

LAKE SIMCOE REGIONAL AIRPORT

FINANCIAL STATEMENTS

DECEMBER 31, 2022

LAKE SIMCOE REGIONAL AIRPORT

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Lake Simcoe Regional Airport Inc. and Members of Council of the Corporation of the County of Simcoe

Opinion

We have audited the financial statements of the Lake Simcoe Regional Airport Inc. (the Airport), which comprise the statement of financial position as at December 31, 2022, 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 Airport as at December 31, 2022, and the results of its 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 Airport 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 the 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 Airport'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 Airport or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Airport'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 Airport'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 Airport'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 Airport 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
July 25, 2023

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STATEMENT OF FINANCIAL POSITION

At December 31, 2022

	2022	2021
	\$	\$
FINANCIAL ASSETS		
Cash	404,148	797,416
Accounts receivable	1,402,635	1,452,539
Inventory	34,506	82,582
Due from the City of Barrie	341,903	360,074
TOTAL FINANCIAL ASSETS	2,183,192	2,692,611
LIABILITIES		
Accounts payable and accrued liabilities	265,376	356,420
Due to the County of Simcoe (note 3)	847,260	1,813,978
TOTAL LIABILITIES	1,112,636	2,170,398
NET FINANCIAL ASSETS	1,070,556	522,213
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	22,599,591	23,237,670
Other assets	20,000	20,000
TOTAL NON-FINANCIAL ASSETS	22,619,591	23,257,670
ACCUMULATED SURPLUS (note 5)	23,690,147	23,779,883

The accompanying notes are an integral part of these financial statements

LAKE SIMCOE REGIONAL AIRPORT

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2022

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
REVENUES			
Fuel sales	1,008,000	2,167,126	1,044,490
Province of Ontario	-	-	1,200,000
Contribution from the County of Simcoe (note 3)	1,684,875	1,775,560	3,740,371
Contribution from the City of Barrie	175,221	197,284	415,597
Rentals	100,510	199,243	169,936
User fees	120,373	115,325	89,451
Recoveries	43,340	70,215	42,205
Third-party fees	-	12,078	-
TOTAL REVENUES	3,132,319	4,536,831	6,702,050
EXPENSES			
Salaries and wages	805,669	776,720	674,707
Benefits	232,688	199,120	185,546
Amortization	825,645	1,094,244	842,144
Cost of sales - fuel	635,362	1,723,251	753,186
Facilities	452,580	513,065	406,540
Administration	374,818	209,415	211,398
Cost of service delivery	120,440	111,252	94,658
Loss/(gain) on disposal of tangible capital assets	-	(500)	376,415
TOTAL EXPENSES	3,447,202	4,626,567	3,544,594
ANNUAL SURPLUS/(DEFICIT)	<u>(314,883)</u>	(89,736)	3,157,456
ACCUMULATED SURPLUS - beginning of year		23,779,883	20,622,427
ACCUMULATED SURPLUS - end of year		23,690,147	23,779,883

The accompanying notes are an integral part of these financial statements

LAKE SIMCOE REGIONAL AIRPORT

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2022

	Budget 2022 \$ (Unaudited)	Actual 2022 \$	Actual 2021 \$
ANNUAL SURPLUS/(DEFICIT)	(314,883)	(89,736)	3,157,456
Amortization of tangible capital assets	825,645	1,094,244	842,143
Purchase of tangible capital assets	(260,762)	(456,165)	(5,078,118)
Loss/(gain) on disposal of tangible capital assets	-	(500)	376,415
Proceeds on sale of tangible capital assets	-	500	10,745
Change in other assets	-	-	(20,000)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	250,000	548,343	(711,359)
NET FINANCIAL ASSETS - beginning of year	522,213	522,213	1,233,572
NET FINANCIAL ASSETS - end of year	772,213	1,070,556	522,213

The accompanying notes are an integral part of these financial statements

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STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

	2022	2021
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	(89,736)	3,157,456
Items not involving cash		
Amortization of tangible capital assets	1,094,244	842,143
Loss/(gain) on disposal of tangible capital assets	(500)	376,415
Change in non-cash assets and liabilities		
Accounts receivable	49,904	(1,178,994)
Inventory	48,076	(37,911)
Due to/from County of Simcoe	(966,718)	2,460,778
Other assets	-	(20,000)
Accounts payable and accrued liabilities	(91,044)	67,209
Due from City of Barrie	18,171	(264,297)
Net change in cash from operating activities	62,397	5,402,799
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(456,165)	(5,078,118)
Proceeds on disposal of tangible capital assets	500	10,745
Net change in cash from capital activities	(455,665)	(5,067,373)
NET CHANGE IN CASH	(393,268)	335,426
CASH - beginning of year	797,416	461,990
CASH - end of year	404,148	797,416

The accompanying notes are an integral part of these financial statements

LAKE SIMCOE REGIONAL AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Basis of presentation

The financial statements reflect the assets, liabilities, revenue and expenses of the Airport. The Airport's Board of Directors consist of members appointed by the following municipalities to maintain and operate the Airport. The share ownership by Municipality is as follows:

The County of Simcoe	90%
The City of Barrie	10%

(b) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Government funding

Government funding, including contributions from the County of Simcoe and the City of Barrie, is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Other revenue

Fuel sales are recognized upon delivery to customers.

