



Financial Statements

Lakehead Region Conservation Authority

December 31, 2017

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Independent Auditor's Report

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To the Members of
Lakehead Region Conservation Authority

We have audited the accompanying financial statements of Lakehead Region Conservation Authority (the "Authority") which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, changes in net financial 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 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 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 Authority'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 Authority'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lakehead Region Conservation Authority as at December 31, 2017, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Thunder Bay, Canada
April 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

Lakehead Region Conservation Authority

Statement of Financial Position

As at December 31

2017

2016

Financial assets

| | | |
|-------------------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | \$ 5,016,221 | \$ 4,487,574 |
| Accounts receivable <i>[note 3]</i> | <u>110,889</u> | <u>52,445</u> |
| Total financial assets | <u>5,127,110</u> | <u>4,540,019</u> |

Liabilities

| | | |
|---|-------------------------|-------------------------|
| Accounts payable and accrued liabilities | 88,789 | 89,340 |
| Deferred revenue – projects <i>[note 9]</i> | <u>2,822,620</u> | <u>2,253,589</u> |
| Total liabilities | <u>2,911,409</u> | <u>2,342,929</u> |

Net financial assets

| | | |
|--|------------------|------------------|
| | <u>2,215,701</u> | <u>2,197,090</u> |
|--|------------------|------------------|

Non-financial assets

| | | |
|--|-------------------------|-------------------------|
| Tangible capital assets - net <i>[note 2] [schedule 3]</i> | 5,537,017 | 5,662,428 |
| Prepaid expenses | <u>8,552</u> | <u>1,874</u> |
| | <u>5,545,569</u> | <u>5,664,302</u> |

Accumulated surplus *[schedule 1]*

| | | |
|--|----------------------------|----------------------------|
| | <u>\$ 7,761,270</u> | <u>\$ 7,861,392</u> |
|--|----------------------------|----------------------------|

See accompanying notes to the financial statements.

Lakehead Region Conservation Authority

Statement of Operations and Accumulated Surplus

| Year ended December 31 | 2017 | 2017 | 2016 |
|---|--------------------|---------------------|---------------------|
| | Budget [note 7] | Actual | Actual |
| REVENUES | | | |
| Government grants | | | |
| Government of Canada | \$ 57,000 | \$ 47,771 | \$ 1,921 |
| Great Lakes Guardian Fund | 25,000 | 22,366 | — |
| NDMP – Neebing River | 107,000 | 63,985 | — |
| Province of Ontario | | | |
| MNRF transfer payments | 374,880 | 329,879 | 325,407 |
| MOECC funding | — | — | 49,038 |
| MNRF special employment program | 6,800 | 6,105 | — |
| MOECC SWP | 97,438 | 92,749 | 84,622 |
| | <u>668,118</u> | <u>562,855</u> | <u>460,988</u> |
| Municipal levies | | | |
| Administration [note 4[a]] | 161,500 | 161,500 | 177,638 |
| Capital projects [note 4[b]] | 1,495,000 | 923,507 | 936,921 |
| | <u>1,656,500</u> | <u>1,085,007</u> | <u>1,114,559</u> |
| Other | | | |
| Contributions from others | 260,400 | 116,688 | 114,475 |
| Interest income | 47,000 | 57,694 | 47,440 |
| Miscellaneous | 30,000 | 22,457 | 49,466 |
| Vehicle and equipment | 35,500 | 34,121 | 37,163 |
| | <u>372,900</u> | <u>230,960</u> | <u>248,544</u> |
| Total revenues | <u>2,697,518</u> | <u>1,878,822</u> | <u>1,824,091</u> |
| EXPENSES | | | |
| Administration | 320,000 | 302,380 | 259,575 |
| Amortization of tangible capital assets | 250,687 | 250,687 | 235,557 |
| Water and related land management and conservation and recreation land management [schedule 2] | 2,162,018 | 1,402,991 | 1,312,601 |
| | <u>2,732,705</u> | <u>1,956,058</u> | <u>1,807,733</u> |
| Other | | | |
| Vehicle and equipment | 20,300 | 22,886 | 25,261 |
| Total expenses | <u>2,753,005</u> | <u>1,978,944</u> | <u>1,832,994</u> |
| NET EXPENSES BEFORE THE UNDERNOTED ITEMS | <u>(55,487)</u> | <u>(100,122)</u> | <u>(8,903)</u> |
| Annual deficit | (55,487) | (100,122) | (8,903) |
| Accumulated surplus, beginning of year | — | 7,861,392 | 7,870,295 |
| Accumulated surplus (deficit), end of year | <u>\$ (55,487)</u> | <u>\$ 7,761,270</u> | <u>\$ 7,861,392</u> |

See accompanying notes to the financial statements.

