



Financial Statements

Lakehead Region Conservation Authority

December 31, 2022

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 13
Schedule 1 – Accumulated Surplus	14
Schedule 2 – Water and Related Land Management and Conservation and Recreation Land Management Expenses	15
Schedule 3 – Tangible Capital Assets	16

Independent Auditor's Report

To the Members of Lakehead Region Conservation Authority

Opinion

We have audited the financial statements of Lakehead Region Conservation Authority ("the Authority"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and accumulated surplus, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lakehead Region Conservation Authority as at December 31, 2022, and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Thunder Bay, Canada
April 20, 2023

Chartered Professional Accountants
Licensed Public Accountants

Lakehead Region Conservation Authority

Statement of Financial Position

As at December 31

2022

2021

Financial assets

Cash and cash equivalents	\$ 1,102,217	\$6,411,305
Investments <i>[note 3]</i>	5,600,000	—
Accounts receivable	<u>227,788</u>	<u>187,631</u>
Total financial assets	<u>6,930,005</u>	<u>6,598,936</u>

Liabilities

Accounts payable and accrued liabilities	120,050	94,229
Deferred revenue – projects <i>[note 9]</i>	<u>3,752,463</u>	<u>3,501,789</u>
Total liabilities	<u>3,872,513</u>	<u>3,596,018</u>

Net financial assets

	<u>3,057,492</u>	<u>3,002,918</u>
--	------------------	------------------

Non-financial assets

Tangible capital assets - net <i>[note 2] [schedule 3]</i>	4,548,894	4,722,018
Prepaid expenses	<u>8,969</u>	<u>6,917</u>
	<u>4,557,863</u>	<u>4,728,935</u>

Accumulated surplus *[schedule 1]*

	<u>\$ 7,615,355</u>	<u>\$ 7,731,853</u>
--	---------------------	---------------------

See accompanying notes to the financial statements.

Lakehead Region Conservation Authority

Statement of Operations and Accumulated Surplus

Year ended December 31	2022	2022	2021
	Budget <i>[note 7]</i>	Actual	Actual
REVENUES			
Government grants			
Government of Canada	\$ 169,980	\$ 110,942	\$ 29,466
Province of Ontario			
MNR transfer payments	150,940	150,940	150,940
Provincial Grants Other	—	58,645	96,356
Weci funding	488,350	140,625	—
MECP Grant SWP	56,343	55,776	53,258
	<u>865,613</u>	<u>516,928</u>	<u>330,020</u>
Municipal levies			
Administration <i>[note 4[a]]</i>	353,495	283,497	358,150
Capital projects <i>[note 4[b]]</i>	1,379,835	1,206,176	806,888
	<u>1,733,330</u>	<u>1,489,673</u>	<u>1,165,038</u>
Other			
Contributions from others	585,429	253,939	222,652
Interest income	40,500	135,200	44,640
Miscellaneous	171,288	28,825	88,899
Vehicle and equipment	38,750	49,793	26,626
	<u>835,967</u>	<u>467,757</u>	<u>382,817</u>
Total revenues	<u>3,434,910</u>	<u>2,474,358</u>	<u>1,877,875</u>
EXPENSES			
Administration	655,635	513,747	514,124
Amortization of tangible capital assets	243,778	243,779	237,331
Water and related land management and conservation and recreation land management <i>[schedule 2]</i>	2,669,871	1,800,356	1,436,458
	<u>3,569,284</u>	<u>2,557,882</u>	<u>2,187,913</u>
Other			
Vehicle and equipment	25,000	32,974	18,918
Total expenses <i>[note 6]</i>	<u>3,594,284</u>	<u>2,590,856</u>	<u>2,206,831</u>
Annual deficit	(159,374)	(116,498)	(328,956)
Accumulated surplus, beginning of year,	—	7,731,853	8,060,809
Accumulated surplus (deficit), end of year	<u>\$ (159,374)</u>	<u>\$ 7,615,355</u>	<u>\$ 7,731,853</u>

See accompanying notes to the financial statements.

