

Sault Ste. Marie Region Conservation Authority
Financial Statements
For the year ended December 31, 2023

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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, 2023, 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, 2023, 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 11 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

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 LLP

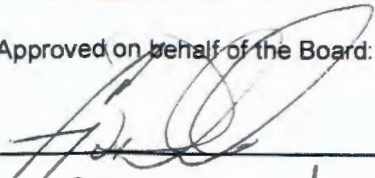
Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
June 7, 2024

Sault Ste. Marie Region Conservation Authority
Statement of Financial Position

December 31	2023	Restated (see Note 12) 2022
Financial assets		
Cash and cash equivalents (Note 3)	\$ 450,124	\$ 501,259
Accounts receivable	12,818	14,084
	462,942	515,343
Liabilities		
Accounts payable and accrued liabilities	32,275	31,681
Deferred revenue (Note 4)	55,765	55,734
Deferred government contributions (Note 5)	21,309	-
	109,349	87,415
Net financial assets	353,593	427,928
Non-financial assets		
Tangible capital assets (Schedule 1)	3,945,491	4,183,188
Prepaid expenses	5,917	4,137
	3,951,408	4,187,325
Accumulated surplus (Note 6)	\$ 4,305,001	\$ 4,615,253

Approved on behalf of the Board:



 A. Bennett

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

**Sault Ste. Marie Region Conservation Authority
Statement of Operations and Accumulated Surplus**

For the year ended December 31	Budget 2023	2023	Restated (see Note 12) 2022
Revenue			
Government contributions			
Provincial	\$ 201,818	\$ 179,310	\$ 164,281
Municipal - City of Sault Ste. Marie	557,001	557,001	560,597
Municipal - Prince Township	6,622	6,622	6,336
Rental income	-	20,622	17,341
Other	62,500	80,111	52,707
Gain on disposal of capital asset	-	-	5,000
	<u>827,941</u>	<u>843,666</u>	<u>806,262</u>
Expenses			
Administrative (Schedule 3)	483,501	404,468	358,889
Conservation land taxes and insurance	-	38,747	37,215
Water control (Schedule 3)	332,062	362,073	298,324
Trails and recreation	12,378	13,256	3,885
Legal fees	-	3,714	2,630
Other	-	5,669	6,274
Amortization of tangible capital assets	327,291	325,991	308,334
	<u>1,155,232</u>	<u>1,153,918</u>	<u>1,015,551</u>
Annual deficit	(327,291)	(310,252)	(209,289)
Accumulated surplus, beginning of year	<u>4,615,253</u>	<u>4,615,253</u>	<u>4,824,542</u>
Accumulated surplus, end of year	<u>\$ 4,287,962</u>	<u>\$ 4,305,001</u>	<u>\$ 4,615,253</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 2023	2023	Restated (see Note 12) 2022
Annual deficit	\$ (327,291)	\$ (310,252)	\$ (209,289)
Amortization of tangible capital assets	327,291	325,991	308,334
(Increase) decrease in prepaid expenses	-	(1,780)	(522)
Acquisition of tangible capital assets	-	(88,294)	(71,920)
Gain on disposal of tangible capital assets	-	-	(5,000)
Proceeds on sale of tangible capital assets	-	-	5,000
Increase (decrease) in net financial assets	-	(74,335)	26,603
Net financial assets, beginning of year	427,928	427,928	401,325
Net financial assets, end of year	\$ 427,928	\$ 353,593	\$ 427,928