Lakehead Region Conservation Authority Statement of Changes in Net Financial Assets

| Year ended December 31 | 2017 | 2017 | 2016 |
|--|---------------------------|---------------------|---------------------|
| | Budget <i>[note 7]</i> | Actual | Actual |
| Annual deficit | \$ (55,487) | \$ (100,122) | \$ (8,903) |
| Acquisition of tangible capital assets | (180,000) | (125,277) | (26,069) |
| Amortization of tangible capital assets | 250,687 | 250,687 | 235,557 |
| Acquisition of prepaid expenses | — | (6,677) | 313 |
| Increase in net financial assets | <u>15,200</u> | <u>18,611</u> | <u>200,898</u> |
| Net financial assets, beginning of year | — | <u>2,197,090</u> | <u>1,996,192</u> |
| Net financial assets, end of year | <u>\$ 15,200</u> | <u>\$ 2,215,701</u> | <u>\$ 2,197,090</u> |

See accompanying notes to the financial statements.

Lakehead Region Conservation Authority

Statement of Cash Flows

Year ended December 31

2017

2016

| | | |
|--|----------------------------|----------------------------|
| Operations | | |
| Annual deficit | \$ (100,122) | \$ (8,903) |
| Non-cash charges | | |
| Amortization of tangible capital assets | <u>250,687</u> | <u>235,557</u> |
| | 150,565 | 226,654 |
| Net change in non-cash working capital balances | | |
| Decrease (increase) in accounts receivable | (58,444) | 842,526 |
| Decrease in accounts payable and accrued liabilities | (551) | (29,620) |
| Increase in deferred revenue - projects | 569,032 | 432,573 |
| Decrease (increase) in prepaid expenses | <u>(6,678)</u> | <u>313</u> |
| Cash provided by operating transactions | <u>653,924</u> | <u>1,472,446</u> |
| Capital | | |
| Acquisition of tangible capital assets | <u>(125,277)</u> | <u>(26,069)</u> |
| Cash used in capital transactions | <u>(125,277)</u> | <u>(26,069)</u> |
| Increase in cash and cash equivalents | 528,647 | 1,446,377 |
| Opening cash and cash equivalents | <u>4,487,574</u> | <u>3,041,197</u> |
| Closing cash and cash equivalents | <u>\$ 5,016,221</u> | <u>\$ 4,487,574</u> |

See accompanying notes to the financial statements.

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2017

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, 2017

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, 2017

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 2017 [2016 - \$nil].

Interest capitalized during 2017 was \$nil [2016 - \$nil].

There were no contributed tangible capital assets in 2017 [2016 - \$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. Accounts receivable

Included in accounts receivable are government remittances receivable of \$16,899 [2016 - \$24,062].

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2017

4. Revenue from participating municipalities

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|--------------------|--------------------|
| [a] Administration | | |
| Thunder Bay | \$ 141,490 | \$ 138,189 |
| Shuniah | 7,154 | 6,999 |
| Oliver-Paipoonge | 7,849 | 7,534 |
| Neebing | 3,101 | 3,042 |
| Dorion | 404 | 394 |
| O'Connor | 598 | 583 |
| Conmee | 581 | 567 |
| Gillies | 323 | 315 |
| | <u>161,500</u> | <u>157,623</u> |
| Deferred revenue, beginning of year | — | 20,015 |
| Deferred revenue, end of year | <u>—</u> | <u>—</u> |
| | <u>—</u> | <u>20,015</u> |
| | <u>\$ 161,500</u> | <u>\$ 177,638</u> |
| [b] Capital projects | | |
| Thunder Bay | \$ 1,369,022 | \$ 1,338,931 |
| Shuniah | 36,105 | 34,637 |
| Oliver-Paipoonge | 64,609 | 37,290 |
| Neebing | 15,648 | 15,056 |
| Dorion | 2,037 | 1,950 |
| O'Connor | 3,015 | 2,886 |
| Conmee | 2,934 | 2,808 |
| Gillies | 1,630 | 1,560 |
| | <u>1,495,000</u> | <u>1,435,118</u> |
| Deferred revenue, beginning of year | 1,667,973 | 1,169,776 |
| Deferred revenue, end of year | <u>(2,239,466)</u> | <u>(1,667,973)</u> |
| | <u>(571,493)</u> | <u>(498,197)</u> |
| | <u>\$ 923,507</u> | <u>\$ 936,921</u> |