Lakehead Region Conservation Authority Statement of Changes in Net Financial Assets

Year ended December 31	2022	2022	2021
	Budget <i>[note 7]</i>	Actual	Actual
Annual deficit	\$ (159,374)	\$ (116,498)	\$ (328,956)
Acquisition of tangible capital assets	(70,655)	(70,655)	(19,258)
Amortization of tangible capital assets	243,779	243,779	237,331
Use of prepaid expenses	—	(2,052)	1,798
(Decrease) increase in net financial assets	<u>13,750</u>	<u>54,574</u>	<u>(109,085)</u>
Net financial assets (deficit), beginning of year	<u>—</u>	<u>3,002,918</u>	<u>3,112,003</u>
Net financial assets (deficit), end of year	<u>\$ 13,750</u>	<u>\$ 3,057,492</u>	<u>\$ 3,002,918</u>

See accompanying notes to the financial statements.

Lakehead Region Conservation Authority

Year ended December 31

2022

2021

Operations

Annual surplus (deficit) \$ (116,498) \$ (328,956)

Non-cash charges

Amortization of tangible capital assets 243,779 237,331
127,281 (91,625)

Net change in non-cash working capital balances

Decrease (increase) in accounts receivable (40,158) 137,842
Increase (decrease) in accounts payable and accrued liabilities 25,821 (20,541)
Increase in deferred revenue - projects 250,675 616,543
Increase (decrease) in prepaid expenses (2,052) 1,798

Cash provided by operating transactions 361,567 644,017

Capital

Acquisition of tangible capital assets (70,655) (19,258)

Cash used in capital transactions (70,655) (19,258)

Investing

Increase in investments (5,600,000) —

Cash used in investing transactions (5,600,000) (19,258)

Increase (decrease) in cash and cash equivalents (5,309,088) 624,759

Opening cash and cash equivalents 6,411,305 5,786,546

Closing cash and cash equivalents \$ 1,102,217 \$ 6,411,305

See accompanying notes to the financial statements.

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2022

Nature of business

The Lakehead Region Conservation Authority (the "Authority") is established under the Conservation Authorities' Act of Ontario and its principal activities include water and related land management, and conservation and recreation land management.

1. Significant accounting policies

Basis of accounting

The financial statements of the Authority are prepared by management in accordance with accounting policies generally accepted for organizations operating in the local government sector as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant accounting policies are as follows:

[a] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in banks.

[b] Accrual accounting

The Authority uses the accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. It recognizes a liability until the obligation or conditions underlying the liability is partly or wholly satisfied and recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

[c] Deferred revenue

Deferred revenue reflects unexpended capital advances that have been allocated to specific capital projects.

[d] Interest income

Interest income earned on surplus funds is reported as revenue in the period earned to be applied toward the reduction of costs of programs and operations.

[e] Revenue recognition

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized, and all eligible criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2022

Government transfers made to a recipient by the Authority are recorded as an expense when they are authorized, and the recipient meets all eligible criteria.

Municipal levies

Municipal levies are recognized as revenue in the period in which the budgeted expenditures occur. Unexpended levies for specific purposes are deferred for future expenses.

Other revenues

Contributions from others, miscellaneous, and vehicles and equipment revenues are recognized as revenue in the period in which the related expenses are incurred.

[f] Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The most significant estimate in these financial statements include allowance for doubtful amounts receivable and estimated useful lives of assets.

[g] Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	5 to 50 years
Flood control	10 to 50 years
Land improvements	10 to 20 years
Vehicles and equipment	5 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2022

2. Tangible capital assets

Schedule 3 provides information on the tangible capital assets of the Authority by major asset class, as well as accumulated amortization of the assets controlled.

There were no write-downs of assets in 2022 [2021 - \$nil].

Interest capitalized during 2022 was \$nil [2021 - \$nil].

