

Sault Ste. Marie Region Conservation Authority
Financial Statements
For the year ended December 31, 2022

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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, 2022, 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, 2022, 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.

BDO Canada LP

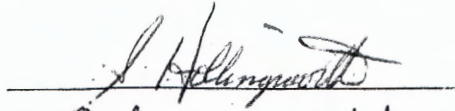
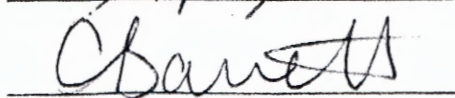
Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
April 18, 2023

Sault Ste. Marie Region Conservation Authority
Statement of Financial Position

December 31	2022	2021
Financial assets		
Cash and cash equivalents (Note 2)	\$ 501,259	\$ 541,842
Accounts receivable	14,084	31,185
	<u>515,343</u>	<u>573,027</u>
Liabilities		
Accounts payable and accrued liabilities	31,681	90,547
Deferred revenue (Note 3)	55,734	55,678
Deferred government contributions (Note 4)	-	25,477
	<u>87,415</u>	<u>171,702</u>
Net financial assets	<u>427,928</u>	<u>401,325</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	4,201,388	4,439,102
Prepaid expenses	4,137	3,615
	<u>4,205,525</u>	<u>4,442,717</u>
Accumulated surplus (Note 5)	<u>\$ 4,633,453</u>	<u>\$ 4,844,042</u>

Approved on behalf of the Board:

Sault Ste. Marie Region Conservation Authority

Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2022	2022	2021
Revenue			
Government contributions			
Provincial	\$ 175,313	\$ 164,281	\$ 188,904
Municipal - City of Sault Ste. Marie	560,597	560,597	538,761
Municipal - Prince Township	6,336	6,336	6,020
Rental income	-	4,369	650
Other	52,100	65,679	80,824
Gain on sale of capital asset	-	5,000	43,900
	<u>794,346</u>	<u>806,262</u>	<u>859,059</u>
Expenses			
Administrative (Schedule 3)	456,234	355,874	354,309
Conservation land taxes and insurance	-	37,215	30,989
Water control (Schedule 3)	304,112	298,324	336,942
Trails and recreation	4,000	5,240	8,669
Legal fees	-	2,630	2,819
Other	-	7,934	5,789
Amortization of tangible capital assets	309,634	309,634	296,501
	<u>1,073,980</u>	<u>1,016,851</u>	<u>1,036,018</u>
Annual deficit	(279,634)	(210,589)	(176,959)
Accumulated surplus, beginning of year	4,844,042	4,844,042	5,021,001
Accumulated surplus, end of year	<u>\$ 4,564,408</u>	<u>\$ 4,633,453</u>	<u>\$ 4,844,042</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 2022	2022	2021
Annual deficit	\$ (279,634)	\$ (210,589)	\$ (176,959)
Amortization of tangible capital assets	309,634	309,634	296,501
(Increase) decrease in prepaid expenses	-	(522)	(2,483)
Acquisition of tangible capital assets	-	(71,920)	(74,124)
Gain on disposal of tangible capital assets	-	(5,000)	(43,900)
Proceeds on sale of tangible capital assets	-	5,000	43,900
Increase (decrease) in net financial assets	30,000	26,603	42,935
Net financial assets, beginning of year	401,325	401,325	358,390
Net financial assets, end of year	\$ 431,325	\$ 427,928	\$ 401,325

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

Sault Ste. Marie Region Conservation Authority

Statement of Cash Flows

For the year ended December 31	2022	2021
Operating transactions		
Annual deficit	\$ (210,589)	\$ (176,959)
Items not involving cash		
Gain on disposal of tangible capital assets	(5,000)	(43,900)
Amortization of tangible capital assets	309,634	296,501
	94,045	75,642
Changes in non-cash working capital balances		
Accounts receivable	17,101	3,760
Prepaid expenses	(522)	(2,483)
Accounts payable and accrued liabilities	(58,866)	38,641
Deferred revenue	56	30
Deferred government contributions	(25,477)	18,625
	26,337	134,215
Capital transactions		
Acquisition of tangible capital assets	(71,920)	(74,124)
Proceeds on sale of tangible capital assets	5,000	43,900
	(66,920)	(30,224)
Increase (decrease) in cash and cash equivalents	(40,583)	103,991
Cash and cash equivalents, beginning of year	541,842	437,851
Cash and cash equivalents, end of year	\$ 501,259	\$ 541,842

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

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2022

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, 2022

2. Cash and cash equivalents

	2022	2021
General operating accounts	\$ 405,149	\$ 438,391
Short term investments	96,110	103,451
	<u>\$ 501,259</u>	<u>\$ 541,842</u>

Short term investments consist of a flexible one year GIC with an interest rate of 1.40% (2021 - 0.40%).

