

Sault Ste. Marie Region Conservation Authority
Financial Statements
For the year ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors of Sault Ste. Marie Region Conservation Authority

Opinion

We have audited the financial statements of Sault Ste. Marie Region Conservation Authority (the Authority), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and accumulated surplus, change in net financial 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 the Authority as at December 31, 2021, and its results of its operations, change in net financial assets and 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 related to 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.

Independent Auditor's Report (continued)

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.



Chartered Professional Accountants, Licensed Public Accountants


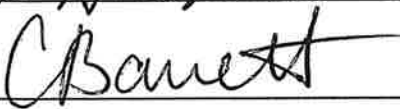
Sault Ste. Marie, Ontario
June 21, 2022

Sault Ste. Marie Region Conservation Authority

Statement of Financial Position

December 31	2021	Restated (see Note 10) 2020
Financial assets		
Cash and cash equivalents (Note 2)	\$ 541,842	\$ 437,851
Accounts receivable	31,185	34,945
	<u>573,027</u>	<u>472,796</u>
Liabilities		
Accounts payable and accrued liabilities	90,547	51,906
Deferred revenue (Note 3)	55,678	55,648
Deferred government contributions (Note 4)	25,477	6,852
	<u>171,702</u>	<u>114,406</u>
Net financial assets	<u>401,325</u>	<u>358,390</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	4,439,102	4,661,479
Prepaid expenses	3,615	1,132
	<u>4,442,717</u>	<u>4,662,611</u>
Accumulated surplus (Note 5)	<u>\$ 4,844,042</u>	<u>\$ 5,021,001</u>

Approved on behalf of the Board:

Sault Ste. Marie Region Conservation Authority

Statement of Operations and Accumulated Surplus

	Budget		Restated
For the year ended December 31	2021	2021	(see Note 10) 2020
Revenue			
Government contributions			
Provincial	\$ 169,113	\$ 188,904	\$ 171,041
Municipal - City of Sault Ste. Marie	513,761	538,761	503,983
Municipal - Prince Township	6,020	6,020	5,606
Rental income	-	650	1,908
Other	42,500	80,824	69,243
Gain on sale of capital asset	-	43,900	-
	<u>731,394</u>	<u>859,059</u>	<u>751,781</u>
Expenses			
Administrative (Schedule 3)	533,642	354,309	357,422
Conservation land taxes and insurance	-	30,989	26,378
Water control (Schedule 3)	195,248	336,942	273,268
Trails and recreation	2,500	8,669	9,988
Legal fees	-	2,819	254
Other	-	5,789	71,012
Amortization of tangible capital assets	295,767	296,501	303,608
	<u>1,027,157</u>	<u>1,036,018</u>	<u>1,041,930</u>
Annual deficit	(295,763)	(176,959)	(290,149)
Accumulated surplus, beginning of year	<u>5,021,001</u>	<u>5,021,001</u>	<u>5,311,150</u>
Accumulated surplus, end of year	<u>\$ 4,725,238</u>	<u>\$ 4,844,042</u>	<u>\$ 5,021,001</u>

The accompanying notes are an integral part of these financial statements.

Sault Ste. Marie Region Conservation Authority
Statement of Changes in Net Financial Assets

	Budget 2021	2021	Restated (see Note 10) 2020
Annual deficit	\$ (295,763)	\$ (176,959)	\$ (290,149)
Amortization of tangible capital assets	295,767	296,501	303,608
(Increase) decrease in prepaid expenses	-	(2,483)	1,400
Acquisition of tangible capital assets	-	(74,124)	-
Gain on disposal of tangible capital assets	-	(43,900)	-
Proceeds on sale of tangible capital assets	-	43,900	-
Increase (decrease) in net financial assets	4	42,935	14,859
Net financial assets, beginning of year	358,390	358,390	343,531
Net financial assets, end of year	\$ 358,394	\$ 401,325	\$ 358,390

The accompanying notes are an integral part of these financial statements.

Sault Ste. Marie Region Conservation Authority

Statement of Cash Flows

		Restated (see Note 10)
For the year ended December 31	2021	2020
Operating transactions		
Annual deficit	\$ (176,959)	\$ (290,149)
Items not involving cash		
Gain on disposal of tangible capital assets	(43,900)	-
Amortization of tangible capital assets	296,501	303,608
	<u>75,642</u>	<u>13,459</u>
Changes in non-cash working capital balances		
Accounts receivable	3,760	18,829
Prepaid expenses	(2,483)	1,400
Accounts payable and accrued liabilities	38,641	(48,636)
Deferred revenue	30	67
Deferred government contributions	18,625	-
	<u>134,215</u>	<u>(14,881)</u>
Capital transactions		
Acquisition of tangible capital assets	(74,124)	-
Proceeds on sale of tangible capital assets	43,900	-
	<u>(30,224)</u>	<u>-</u>
Cash flows from financing activities		
Principal payments on demand loan	-	(1,667)
Increase (decrease) in cash and cash equivalents	103,991	(16,548)
Cash and cash equivalents, beginning of year	437,851	454,399
Cash and cash equivalents, end of year	\$ 541,842	\$ 437,851

The accompanying notes are an integral part of these financial statements.

