



## Financial Statements

Lakehead Region Conservation Authority

December 31, 2020

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## Independent Auditor's Report

To the Members of Lakehead Region Conservation Authority

### Opinion

We have audited the financial statements of Lakehead Region Conservation Authority ("the Authority"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lakehead Region Conservation Authority as at December 31, 2020, and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

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

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

*Grant Thornton LLP*

Thunder Bay, Canada  
April 28, 2021

Chartered Professional Accountants  
Licensed Public Accountants

# Lakehead Region Conservation Authority

## Statement of Financial Position

As at December 31

2020

2019

### Financial assets

Cash and cash equivalents	\$ 5,786,546	\$ 5,289,104
Accounts receivable <i>[note 3]</i>	<u>325,474</u>	<u>309,370</u>
<b>Total financial assets</b>	<b><u>6,112,020</u></b>	<b><u>5,598,474</u></b>

### Liabilities

Accounts payable and accrued liabilities	114,770	219,876
Deferred revenue – projects <i>[note 9]</i>	<u>2,885,247</u>	<u>2,432,178</u>
<b>Total liabilities</b>	<b><u>3,000,017</u></b>	<b><u>2,652,054</u></b>

### Net financial assets

	<u>3,112,003</u>	<u>2,946,420</u>
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### Non-financial assets

Tangible capital assets - net <i>[note 2] [schedule 3]</i>	4,940,091	5,159,029
Prepaid expenses	<u>8,715</u>	<u>11,468</u>
	<b><u>4,948,806</u></b>	<b><u>5,170,497</u></b>

### Accumulated surplus *[schedule 1]*

	<b><u>\$ 8,060,809</u></b>	<b><u>\$ 8,116,917</u></b>
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See accompanying notes to the financial statements.

# Lakehead Region Conservation Authority

## Statement of Operations and Accumulated Surplus

Year ended December 31	2020	2020	2019
	Budget [note 7]	Actual	Actual
<b>REVENUES</b>			
<b>Government grants</b>			
Government of Canada	\$ —	\$ 34,892	\$ 17,159
NDMP	—	1,527	56,734
Province of Ontario			
MNRF transfer payments	150,940	150,940	150,940
Weci funding		70,000	106,011
MECP SWP	56,775	54,090	61,827
	<u>207,715</u>	<u>311,449</u>	<u>392,671</u>
<b>Municipal levies</b>			
Administration [note 4[a]]	263,399	327,462	230,124
Capital projects [note 4[b]]	1,405,003	920,285	1,840,168
	<u>1,668,402</u>	<u>1,247,747</u>	<u>2,070,292</u>
<b>Other</b>			
Contributions from others	211,114	118,238	104,221
Land donation	—	—	95,000
Interest income	114,901	69,320	137,868
Miscellaneous	213,587	58,778	52,019
Vehicle and equipment	39,600	25,889	35,770
	<u>579,202</u>	<u>272,225</u>	<u>424,878</u>
<b>Total revenues</b>	<u>2,455,319</u>	<u>1,831,421</u>	<u>2,887,841</u>
<b>EXPENSES</b>			
Administration	512,194	473,222	438,619
Amortization of tangible capital assets	242,147	242,147	246,255
Water and related land management and conservation and recreation land management [schedule 2]	1,903,525	1,154,100	2,163,359
	<u>2,657,866</u>	<u>1,869,469</u>	<u>2,848,233</u>
<b>Other</b>			
Vehicle and equipment	22,525	18,060	23,258
<b>Total expenses</b>	<u>2,680,391</u>	<u>1,887,529</u>	<u>2,871,491</u>
<b>Annual surplus (deficit)</b>	(225,072)	(56,108)	16,350
Accumulated surplus, beginning of year,	—	8,116,917	8,100,567
<b>Accumulated surplus (deficit), end of year</b>	<u>\$ (225,072)</u>	<u>\$ 8,060,809</u>	<u>\$ 8,116,917</u>

See accompanying notes to the financial statements.

# **Lakehead Region Conservation Authority** **Statement of Changes in Net Financial Assets**

Year ended December 31	2020	2020	2019
	Budget [note 7]	Actual	Actual
<b>Annual surplus (deficit)</b>	\$ (225,072)	\$ (56,108)	\$ 16,350
Acquisition of tangible capital assets	—	(23,209)	(95,000)
Amortization of tangible capital assets	—	242,147	246,255
Acquisition of prepaid expenses	—	2,753	(2,437)
<b>(Decrease) increase in net financial assets</b>	<u>(225,072)</u>	<u>165,583</u>	<u>165,168</u>
Net financial assets, beginning of year	—	<u>2,946,420</u>	<u>2,781,252</u>
<b>Net financial assets (deficit), end of year</b>	<u>\$ (225,072)</u>	<u>\$3,112,003</u>	<u>\$2,946,420</u>

See accompanying notes to the financial statements.