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

	2022	2021
Province of Ontario - Drinking Water Source Protection	\$ -	\$ 25,477

5. Accumulated surplus

	2022	2021
General surplus	\$ 405,760	\$ 378,635
Reserve for forest management	10,222	10,222
Reserve for Outreach and Education - Water	16,083	16,083
	<u>432,065</u>	<u>404,940</u>
Investment in tangible capital assets	4,201,388	4,439,102
	<u>\$ 4,633,453</u>	<u>\$ 4,844,042</u>
Allocation of annual surplus (deficit):		
General surplus	\$ 27,125	\$ 45,418
Investment in tangible capital assets	(237,714)	(222,377)
	<u>\$ (210,589)</u>	<u>\$ (176,959)</u>

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2022

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 2022 was \$39,049 (2021 - \$36,399).

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	\$ 30,000
Less:	
Amortization	<u>(309,634)</u>
Budget deficit per statement of operations	<u>\$ (279,634)</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, 2022

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.

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

December 31, 2022

	Land	Buildings	Vehicles and Equipment	Computer Equipment	Flood Control	2022 Total
Cost						
Balance, beginning of year	\$ 1,655,173	\$ 304,350	\$ 250,705	\$ 29,792	\$ 15,454,493	\$ 17,694,513
Additions	-	-	71,920	-	-	71,920
Disposals	-	-	(23,100)	-	-	(23,100)
Balance, end of year	<u>1,655,173</u>	<u>304,350</u>	<u>299,525</u>	<u>29,792</u>	<u>15,454,493</u>	<u>17,743,333</u>
Accumulated amortization						
Balance, beginning of year	-	201,642	194,339	26,856	12,832,574	13,255,411
Amortization	-	6,087	28,473	734	274,340	309,634
Disposals	-	-	(23,100)	-	-	(23,100)
Balance, end of year	<u>-</u>	<u>207,729</u>	<u>199,712</u>	<u>27,590</u>	<u>13,106,914</u>	<u>13,541,945</u>
Net book value	<u>\$ 1,655,173</u>	<u>\$ 96,621</u>	<u>\$ 99,813</u>	<u>\$ 2,202</u>	<u>\$ 2,347,579</u>	<u>\$ 4,201,388</u>
Net book value, 2021	\$ 1,655,173	\$ 102,708	\$ 56,366	\$ 2,936	\$ 2,621,919	\$ 4,439,102

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

For the year ended December 31, 2022

	Drinking Water Source			2021
	General	Protection	Total	Total
Revenue				
Government contributions				
Provincial	\$ 71,114	\$ 93,167	\$ 164,281	\$ 188,904
Municipal - City of Sault Ste. Marie	560,597	-	560,597	538,761
Municipal - Prince Township	6,336	-	6,336	6,020
Rental income	4,369	-	4,369	650
Other	65,679	-	65,679	80,824
Gain on sale of capital asset	5,000	-	5,000	43,900
	713,095	93,167	806,262	859,059
Expenses				
Salaries and benefits	424,546	68,488	493,034	500,694
Materials and supplies	67,848	13,024	80,872	126,579
Contracted services	120,913	-	120,913	100,327
Rents and financial	12,398	-	12,398	11,916
Administration and rent transfers	(11,655)	11,655	-	-
Amortization	309,634	-	309,634	296,501
	923,684	93,167	1,016,851	1,036,017
Deficiency of revenue over expenses	\$ (210,589)	\$ -	\$ (210,589)	\$ (176,958)

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

For the year ended December 31, 2022

	Drinking Water		Source		Total		2021
	General		Protection				Total
Administrative							
Materials	\$ 8,666	\$	-	\$	8,666	\$	5,168
Other	35,610		13,024		48,634		43,368
Rent and utilities	5,119		-		5,119		3,655
Staff training	40		-		40		28
Travel and allowance	2,451		-		2,451		1,317
Wages and benefits	222,476		68,488		290,964		300,773
Administration and rent transfers	(11,655)		11,655		-		-
	<u>\$ 262,707</u>	<u>\$</u>	<u>93,167</u>	<u>\$</u>	<u>355,874</u>	<u>\$</u>	<u>354,309</u>
Water control							
Flood warning	\$ 20,548	\$	-	\$	20,548	\$	19,349
Maintenance of control structures	79,227		-		79,227		90,061
Taxes, insurance and utilities	49,686		-		49,686		40,374
Wages and benefits	200,577		-		200,577		201,399
Vehicle & maintenance expense/recovery	(51,714)		-		(51,714)		(14,241)
	<u>\$ 298,324</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>298,324</u>	<u>\$</u>	<u>336,942</u>