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2021

1. Significant accounting policies

a) Nature of operations

The Conservation Authority was established in 1963 by an Order in Council and operates under the Conservation Authorities Act of Ontario. Pursuant to the Conservation Authorities Act, the objectives of an authority are to establish and undertake, in the area over which it has jurisdiction, a program designed to further the conservation, restoration, development and management of natural resources other than gas, oil, coal and minerals. The Sault Ste. Marie Region Conservation Authority in particular was established to address flooding concerns within the watershed.

b) Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board.

c) 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, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Buildings	50 years
Flood control infrastructure	50 years
Vehicles and equipment	5 years
Computer equipment	5 years

d) Revenue recognition

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose.

e) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

f) Employee future benefits

The Authority provides pension benefits to specified employees through the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan. The Authority's contributions due during the period are expensed as incurred.

g) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of 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 management's best estimates as additional information becomes available in the future.

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2021

2. Cash and cash equivalents

	2021	2020
General operating accounts	\$ 438,391	\$ 280,858
Short term investments	103,451	156,993
	\$ 541,842	\$ 437,851

Short term investments consist of a flexible one year GIC with an interest rate of 0.40% (2020 - 1.25%).

3. Deferred revenue

Deferred revenue represents restricted land sale proceeds and accumulated interest to be used for future land acquisitions, subject to approval by the Ontario Ministry of Natural Resources.

4. Deferred government contributions

	2021	Restated (see Note 10) 2020
Province of Ontario - Drinking Water Source Protection	\$ 25,477	\$ -
Province of Ontario - Other	-	6,852
	\$ 25,477	\$ 6,852

5. Accumulated surplus

	2021	Restated (see Note 10) 2020
General surplus	\$ 378,635	\$ 333,217
Reserve for forest management	10,222	10,222
Reserve for Outreach and Education - Water	16,083	16,083
	404,940	359,522
Investment in tangible capital assets	4,439,102	4,661,479
	\$ 4,844,042	\$ 5,021,001
Allocation of annual surplus (deficit):		
General surplus	\$ 45,418	\$ 13,600
Reserve for Outreach and Education - Water	-	(141)
Investment in tangible capital assets	(222,377)	(303,608)
	\$ (176,959)	\$ (290,149)

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2021

6. Pension agreements

The Authority makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all permanent, full-time and part-time members of its staff. This plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the Authority does not recognize any share of the pension plan deficit, as this is a joint responsibility of all Ontario municipal organizations and their employees. Employer's contributions for current and past service are included as an expense on the statement of operations. The amount contributed to OMERS for 2021 was \$36,399 (2020 - \$37,652).

7. Budget

The Authority's budget was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures may anticipate use of reserves and/or surpluses accumulated in previous years to reduce current year expenditures. In addition, the budget expenses tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by the Authority with adjustments as follows:

Budget surplus for the year	\$ 4
Less:	
Amortization	<u>(295,767)</u>
Budget deficit per statement of operations	<u>\$ (295,763)</u>

8. Financial Instrument risk

The Authority's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include the following:

Liquidity risk

Liquidity risk arises from the Authority's management of accounts payable and other current liabilities. It is the risk that the organization will encounter difficulty in meeting its financial obligations as they fall due.

Credit risk

Credit risk arises from the Authority's accounts receivable. It is the risk that a third party will fail to discharge its obligation to the organization thereby reducing the expected cash inflow.

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2021

9. Segmented disclosure

The Authority provides a range of services to residents in its region. For management reporting purposes, operations and activities are organized by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General

This department oversees the delivery of all government services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities.

Drinking Water Source Protection

The Ontario Ministry of the Environment, in partnership with the Ministry of Natural Resources and Conservation Ontario have developed legislation and regulations to implement Source Water Protection Plans to ensure clean drinking water for all Ontarians. Conservation authorities, with funding from the province, are coordinating scientific research, facilitating data gathering and analysis, developing computer models, bringing local residents and stakeholders together as well as providing opportunities for public involvement and comment on a local watershed basis.

For each reported segment, revenue and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The Authority allocates certain wages and benefits to General operations and the Drinking Water Source Protection program based on the hours worked for each program. Occupancy costs and administrative expenses are allocated based on the floor area occupied and estimated resources used by each program.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies. For additional information see Schedule 2 - Segment Disclosure.