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	2023	Restated (see Note 12) 2022
Operating transactions		
Annual deficit	\$ (310,252)	\$ (209,289)
Items not involving cash		
Gain on disposal of tangible capital assets	-	(5,000)
Amortization of tangible capital assets	<u>325,991</u>	<u>308,334</u>
	15,739	94,045
Changes in non-cash working capital balances		
Accounts receivable	1,266	17,101
Prepaid expenses	(1,780)	(522)
Accounts payable and accrued liabilities	594	(58,866)
Deferred revenue	31	56
Deferred government contributions	<u>21,309</u>	<u>(25,477)</u>
	<u>37,159</u>	<u>26,337</u>
Capital transactions		
Acquisition of tangible capital assets	(88,294)	(71,920)
Proceeds on sale of tangible capital assets	<u>-</u>	<u>5,000</u>
	<u>(88,294)</u>	<u>(66,920)</u>
Decrease in cash and cash equivalents	(51,135)	(40,583)
Cash and cash equivalents, beginning of year	<u>501,259</u>	<u>541,842</u>
Cash and cash equivalents, end of year	<u>\$ 450,124</u>	<u>\$ 501,259</u>

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

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2023

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

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable and accounts payable are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses (if any). Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies (continued)

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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.

2. First time adoption

Effective January 1, 2023, the Authority adopted new Public Sector Accounting Handbook Standard, PS Section 3280, Asset Retirement Obligations. The Standard requires an obligation to be recognized related to legal obligations associated with the retirement of capital assets. The Authority completed a detailed assessment of its assets and leased assets and concluded that there were no legal obligations to incur retirement costs in relation to these assets. Therefore, the Board has not recognized an asset retirement obligation.

In addition on January 1, 2023, the Authority adopted PS 3450 Financial Instruments which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This standard is required to be adopted prospectively. There were no unrealized gains and losses on investments for the year ended December 31, 2023, and therefore the new statement, the statement of measurement gains and losses, was not presented.

3. Cash and cash equivalents

	<u>2023</u>		<u>2022</u>
General operating accounts	\$ 450,124	\$	405,149
Short term investments	-		96,110
	<u>\$ 450,124</u>	<u>\$</u>	<u>501,259</u>

Short term investments consist of a flexible one year GIC with an interest rate of 1.40%.

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2023

4. 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.

5. Deferred government contributions

	2023	2022
Province of Ontario - Drinking Water Source Protection	\$ 21,220	\$ -
Other	89	-
	\$ 21,309	\$ -

6. Accumulated surplus

	2023	2022
General surplus	\$ 333,205	\$ 405,760
Reserve for forest management	10,222	10,222
Reserve for Outreach and Education - Water	16,083	16,083
	359,510	432,065
Investment in tangible capital assets	3,945,491	4,183,188
	\$ 4,305,001	\$ 4,615,253
Allocation of annual surplus (deficit):		
General surplus	\$ (72,555)	\$ 27,125
Investment in tangible capital assets	(237,697)	(237,714)
	\$ (310,252)	\$ (210,589)

7. 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 2023 was \$41,731 (2022 - \$39,049).

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2023

8. 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	\$ -
Less:	
Amortization	<u>(327,291)</u>
Budget deficit per statement of operations	<u>\$ (327,291)</u>

9. Financial Instrument risk

The Authority is exposed to liquidity risk and credit risk from its financial instruments. This note describes the Authority's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Liquidity risk

Liquidity risk is the risk that the Authority cannot repay its obligations when they become due to its creditors. The Authority is exposed to this risk relating to its accounts payable and accrued liabilities.

The Authority reduces its exposure to liquidity risk by monitoring cash and investing activities and expected outflow through extensive budgeting and maintaining enough cash to repay trade creditors as payables become due. In the opinion of management, the liquidity risk exposure to the Authority is low.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority is exposed to credit risk through its cash and equivalents and accounts receivable.

The Authority's maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as presented on the statement of financial position.

The Authority holds its cash accounts with a large reputable financial institution, from which management believes the risk of loss due to credit risk to be remote.

The Authority is exposed to credit risk in accounts receivable which mostly includes government receivables. The Authority measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts including managements on-going monitoring of outstanding accounts. In the opinion of management, the credit risk exposure in accounts receivable is considered to be low.

Sault Ste. Marie Region Conservation Authority

Notes to Financial Statements

December 31, 2023

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

11. 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.