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2017

5. Continuity of reserves

| | | | | | | | | | | 2017 | 2016 |
|---|--------------------|--------------------|--------------------------------|---|-------------------|----------------------|-----------------------|---------------------------------|-------------------|--------------------|--------------------|
| | Working Capital | Office Building | Replacement of Equipment | Hazelwood Lake Nature Centre Building | Insurance Fund | Capacity Building | Levy Stabilization | Conservation Area Capital | Infrastructure | Total | Total |
| Balance, beginning of year | \$ 580,000 | \$ 442,140 | \$ 106,680 | \$ 69,604 | \$ 27,439 | \$ 592,449 | \$ 41,290 | \$ 121,404 | \$ 100,000 | \$2,081,006 | \$1,917,979 |
| Appropriations to reserves | — | 49,169 | 16,515 | — | 201 | 24,750 | — | 56,515 | — | 147,150 | 207,771 |
| Appropriations from reserves | — | — | (31,292) | (69,604) | — | — | — | — | — | (100,896) | (44,744) |
| Net appropriations to (from) reserves | — | 49,169 | (14,777) | (69,604) | 201 | 24,750 | — | 56,515 | — | 46,254 | 163,027 |
| Balance, end of year | \$ 580,000 | \$ 491,309 | \$ 91,903 | \$ — | \$ 27,640 | \$ 617,199 | \$ 41,290 | \$ 177,919 | \$ 100,000 | \$2,127,260 | \$2,081,006 |

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2017

6. Expenditures by object

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|--------------------|--------------------|
| Salaries, wages and employee benefits | \$ 904,783 | \$ 827,454 |
| Materials, services and rents | 823,475 | 769,982 |
| Amortization | <u>250,686</u> | <u>235,558</u> |
| | <u>\$1,978,944</u> | <u>\$1,832,994</u> |

7. Budget figures

The operating budget approved by the Authority for 2017 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 2017 Budget \$ | PSAB Adjusted Budget \$ |
|---|--|--|
| Revenues | \$ 2,697,518 | \$ 2,697,518 |
| Expenses | <u>2,933,005</u> | <u>2,753,005</u> |
| Annual deficit | (235,487) | (55,487) |
| Less: | | |
| Acquisition of tangible capital assets | <u>—</u> | <u>(180,000)</u> |
| Add: | | |
| Amortization of tangible capital assets | <u>—</u> | <u>—</u> |
| Increase in net financial debt | \$ <u>(235,487)</u> | \$ <u>(235,487)</u> |

Lakehead Region Conservation Authority

Notes to the Financial Statements

December 31, 2017

9. Deferred revenue

| | <u>2017</u> | <u>2016</u> |
|---------------------|---------------------------|---------------------------|
| City of Thunder Bay | \$1,840,013 | \$1,297,215 |
| All municipalities | 399,453 | 395,173 |
| Other | <u>583,154</u> | <u>561,201</u> |
| | <u>\$2,822,620</u> | <u>\$2,253,589</u> |

10. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 financial statements.