Rental income is recognized when monthly payments become due.

Recoveries includes grass cutting and snow removal, which are recognized in the period that the services are rendered

User charges and third-party fees are recognized as revenue in the period the goods and services are provided to the end user

(c) Inventory

Inventory consists of aviation fuel and is recorded at the lower of cost, as determined by the first-in, first out method, and net realizable value (market price).

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NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. 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:

Land improvements	15 - 40 years
Buildings	15 - 40 years
Machinery and equipment	5 - 40 years
Vehicles	10 - 20 years
Computers	5 years
Infrastructure	20 - 50 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

(e) Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the Airport because they can be used to provide Airport services in future periods. These assets do not normally provide resources to discharge the liabilities of the Airport unless they are sold.

(f) Inter-Entity Transactions

The Airport is a Board of the County of Simcoe and is proportionally consolidated with the County's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the County.

(g) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Airport's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Airport's significant estimates are:

- The amounts recorded for amortization of tangible capital assets are based on estimates of useful life and residual values.

LAKE SIMCOE REGIONAL AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

2. TANGIBLE CAPITAL ASSETS

The net book value of the Airport's tangible capital assets are:

	2022	2021
	\$	\$
General		
Land	5,394,153	5,394,153
Land improvements	1,218,908	1,437,891
Buildings	2,585,004	2,745,421
Machinery & equipment	3,052,722	3,134,328
Vehicles	425,441	402,988
Computer equipment	100,261	133,681
Infrastructure		
Infrastructure	9,750,858	9,943,757
	22,527,347	23,192,219
Assets under construction	72,244	45,451
	22,599,591	23,237,670

For additional information, see the Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2021 - \$Nil) and no interest capitalized (2021 - \$Nil).

3. INTER-ENTITY TRANSACTIONS

As part of the budgeting process, the County approves a contribution to the Airport which is identified on the Statement of Operations and Accumulated Surplus.

In addition, the County provides accounting and administrative services to the Airport at no cost.

All balances with the County of Simcoe have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

4. CONTRACTUAL RIGHTS

During 2022, Lake Simcoe Regional Airport entered into a contract with a third party who will operate a Fixed Base Operation, providing refueling and other services. This agreement is effective from March 1, 2022 to February 28, 2042 inclusive of an eighteen month transition period. Compensation to the Airport is calculated based on volume of fuel sold annually, with a minimum quantity commitment. The Airport is providing use of infrastructure at no additional cost to the Fixed Base Operator to provide these services.

Separately, the Fixed Base Operator is paying market rate for leased space at the Airport.

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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

5. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2022	2021
	\$	\$
Surplus		
100 common shares issued, authorized for an unlimited number of common shares	100	100
Unallocated accumulated surplus (deficit)	163,133	(53,364)
	163,233	(53,264)
Invested In Capital Assets		
Net book value of capital assets	22,599,591	23,237,670
Surplus	22,762,824	23,184,406
Reserves		
Lake Simcoe Regional Airport reserve	927,323	595,477
	23,690,147	23,779,883

6. BUDGET FIGURES

The budget, approved by the Airport, for 2022 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

7. PENSION AGREEMENTS

Certain employees of the Airport are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2022 Annual Report disclosed total actuarial liabilities of \$130,306 million in respect of benefits accrued for service with actuarial assets of \$123,628 million indicating an actuarial deficit of \$6,678 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Airport does not recognize any share of the OMERS pension surplus or deficit.

The Airport's required contributions to OMERS in 2022 were \$62,122 (2021 - \$54,584).

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SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2022

	General					Infrastructure	Assets Under Construction	Totals	
	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computer equipment			Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	
COST									
Balance, beginning of year	5,394,153	6,868,479	4,390,919	4,091,327	812,391	274,015	14,103,955	45,451	35,980,690
Add: additions during the year	-	-	-	91,106	68,940	-	269,326	26,793	456,165
Less: disposals during the year	-	-	-	7,983	-	-	-	-	7,983
Balance, end of year	5,394,153	6,868,479	4,390,919	4,174,450	881,331	274,015	14,373,281	72,244	36,428,872
ACCUMULATED AMORTIZATION									
Balance, beginning of year	-	5,430,588	1,645,498	956,999	409,403	140,334	4,160,198	-	12,743,020
Add: additions during the year	-	218,983	160,417	172,712	46,487	33,420	462,225	-	1,094,244
Less: disposals during the year	-	-	-	7,983	-	-	-	-	7,983
Balance, end of year	-	5,649,571	1,805,915	1,121,728	455,890	173,754	4,622,423	-	13,829,281
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	5,394,153	1,218,908	2,585,004	3,052,722	425,441	100,261	9,750,858	72,244	22,599,591