12. Prior period correction

During the year it was discovered that there were capital assets disposed of prior to the December 31, 2022 year end that were not shown as disposed. As a result, the amounts that are presented for comparative purposes have been restated to correct this as follows:

Decrease in 2022 buildings net book value	\$(18,200)
Decrease in 2022 accumulated surplus, beginning of year	\$19,500
Decrease in 2022 amortization of tangible capital assets	\$(1,300)

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

December 31, 2023

	Land	Buildings	Vehicles and Equipment	Computer Equipment	Flood Control	2023 Total
Cost						
Balance, beginning of year	\$ 1,655,173	\$ 239,350	\$ 284,725	\$ 23,092	\$ 15,454,493	\$ 17,656,833
Additions	-	-	88,294	-	-	88,294
Balance, end of year	<u>1,655,173</u>	<u>239,350</u>	<u>373,019</u>	<u>23,092</u>	<u>15,454,493</u>	<u>17,745,127</u>
Accumulated amortization						
Balance, beginning of year	-	160,929	184,912	20,890	13,106,914	13,473,645
Amortization	-	4,787	46,130	734	274,340	325,991
Balance, end of year	<u>-</u>	<u>165,716</u>	<u>231,042</u>	<u>21,624</u>	<u>13,381,254</u>	<u>13,799,636</u>
Net book value	<u>\$ 1,655,173</u>	<u>\$ 73,634</u>	<u>\$ 141,977</u>	<u>\$ 1,468</u>	<u>\$ 2,073,239</u>	<u>\$ 3,945,491</u>
Net book value, 2022	<u>\$ 1,655,173</u>	<u>\$ 78,421</u>	<u>\$ 99,813</u>	<u>\$ 2,202</u>	<u>\$ 2,347,579</u>	<u>\$ 4,183,188</u>

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

For the year ended December 31, 2023

	Drinking Water Source			2022
	General	Protection	Total	Total
Revenue				
Government contributions				
Provincial	\$ 78,137	\$ 101,173	\$ 179,310	\$ 164,281
Municipal - City of Sault Ste. Marie	557,001	-	557,001	560,597
Municipal - Prince Township	6,622	-	6,622	6,336
Rental income	20,622	-	20,622	17,341
Other	80,111	-	80,111	52,707
Gain (loss) on sale of capital asset	-	-	-	5,000
	742,493	101,173	843,666	806,262
Expenses				
Salaries and benefits	521,562	76,585	598,147	493,034
Materials and supplies	89,199	12,626	101,825	86,542
Contracted services	115,024	-	115,024	115,243
Rents and financial	12,931	-	12,931	12,398
Administration and rent transfers	(11,962)	11,962	-	-
Amortization	325,991	-	325,991	308,334
	1,052,745	101,173	1,153,918	1,015,551
Deficiency of revenue over expenses	\$ (310,252)	\$ -	\$ (310,252)	\$ (209,289)

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

For the year ended December 31, 2023

	General	Drinking Water Source Protection	Total	2022 Total
Administrative				
Materials	\$ 6,421	\$ -	\$ 6,421	\$ 8,666
Other	44,414	12,626	57,040	51,649
Rent and utilities	5,510	-	5,510	5,119
Staff training	1,687	-	1,687	40
Travel and allowance	5,145	-	5,145	2,451
Wages and benefits	252,081	76,584	328,665	290,964
Administration and rent transfers	(11,962)	11,962	-	-
	<u>\$ 303,296</u>	<u>\$ 101,172</u>	<u>\$ 404,468</u>	<u>\$ 358,889</u>
Water control				
Flood warning	\$ 19,400	\$ -	\$ 19,400	\$ 10,132
Maintenance of control structures	6,345	-	6,345	8,777
Taxes, insurance and utilities	49,037	-	49,037	49,686
Wages and benefits	260,724	-	260,724	200,577
Vehicle & maintenance expense	26,567	-	26,567	29,152
	<u>\$ 362,073</u>	<u>\$ -</u>	<u>\$ 362,073</u>	<u>\$ 298,324</u>