

SOUTH NATION RIVER CONSERVATION AUTHORITY
Financial Statements
Year Ended December 31, 2016

SOUTH NATION RIVER CONSERVATION AUTHORITY
Index to Financial Statements
Year Ended December 31, 2016

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Financial Assets	4
Statement of Continuity of Reserves	5
Statement of Operations	6
Statement of Cash Flow	7
Notes to Financial Statements	8 - 14
Science & Research (<i>Schedule 1</i>)	15
Property & Approvals (<i>Schedule 2</i>)	16
Organization Effectiveness (<i>Schedule 3</i>)	17

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, 2016 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, 2016 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

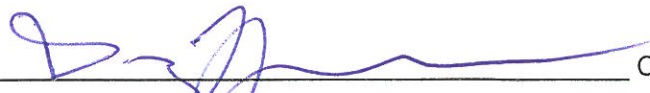

Winchester, Ontario
February 17, 2017

Chartered Professional Accountants, Licensed Public Accountants

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Financial Position
Year Ended December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (Note 4)	\$ 2,149,498	\$ 2,097,143
Accounts receivable	978,491	985,254
Receivable from municipalities (Note 5)	635,920	687,905
	<u>3,763,909</u>	<u>3,770,302</u>
LIABILITIES		
Accounts payable and accrued liabilities	580,352	480,020
Government remittances payable	6,264	9,932
Deferred income (Note 6)	718,037	1,068,821
	<u>1,304,653</u>	<u>1,558,773</u>
NET FINANCIAL ASSETS	<u>2,459,256</u>	<u>2,211,529</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	9,417,836	9,188,384
Prepaid expenses	19,219	15,959
	<u>9,437,055</u>	<u>9,204,343</u>
NET ASSETS (Note 11)	<u>\$ 11,896,311</u>	<u>\$ 11,415,872</u>

ON BEHALF OF THE BOARD


 _____ Chairman

 _____ Director

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Surplus for the year	\$ (50,575)	\$ 480,439	\$ 258,768
Acquisition of tangible capital assets	(692,941)	(394,891)	(573,062)
Contributed tangible capital assets	-	(111,600)	(127,000)
Proceeds on disposal of tangible capital assets	-	2,600	3,097
Gain on disposal of tangible capital assets	-	(818)	(3,097)
Depreciation	291,400	275,257	260,335
Deposit on land	-	-	207,900
Change in prepaid expenses	-	(3,260)	10,498
Increase (decrease) in net financial assets in the year	(452,116)	247,727	37,439
Net financial assets, beginning of year	2,211,529	2,211,529	2,174,090
Net financial assets, end of year	\$ 1,759,413	\$ 2,459,256	\$ 2,211,529

See notes to financial statements

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Continuity of Reserves
Year Ended December 31, 2016

	Balance, beginning of year	From operations	To operations	Balance, end of year
COMMITTED RESERVES				
Sewage systems inspections	\$ (41,954)	\$ 6,312	\$ -	\$ (35,642)
Dr. Jackson - Forestry programs	9,984	94	-	10,078
Findlay Creek	187,202	83,684	-	270,886
Environmental Projects	18,557	175	-	18,732
MNR revenue sharing	199,818	1,882	-	201,700
School programs	2,168	20	-	2,188
Land acquisition - forestry	43,647	411	-	44,058
Memorial fund	46,168	3,578	-	49,746
Subtotal, committed reserves	\$ 465,590	\$ 96,156	\$ -	\$ 561,746
OPERATING	\$ 692,546	\$ 11,546	\$ -	\$ 704,092
CAPITAL PROJECTS	826,432	58,364	68,356	816,440
WATER CONTROL STRUCTURES	100,145	5,967	-	106,112
Year ended December 31, 2016	2,084,713	172,033	68,356	2,188,390
Year ended December 31, 2015	\$ 1,928,681	\$ 200,458	\$ 44,425	\$ 2,084,713

See notes to financial statements

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Operations
Year Ended December 31, 2016