Lakehead Region Conservation Authority
Accumulated Surplus**Schedule 1**

Year ended December 31

2017**2016**

| | | |
|------------------------------|-------------------------|------------------|
| General | \$ 96,993 | \$ 117,958 |
| Investment in capital assets | <u>5,537,017</u> | <u>5,662,428</u> |
| | <u>5,634,010</u> | <u>5,780,386</u> |

Reserves set aside for specific purposes [note 5]

| | | |
|---|-------------------------|------------------|
| For working capital | 580,000 | 580,000 |
| For office building | 491,309 | 442,140 |
| For replacement of equipment | 91,903 | 106,680 |
| For Hazelwood Lake Nature Centre Building | — | 69,604 |
| For insurance fund | 27,640 | 27,439 |
| For capacity building | 617,199 | 592,449 |
| For levy stabilization | 41,290 | 41,290 |
| For conservation area capital | 177,919 | 121,404 |
| Infrastructure | <u>100,000</u> | <u>100,000</u> |
| | <u>2,127,260</u> | <u>2,081,006</u> |

| | | |
|---|----------------------------|----------------------------|
| Accumulated surplus, end of year | <u>\$ 7,761,270</u> | <u>\$ 7,861,392</u> |
|---|----------------------------|----------------------------|

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

| Year ended December 31 | 2017 | 2017 | 2016 |
|---|----------------------------|----------------------------|----------------------------|
| | Budget <i>[note 7]</i> | Actual | Actual |
| Asset management | \$ — | \$ — | \$ 37,326 |
| Authority office | 60,000 | 10,910 | 37,195 |
| Conservation area site development | — | 88,088 | 28,734 |
| Conservation area maintenance | 218,000 | 187,725 | 243,613 |
| Flood plain mapping | 232,000 | 80,407 | 112,410 |
| Operations and maintenance of erosion control structures | 216,000 | 25,376 | 13,547 |
| Operations and maintenance of flood control structures | 711,380 | 362,323 | 299,138 |
| Source water protection | 130,938 | 101,488 | 103,725 |
| Stewardship program | 122,700 | 107,693 | 94,815 |
| Strategic plan | 30,000 | 30,000 | — |
| Watershed monitoring | <u>441,000</u> | <u>408,981</u> | <u>342,098</u> |
| Total | <u>\$ 2,162,018</u> | <u>\$ 1,402,991</u> | <u>\$ 1,312,601</u> |

Lakehead Region Conservation Authority
Tangible Capital Assets

December 31, 2017

Schedule 3

| | | | | | | | 2017 | 2016 |
|--|--------------------|-------------------|------------------------|-------------------|--------------------|--------------------------|---------------------|---------------------|
| | Land | Buildings | Vehicles and Equipment | Land Improvements | Flood Control | Construction In Progress | Total | Total |
| Net book value, beginning of year | <u>\$2,068,259</u> | <u>\$ 557,798</u> | <u>\$ 15,806</u> | <u>\$ 246,460</u> | <u>\$2,776,105</u> | <u>\$ —</u> | <u>\$ 5,662,428</u> | <u>\$ 5,871,716</u> |
| Cost | | | | | | | | |
| Balance, beginning of year | \$2,068,259 | \$1,175,175 | \$ 131,497 | \$ 466,458 | \$8,669,030 | \$ — | \$ 12,510,419 | \$12,484,350 |
| Add: Additions | — | — | 26,014 | 99,263 | — | — | 125,277 | 26,069 |
| Less: Disposals | — | — | (23,576) | — | — | — | (23,576) | — |
| Transfers | — | — | — | — | — | — | — | — |
| Balance, end of year | <u>2,068,259</u> | <u>1,175,175</u> | <u>133,935</u> | <u>565,721</u> | <u>8,669,030</u> | <u>—</u> | <u>12,612,120</u> | <u>12,510,419</u> |
| Accumulated amortization | | | | | | | | |
| Balance, beginning of year | — | 619,378 | 115,692 | 219,998 | 5,892,925 | — | 6,847,993 | 6,612,434 |
| Add: Amortization | — | 30,085 | 10,472 | 30,601 | 179,529 | — | 250,687 | 235,557 |
| Less: Accumulated amortization disposals | — | — | (23,577) | — | — | — | (23,577) | — |
| Balance, end of year | <u>—</u> | <u>649,463</u> | <u>102,587</u> | <u>250,599</u> | <u>6,072,454</u> | <u>—</u> | <u>7,075,103</u> | <u>6,847,991</u> |
| Net book value, end of year | <u>\$2,068,259</u> | <u>\$ 525,712</u> | <u>\$ 31,348</u> | <u>\$ 315,122</u> | <u>\$2,596,576</u> | <u>\$ —</u> | <u>\$ 5,537,017</u> | <u>\$ 5,662,428</u> |