10. Prior period correction

During the year it was discovered that deferred revenue related to the Drinking Water Source Protection grant was incorrectly calculated. In addition, an accrual for accumulated vacation balances was omitted. As a result, the financial statement amounts that are presented for comparative purposes have been restated to correct this as follows:

Decrease in 2020 account receivable	\$ 9,263
Increase in 2020 accounts payable and accrued liabilities	\$ 41,241
Decrease in 2020 deferred government contributions	\$139,630
Increase in 2020 provincial government contributions	\$ 17,274
Increase in 2020 administrative wages and benefits	\$ 6,062
Decrease in 2020 water control wages and benefits	\$ 2,459
Increase in 2020 other	\$ 1,898
Decrease in 2020 annual deficit	\$ 11,773
Increase in 2020 accumulated surplus, beginning of year	\$ 77,353
Increase in 2020 accumulated surplus, end of year	\$ 89,126

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2021

11. Uncertainty of COVID-19

As the impacts of COVID-19 continue, there could be further impact on the Authority, its employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Authority's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Authority is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. Management is actively monitoring the affect on its financial condition and liquidity of the organization.

Sault Ste. Marie Region Conservation Authority
Schedule 1 - Tangible Capital Assets

December 31, 2021

	Land	Buildings	Vehicles and Equipment	Computer Equipment	Flood Control	2021 Total
Cost						
Balance, beginning of year	\$ 1,655,173	\$ 304,350	\$ 237,595	\$ 26,122	\$ 15,454,493	\$ 17,677,733
Additions	-	-	70,454	3,670	-	74,124
Disposals	-	-	(57,344)	-	-	(57,344)
Balance, end of year	1,655,173	304,350	250,705	29,792	15,454,493	17,694,513
Accumulated amortization						
Balance, beginning of year	-	195,555	236,343	26,122	12,558,234	13,016,254
Amortization	-	6,087	15,340	734	274,340	296,501
Disposals	-	-	(57,344)	-	-	(57,344)
Balance, end of year	-	201,642	194,339	26,856	12,832,574	13,255,411
Net book value	\$ 1,655,173	\$ 102,708	\$ 56,366	\$ 2,936	\$ 2,621,919	\$ 4,439,102
Net book value, 2020	\$ 1,655,173	\$ 108,795	\$ 1,252	\$ -	\$ 2,896,259	\$ 4,661,479

Sault Ste. Marie Region Conservation Authority
Schedule 2 - Segment Disclosure

For the year ended December 31, 2021

	Drinking Water Source			Restated (see Note 10) 2020 Total
	General	Protection	Total	
Revenue				
Government contributions				
Provincial	\$ 104,715	\$ 84,189	\$ 188,904	\$ 171,041
Municipal - City of Sault Ste. Marie	538,761	-	538,761	503,983
Municipal - Prince Township	6,020	-	6,020	5,606
Rental income	650	-	650	1,908
Other	80,824	-	80,824	69,243
Gain on sale of capital asset	43,900	-	43,900	-
	<u>774,870</u>	<u>84,189</u>	<u>859,059</u>	<u>751,781</u>
Expenses				
Salaries and benefits	435,396	65,298	500,694	506,793
Materials and supplies	118,920	7,659	126,579	131,870
Contracted services	100,327	-	100,327	88,085
Rents and financial	11,916	-	11,916	11,575
Administration and rent transfers	(11,232)	11,232	-	-
Amortization	296,501	-	296,501	303,608
	<u>951,828</u>	<u>84,189</u>	<u>1,036,017</u>	<u>1,041,931</u>
Deficiency of revenue over expenses	\$ (176,958)	\$ -	\$ (176,958)	\$ (290,150)

Sault Ste. Marie Region Conservation Authority
Schedule 3 - Administrative and Water Control Expenses

For the year ended December 31, 2021

					Restated (see Note 10) 2020 Total
	General	Drinking Water Source Protection	Total		
Administrative					
Materials	\$ 5,168	\$ -	\$ 5,168	\$	11,647
Other	35,709	7,659	43,368		34,801
Rent and utilities	3,655	-	3,655		3,531
Staff training	28	-	28		1,270
Travel and allowance	1,317	-	1,317		2,254
Wages and benefits	235,475	65,298	300,773		303,919
Administration and rent transfers	(11,232)	11,232	-		-
	\$ 270,120	\$ 84,189	\$ 354,309	\$	357,422
Water control					
Flood warning	\$ 19,349	\$ -	\$ 19,349	\$	22,738
Maintenance of control structures	90,061	-	90,061		32,335
Taxes, insurance and utilities	40,374	-	40,374		34,760
Wages and benefits	201,399	-	201,399		199,813
Vehicle & maintenance expense/recovery	(14,241)	-	(14,241)		(16,378)
	\$ 336,942	\$ -	\$ 336,942	\$	273,268