There were no contributed tangible capital assets in 2022 [2021 - \$nil].

Certain assets have been recorded at a nominal value due to the difficulty in determining an appropriate value. This includes land inherited and purchased before 1974. Land purchased after 1974 is recorded at original cost. Land improvements that were completed before 1998 may also have a nominal value due to the difficulty in determining an appropriate value.

3. Investments

Investments consist of non-redeemable guaranteed investment certificates with 2.3% interest, maturing in May, 2023.

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2022

4. Revenue from participating municipalities

	<u>2022</u>	<u>2021</u>
[a] Administration		
Thunder Bay	\$ 243,708	\$ 308,233
Shuniah	13,876	17,543
Oliver-Paipoonge	15,480	19,331
Neebing	6,332	7,881
Dorion	834	1,026
O'Connor	1,323	1,674
Conmee	1,240	1,567
Gillies	<u>704</u>	<u>895</u>
	<u>\$ 283,497</u>	<u>\$ 358,150</u>
[b] Capital projects		
Thunder Bay	\$ 1,246,348	\$ 1,233,990
Shuniah	70,965	33,985
Oliver-Paipoonge	79,168	48,452
Neebing	32,381	15,266
Dorion	4,265	1,987
O'Connor	6,768	3,242
Conmee	6,343	3,037
Gillies	<u>3,598</u>	<u>1,735</u>
	<u>1,449,836</u>	<u>1,341,694</u>
Change in deferred revenue	<u>(243,660)</u>	<u>(534,806)</u>
	<u>\$ 1,206,176</u>	<u>\$ 806,888</u>

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2022

5. Continuity of reserves

	2022										2021	
	Operating Reserve	Administrative Reserve Maintenance	Administrative Reserve New Facility	Vehicle and Equipment	Insurance Fund	Legal Fees Reserve	Conservation Area Capital	Hazelwood Lake Reserve	Forest Management Reserve	Land Acquisition Reserve	Total	Total
Balance, beginning of year	\$1,213,249	\$ 546,671	\$ 32,311	\$ 110,499	\$ 30,000	\$ 100,000	\$ 511,819	\$ —	\$ 140,671	\$ 251,296	\$ 2,936,516	\$ 3,036,798
Transfer to reserves	—	61,663	—	—	1,197	20,402	1,583	40,000	—	—	124,845	116,199
Transfer from reserves	—	—	—	(53,838)	—	—	(10,000)	—	(12,635)	(509)	(76,982)	(216,481)
Balance, end of year	<u>\$1,213,249</u>	<u>\$ 608,334</u>	<u>\$ 32,311</u>	<u>\$ 56,661</u>	<u>\$ 31,197</u>	<u>\$ 120,402</u>	<u>\$ 503,402</u>	<u>\$ 40,000</u>	<u>\$ 128,036</u>	<u>\$ 250,787</u>	<u>\$ 2,984,379</u>	<u>\$ 2,936,516</u>

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2022

6. Expenditures by object

	<u>2022</u>	<u>2021</u>
Salaries, wages and employee benefits	\$ 1,180,818	\$ 1,111,462
Materials, services and rents	1,166,260	858,038
Amortization	<u>243,778</u>	<u>237,331</u>
	<u>\$ 2,590,856</u>	<u>\$ 2,206,831</u>

7. Budget figures

The operating budget approved by the Authority for 2022 is reflected on the statement of operations and accumulated surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenses.

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations and accumulated surplus has been adjusted to be presented on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan per the financial statements.