## Lakehead Region Conservation Authority

### Statement of Cash Flows

Year ended December 31	2020	2019
<b>Operations</b>		
Annual surplus (deficit)	\$ (56,108)	\$ 16,350
<b>Non-cash charges</b>		
Amortization of tangible capital assets	242,147	246,255
Donated asset	<u>—</u>	<u>(95,000)</u>
	186,039	167,605
<b>Net change in non-cash working capital balances</b>		
Decrease (increase) in accounts receivable	(16,105)	29,496
Increase in accounts payable and accrued liabilities	(105,105)	74,174
(Decrease) increase in deferred revenue - projects	453,069	(534,287)
Increase in prepaid expenses	<u>2,753</u>	<u>(2,437)</u>
<b>Cash provided by (used in) operating transactions</b>	<u>520,651</u>	<u>(265,449)</u>
<b>Capital</b>		
Acquisition of tangible capital assets	<u>(23,209)</u>	<u>—</u>
<b>Cash used in capital transactions</b>	<u>(23,209)</u>	<u>—</u>
<b>Increase (decrease) in cash and cash equivalents</b>	497,442	(265,449)
Opening cash and cash equivalents	<u>5,289,104</u>	<u>5,554,554</u>
<b>Closing cash and cash equivalents</b>	<u>\$ 5,786,546</u>	<u>\$ 5,289,104</u>

See accompanying notes to the financial statements.



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# Lakehead Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

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### **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.

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### **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.

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## Lakehead Region Conservation Authority

### Notes to the Financial Statements

December 31, 2020

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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.

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## **Lakehead Region Conservation Authority**

### **Notes to the Financial Statements**

December 31, 2020

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#### **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 2020 [2019 - \$nil].

Interest capitalized during 2020 was \$nil [2019 - \$nil].

There were no contributed tangible capital assets in 2020 [2019 - \$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.

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#### **3. Accounts receivable**

Included in accounts receivable are government remittances receivable of \$11,604 [2019 - \$81,556].

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# Lakehead Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

### 4. Revenue from participating municipalities

	<u>2020</u>	<u>2019</u>
[a] Administration		
Thunder Bay	\$ 291,508	\$ 199,616
Shuniah	12,742	10,796
Oliver-Paipoonge	13,876	11,799
Neebing	5,677	4,834
Dorion	742	646
O'Connor	1,180	976
Conmee	1,100	930
Gillies	637	527
	<u>327,462</u>	<u>230,124</u>
	<u>\$ 327,462</u>	<u>\$ 230,124</u>
[b] Capital projects		
Thunder Bay	\$ 1,300,807	\$ 1,315,812
Shuniah	37,157	36,873
Oliver-Paipoonge	49,654	54,246
Neebing	16,555	16,511
Dorion	2,163	2,162
O'Connor	3,440	3,338
Conmee	3,208	3,173
Gillies	1,862	1,795
	<u>1,414,846</u>	<u>1,433,910</u>
Deferred revenue, beginning of year	2,296,389	2,702,647
Deferred revenue, end of year	<u>(2,790,949)</u>	<u>(2,296,389)</u>
	<u>(494,560)</u>	<u>406,258</u>
	<u>\$ 920,285</u>	<u>\$ 1,840,168</u>

# **Lakehead Region Conservation Authority** **Notes to the Financial Statements**

December 31, 2020

## **5. Continuity of reserves**

	2020										2019
	Operating Reserve	Administrative Reserve Maintenance	Administrative Reserve New Facility	Vehicle and Equipment	Insurance Fund	Legal Fees Reserve	Conservation Area Capital	Hazelwood Lake Reserve	Forest Management Reserve	Land Acquisition Reserve	Total
Balance, beginning of year	\$ 1,213,249	\$ 527,291	\$ 32,311	\$ 94,963	\$ 28,921	\$ 100,000	\$ 409,507	\$ 100,000	\$ 139,770	\$ 251,296	\$ 2,897,308
Appropriations to reserves	—	4,330	—	7,829	1,079	—	112,739	—	16,697	—	142,674
Appropriations from reserves	—	—	—	—	—	—	—	—	(3,184)	—	(3,184)
Net appropriations to (from) reserves	—	4,330	—	7,829	1,079	—	112,739	—	13,513	—	185,144
Balance, end of year	\$ 1,213,249	\$ 531,621	\$ 32,311	\$ 102,792	\$ 30,000	\$ 100,000	\$ 522,246	\$ 100,000	\$ 153,283	\$ 251,296	\$ 3,036,798
											\$ 2,897,308

# Lakehead Region Conservation Authority

## Notes to the Financial Statements

December 31, 2020

### 6. Expenditures by object

	<u>2020</u>	<u>2019</u>
Salaries, wages and employee benefits	\$ 1,009,727	\$ 953,662
Materials, services and rents	635,655	1,671,574
Amortization	<u>242,147</u>	<u>246,255</u>
	<u>\$ 1,887,529</u>	<u>\$ 2,871,491</u>