	Budget 2016	Actual 2016	Actual 2015
REVENUE			
MNR	\$ 176,409	\$ 176,409	\$ 176,409
Source water protection	160,642	167,780	194,051
Municipal levy	3,046,156	3,046,157	2,938,949
Special levy	530,241	459,511	461,139
Other sources	3,223,940	2,941,842	2,727,044
TOTAL OPERATING REVENUE	7,137,388	6,791,699	6,497,592
SCIENCE & RESEARCH (Schedule 1)			
Resource management	857,461	633,644	651,914
Resource services	654,130	468,648	474,987
Projects	553,478	578,004	732,807
	2,065,069	1,680,296	1,859,708
PROPERTY & APPROVALS (Schedule 2)			
Approvals	1,633,505	1,456,761	1,444,288
Property	812,952	800,478	701,868
Projects	352,000	250,978	189,892
	2,798,457	2,508,217	2,336,048
ORGANIZATION EFFECTIVENESS (Schedule 3)			
Corporate services	1,319,346	1,267,141	1,174,408
Information management and technology	318,591	252,883	259,832
Communications and outreach	395,100	327,466	348,493
	2,033,037	1,847,490	1,782,733
TOTAL OPERATING EXPENSES	6,896,563	6,036,003	5,978,489
DEPRECIATION	291,400	275,257	260,335
TOTAL EXPENSES	7,187,963	6,311,260	6,238,824
SURPLUS (DEFICIT)	\$ (50,575)	\$ 480,439	\$ 258,768

See notes to financial statements

SOUTH NATION RIVER CONSERVATION AUTHORITY
Statement of Cash Flow
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Surplus	\$ 480,439	\$ 258,768
Items not affecting cash:		
Depreciation	275,257	260,335
Contributed tangible capital assets	(111,600)	(127,000)
Gain on disposal of tangible capital assets	(818)	(3,097)
	<u>643,278</u>	<u>389,006</u>
Changes in non-cash working capital:		
Accounts receivable	6,763	(495,712)
Receivable from municipalities	51,985	51,091
Accounts payable and accrued liabilities	100,332	(98,357)
Government remittances payable	(3,668)	1,059
Deferred income	(350,784)	(168,700)
Prepaid expenses	(3,260)	10,498
	<u>(198,632)</u>	<u>(700,121)</u>
Cash flow from (used by) operating activities	<u>444,646</u>	<u>(311,115)</u>
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(394,891)	(297,629)
Proceeds on disposal of tangible capital assets	2,600	3,097
Cash flow used by capital activity	<u>(392,291)</u>	<u>(294,532)</u>
FINANCING ACTIVITY		
Repayment of long term debt	-	(111,475)
INCREASE (DECREASE) IN CASH FLOW	52,355	(717,122)
CASH - BEGINNING OF YEAR	<u>2,097,143</u>	<u>2,814,265</u>
CASH - END OF YEAR (Note 4)	<u>\$ 2,149,498</u>	<u>\$ 2,097,143</u>

See notes to financial statements

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements Year Ended December 31, 2016

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, 2016

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

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SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets (continued)

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.

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, 2016**

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, 2016.

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 43% 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, 2016

5. RECEIVABLE FROM MUNICIPALITIES

	2016	2015
<p>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).</p>	\$ 635,920	\$ 687,905

Principal receivable terms are approximately:

2017	\$ 52,885
2018	53,819
2019	54,769
2020	55,737
2021	56,721
Thereafter	361,989
	\$ 635,920

6. DEFERRED INCOME

	2016	2015
Science & Research		
Resource management	\$ 39,497	\$ 53,674
Stewardship	192,821	343,565
Projects	40,833	40,072
	273,151	437,311
Property & Approvals		
Community lands	2,471	-
Buildings & infrastructures	32,764	-
Development review	14,218	27,250
Sewage systems review	68,000	35,000
Source water protection	136,265	453,087
Projects	126,806	78,892
	380,524	594,229
Organization Effectiveness		
Communications & outreach	64,362	37,281
	\$ 718,037	\$ 1,068,821

SOUTH NATION RIVER CONSERVATION AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2016

