684	20,005	30,763
Parking lot and other land improvements	236,869	46,095	190,774	187,795
Flood control structures	4,814,000	3,340,800	1,473,200	1,559,320
	\$ 13,336,300	\$ 4,587,643	\$ 8,748,657	\$ 8,823,425

The organization acquired \$214,990 of tangible capital assets during the year, \$124,000 was donated and \$90,990 was acquired using cash.

The organization also disposed of tangible capital assets with zero book value for \$3,363.

8. DEPOSIT ON LAND

Deposit to Ault & Ault, in trust, for an agreement of purchase of land in the City of Ottawa (former township of Osgoode), completion date is April 29, 2015.

9. RESERVES

a) Revenue Sharing

In accordance with the Ministry of Natural Resources and Forestry Revenue Sharing Policy, \$2,263 (2013 - \$2,225) 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, 2014**

10. 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, 2014, management is not aware of any liability in this regard.

11. 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, 2014 \$1,000,000 was available on this facility.

12. NET ASSETS

	2014	2013
Net Assets, beginning of year	\$ 11,027,319	\$ 10,095,993
Surplus for the year	129,785	931,326
	\$ 11,157,104	\$ 11,027,319
 Net Assets consists of:		
Tangible capital assets	\$ 8,637,182	\$ 8,580,475
Reserves	1,928,681	2,199,031
Deposit on land	207,900	-
Accumulated surplus	383,341	247,813
	\$ 11,157,104	\$ 11,027,319
 Net Assets Invested in Tangible Capital Assets consists of:		
Tangible capital assets	\$ 8,748,657	\$ 8,823,425
Long Term Debt	(111,475)	(222,950)
Amounts included in accounts payable relating to capital assets	-	(20,000)
	\$ 8,637,182	\$ 8,580,475

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2014

13. 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, 2014

	2014	2013
SCIENCE & RESEARCH		
Salaries and employee benefits	\$ 962,941	\$ 894,160
Grants	258,564	244,700
Consultants and legal fees	186,790	217,076
Tree planting material and services	141,611	155,496
Contracted and technical services	65,439	34,187
Supplies	33,674	9,843
Travel and training	26,786	16,347
Program support	19,562	38,347
Advertising and promotion	10,896	11,864
Equipment repairs and maintenance	9,337	3,484
Leases	4,093	1,157
Committee meetings	2,826	3,920
Memberships	2,394	838
Telephone	2,081	4,285
Vehicle	1,944	3,350
Bank charges and interest	444	587
	<u>\$ 1,729,382</u>	<u>\$ 1,639,641</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Property Management & Approvals (Schedule 2)
Year Ended December 31, 2014

	2014	2013
PROPERTY MANAGEMENT & APPROVALS		
Salaries and employee benefits	\$ 1,253,763	\$ 1,200,011
Contracted and technical services	414,389	93,128
Supplies	112,438	23,786
Consultants and legal fees	95,196	60,133
Property taxes and drainage assessment	54,081	47,962
Vehicle	45,201	65,026
Utilities	41,391	39,623
Travel and training	40,588	32,544
Program support	34,063	41,997
Advertising and promotion	21,079	5,455
Equipment repairs and maintenance	20,359	16,491
Leases	10,362	11,306
Bank charges and interest	4,653	4,558
Memberships	4,249	4,723
Telephone	2,694	2,896
Committee meetings	2,412	2,017
Tree planting material	2,009	-
Grants	-	50,088
	<u>\$ 2,158,927</u>	<u>\$ 1,701,744</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Organization Effectiveness (Schedule 3)
Year Ended December 31, 2014

	2014	2013
ORGANIZATION EFFECTIVENESS		
Salaries and employee benefits	\$ 1,158,728	\$ 961,465
Board and committee meetings	82,441	72,885
Travel and training	72,741	70,129
Consultants, legal and audit fees	64,900	61,856
Contracted and technical services	62,740	45,657
Supplies	61,998	40,327
Insurance	46,903	44,458
Telephone and internet	38,220	36,763
Equipment, software, repairs and maintenance	32,477	22,196
Advertising and promotion	32,200	28,786
Conservation Ontario levy	27,340	26,168
Vehicle	21,000	-
Program support	19,611	3,403
Memberships	14,442	8,509
Grants	9,046	4,150
Bank charges and interest	1,845	1,184
	\$ 1,746,632	\$ 1,427,936