	Approved 2022 Budget \$	PSAB Adjusted Budget \$
Revenues	\$3,434,910	\$ 3,434,910
Expenses	<u>3,421,160</u>	<u>3,594,284</u>
Annual income (deficit)	13,750	(159,374)
Less:		
Acquisition of tangible capital assets		(70,655)
Add:		
Amortization of tangible capital assets		<u>243,779</u>
Increase (decrease) in net financial assets	<u>13,750</u>	<u>\$ 13,750</u>

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2022

9. Deferred revenue

	<u>2022</u>	<u>2021</u>
City of Thunder Bay	\$ 2,716,385	\$ 2,552,769
All municipalities	615,357	582,470
Other	<u>420,721</u>	<u>366,550</u>
	<u>\$ 3,752,463</u>	<u>\$ 3,501,789</u>

Lakehead Region Conservation Authority

Accumulated Surplus

Schedule 1

Year ended December 31

2022

2021

General	\$ 82,080	\$ 73,319
Investment in capital assets	<u>4,548,896</u>	<u>4,722,018</u>
	<u>4,630,976</u>	<u>4,795,337</u>
Reserves set aside for specific purposes [note 5]		
For operating reserve	1,213,249	1,213,249
For administrative reserve maintenance	608,334	546,671
For administrative reserve new facility	32,311	32,311
For vehicle and equipment reserve	56,661	110,499
For forest management reserve	128,036	140,671
For land acquisition reserve	250,787	251,296
For insurance reserve	31,197	30,000
For legal fees reserve	120,402	100,000
For conservation area maintenance capital reserve	503,402	511,819
For hazelwood lake dam reserve	<u>40,000</u>	<u>—</u>
	<u>2,984,379</u>	<u>2,936,516</u>
Accumulated surplus, end of year	<u>\$ 7,615,355</u>	<u>\$ 7,731,853</u>

Lakehead Region Conservation Authority Schedule 2
Water and Related Land Management and
Conservation and Recreation Land Management
Expenses

Year ended December 31	2022	2022	2021
	Budget <i>[note 7]</i>	Actual	Actual
Authority office	\$ 195,500	\$ 28,737	\$ 10,150
Conservation area site development	247,500	59,826	157,193
Conservation area maintenance	284,006	343,097	419,402
Flood plain mapping	32,207	14,070	21,625
Operations and maintenance of erosion control structures	76,494	33,270	39,321
Operations and maintenance of flood control structures	1,209,716	657,888	188,277
Source water protection	56,343	56,070	53,404
Stewardship program	248,099	279,330	205,222
Watershed monitoring	<u>390,660</u>	<u>328,068</u>	<u>341,864</u>
Total	<u>\$ 2,740,525</u>	<u>\$ 1,800,356</u>	<u>\$ 1,436,458</u>

Lakehead Region Conservation Authority
Tangible Capital Assets

December 31, 2022

Schedule 3

	2022					2021	
	Land	Buildings	Vehicles and Equipment	Land Improvements	Flood Control	Total	Total
Net book value, beginning of year	\$ 2,163,258	\$ 415,078	\$ 5,989	\$ 234,045	\$ 1,903,648	\$ 4,722,018	\$ 4,940,091
Cost							
Balance, beginning of year	2,163,258	1,175,175	163,875	608,189	8,669,031	12,779,528	12,760,270
Add: Additions	—	—	70,655	—	—	70,655	19,258
Less: Disposals	—	—	—	—	—	—	—
Balance, end of year	<u>2,163,258</u>	<u>1,175,175</u>	<u>234,530</u>	<u>608,189</u>	<u>8,669,031</u>	<u>12,850,183</u>	<u>12,779,528</u>
Accumulated amortization							
Balance, beginning of year	—	760,097	157,886	374,144	6,765,383	8,057,510	7,820,179
Add: Amortization	—	24,427	20,120	28,099	171,133	243,779	237,331
Balance, end of year	—	<u>784,524</u>	<u>178,006</u>	<u>402,243</u>	<u>6,936,516</u>	<u>8,301,289</u>	<u>8,057,510</u>
Net book value, end of year	<u>\$ 2,163,258</u>	<u>\$ 390,651</u>	<u>\$ 56,524</u>	<u>\$ 205,946</u>	<u>\$ 1,732,515</u>	<u>\$ 4,548,894</u>	<u>\$ 4,722,018</u>