7. TANGIBLE CAPITAL ASSETS

	Historical Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 6,532,488	\$ -	\$ 6,532,488	\$ 6,158,870
Buildings	1,204,756	245,727	959,029	989,683
Equipment	370,194	234,300	135,894	113,505
Furniture and fixtures	271,496	196,704	74,792	101,941
Vehicles	310,894	242,692	68,202	99,174
Computer and networking equipment	473,719	375,255	98,464	64,169
Computer software	129,777	78,181	51,596	68,794
Parking lot and other land improvements	273,812	77,401	196,411	205,168
Flood control structures	4,814,000	3,513,040	1,300,960	1,387,080
	\$ 14,381,136	\$ 4,963,300	\$ 9,417,836	\$ 9,188,384

The organization acquired \$506,491 of tangible capital assets during the year including \$111,600 (2015 - \$127,000) of donated land. Additionally, the organization disposed of tangible capital assets with net book value of \$1,782 (2015 - \$Nil).

At year end, a total of \$36,375 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, \$1,882 (2015 - \$1,864) 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, 2016, management is not aware of any liability in this regard.

SOUTH NATION RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2016

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

11. NET ASSETS

	<u>2016</u>	<u>2015</u>
Net assets, beginning of year	\$ 11,415,872	\$ 11,157,104
Surplus for the year	480,439	258,768
	<u>\$ 11,896,311</u>	<u>\$ 11,415,872</u>
Net assets consists of:		
Tangible capital assets	\$ 9,417,836	\$ 9,188,384
Reserves	2,188,390	2,084,713
Accumulated surplus	290,085	142,775
	<u>\$ 11,896,311</u>	<u>\$ 11,415,872</u>

SOUTH NATION RIVER CONSERVATION AUTHORITY
Science & Research (Schedule 1)
Year Ended December 31, 2016

	2016	2015
SCIENCE & RESEARCH		
Salaries and employee benefits	\$ 897,757	\$ 935,495
Contracted and technical services	252,259	228,143
Grants	177,800	211,162
Tree planting material and services	176,987	134,645
Vehicle	33,824	48,037
Program support	30,329	39,899
Consultants and legal fees	26,045	90,106
Advertising and promotion	20,898	28,810
Travel and training	20,325	24,231
Equipment repairs and maintenance	20,241	43,038
Supplies	17,620	62,816
Committee meetings	3,192	4,661
Telephone	2,539	2,851
Bank charges and interest	480	337
Leases	-	5,477
	\$ 1,680,296	\$ 1,859,708

See notes to financial statements

SOUTH NATION RIVER CONSERVATION AUTHORITY

Property & Approvals (Schedule 2)

Year Ended December 31, 2016

	2016	2015
PROPERTY & APPROVALS		
Salaries and employee benefits	\$ 1,924,556	\$ 1,629,641
Contracted and technical services	190,388	324,159
Grants	75,640	-
Property taxes and drainage assessment	59,484	54,585
Consultants and legal fees	52,449	43,557
Supplies	46,819	60,393
Utilities	42,107	38,513
Vehicle	31,126	22,138
Travel and training	29,564	43,440
Equipment repairs and maintenance	24,247	62,824
Program support	8,373	21,656
Leases	6,791	7,621
Bank charges and interest	6,279	4,947
Memberships	3,681	3,703
Advertising and promotion	3,123	10,415
Telephone	2,812	2,506
Tree planting material	778	4,726
Committee meetings	-	1,224
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	\$ 2,508,217	\$ 2,336,048

See notes to financial statements

SOUTH NATION RIVER CONSERVATION AUTHORITY
Organization Effectiveness (Schedule 3)
Year Ended December 31, 2016

	2016	2015
ORGANIZATION EFFECTIVENESS		
Salaries and employee benefits	\$ 1,229,096	\$ 1,140,389
Consultants, legal and audit fees	112,783	70,185
Contracted and technical services	90,832	122,151
Board and committee meetings	80,507	91,901
Travel and training	77,274	78,288
Supplies	58,325	69,283
Insurance	53,863	51,364
Telephone and internet	38,883	39,902
Conservation Ontario levy	30,391	28,695
Advertising and promotion	26,890	35,994
Memberships	21,723	26,853
Equipment, software, repairs and maintenance	17,343	19,906
Grants	5,248	4,800
Program support	2,763	1,177
Bank charges and interest	1,569	1,845
	\$ 1,847,490	\$ 1,782,733

See notes to financial statements