### 7. Budget figures

The operating budget approved by the Authority for 2020 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 2020 Budget \$	PSAB Adjusted Budget \$
<b>Revenues</b>	\$ 2,455,319	\$ 2,455,319
<b>Expenses</b>	<u>2,438,244</u>	<u>2,680,391</u>
<b>Annual income (deficit)</b>	17,075	(225,072)
Less:		
Acquisition of tangible capital assets	—	—
Add:		
Amortization of tangible capital assets	<u>—</u>	<u>242,147</u>
<b>Increase (decrease) in net financial assets</b>	<u>\$ 17,075</u>	<u>\$ 17,075</u>

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## Lakehead Region Conservation Authority

### Notes to the Financial Statements

December 31, 2020

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#### 9. Deferred revenue

	<u>2020</u>	<u>2019</u>
City of Thunder Bay	\$ 2,104,766	\$ 1,752,604
Municipality of Oliver Paipoonge	9,776	18,964
All municipalities	466,444	388,764
Other	<u>304,261</u>	<u>271,846</u>
	<u>\$ 2,885,247</u>	<u>\$ 2,432,178</u>

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#### 10. COVID-19

Since December 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Authority is monitoring the current situation, but does not anticipate any significant financial impact in 2020 as a result of COVID-19.

The financial position and results of operations as of and for the year ended December 31, 2020 have not been materially impacted by COVID-19. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Authority for future periods.

# Lakehead Region Conservation Authority

## Accumulated Surplus

## Schedule 1

Year ended December 31

2020

2019

General	\$ 83,920	\$ 60,580
Investment in capital assets	<u>4,940,091</u>	<u>5,159,029</u>
	<u>5,024,011</u>	<u>5,219,609</u>
<b>Reserves set aside for specific purposes [note 5]</b>		
For operating reserve	1,213,249	1,213,249
For administrative reserve maintenance	531,621	527,291
For administrative reserve new facility	32,311	32,311
For vehicle and equipment reserve	102,792	94,963
For insurance reserve	30,000	28,921
For legal fees reserve	100,000	100,000
For conservation area maintenance capital reserve	522,246	409,507
For hazelwood lake dam reserve	100,000	100,000
For forest management reserve	153,283	139,770
For land acquisition reserve	<u>251,296</u>	<u>251,296</u>
	<u>3,036,798</u>	<u>2,897,308</u>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>8,060,809</u></b>	<b>\$ <u>8,116,917</u></b>



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

Year ended December 31	2020	2020	2019
	Budget [note 7]	Actual	Actual
Authority office	\$ 20,000	\$ 15,670	\$ 2,977
Conservation area site development	121,800	9,066	7,411
Conservation area maintenance	339,781	244,556	258,115
Flood plain mapping	38,600	88,747	343,599
Operations and maintenance of erosion control structures	98,800	147,018	63,799
Operations and maintenance of flood control structures	605,789	176,613	1,012,632
Source water protection	73,375	54,324	62,130
Stewardship program	90,320	106,063	78,052
Watershed monitoring	<u>515,060</u>	<u>312,043</u>	<u>334,644</u>
<b>Total</b>	<b>\$ 1,903,525</b>	<b>\$ 1,154,100</b>	<b>\$ 2,163,359</b>

**Lakehead Region Conservation Authority**  
**Tangible Capital Assets**

December 31, 2020

**Schedule 3**

	Land	Buildings	Vehicles and Equipment	Land Improvements	Flood Control	2020 Total	2019 Total
<b>Net book value, beginning of year</b>	<u>\$ 2,163,258</u>	<u>\$ 467,566</u>	<u>\$ 28,371</u>	<u>\$ 253,920</u>	<u>\$ 2,245,914</u>	<u>\$ 5,159,029</u>	<u>\$ 5,310,284</u>
<b>Cost</b>							
Balance, beginning of year	2,163,258	1,175,175	163,875	565,722	8,669,031	12,737,061	12,642,061
Add: Additions	—	—	—	23,209	—	23,209	95,000
Less: Disposals	—	—	—	—	—	—	—
Balance, end of year	<u>2,163,258</u>	<u>1,175,175</u>	<u>163,875</u>	<u>588,931</u>	<u>8,669,031</u>	<u>12,760,270</u>	<u>12,737,061</u>
<b>Accumulated amortization</b>							
Balance, beginning of year	—	707,609	135,504	311,802	6,423,117	7,578,032	7,331,777
Add: Amortization	—	28,061	11,191	31,762	171,133	242,147	246,255
Less: Accumulated amortization disposals	—	—	—	—	—	—	—
Balance, end of year	<u>—</u>	<u>735,670</u>	<u>146,695</u>	<u>343,564</u>	<u>6,594,250</u>	<u>7,820,179</u>	<u>7,578,032</u>
<b>Net book value, end of year</b>	<u>\$ 2,163,258</u>	<u>\$ 439,505</u>	<u>\$ 17,180</u>	<u>\$ 245,367</u>	<u>\$ 2,074,781</u>	<u>\$ 4,940,091</u>	<u>\$ 5,159,029</u>