

LAKE SIMCOE REGIONAL AIRPORT

FINANCIAL STATEMENTS

DECEMBER 31, 2023

LAKE SIMCOE REGIONAL AIRPORT

FINANCIAL STATEMENTS

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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 (the Airport), which comprise the statement of financial position as at December 31, 2023, 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, 2023, 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 24, 2024

LAKE SIMCOE REGIONAL AIRPORT

STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	2023	2022
	\$	\$
FINANCIAL ASSETS		
Cash	150,451	404,148
Accounts receivable	1,594,395	1,402,635
Inventory	45,868	34,506
Due from the County of Simcoe	668,110	-
Due from the City of Barrie	91,373	341,903
TOTAL FINANCIAL ASSETS	2,550,197	2,183,192
LIABILITIES		
Accounts payable and accrued liabilities	260,980	265,376
Due to the County of Simcoe	-	847,260
TOTAL LIABILITIES	260,980	1,112,636
NET FINANCIAL ASSETS	2,289,217	1,070,556
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	22,237,542	22,599,591
Other assets	26,600	20,000
TOTAL NON-FINANCIAL ASSETS	22,264,142	22,619,591
ACCUMULATED SURPLUS (note 5)	24,553,359	23,690,147

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, 2023

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
REVENUES			
Fuel sales	478,000	420,055	2,167,126
Contribution from the County of Simcoe	2,718,114	2,753,100	1,775,560
Contribution from the City of Barrie	302,013	223,404	197,284
Rentals	154,809	225,552	199,243
User fees	87,907	179,503	115,325
Recoveries	37,090	187,015	70,215
Third-party fees	-	228,000	12,078
Gain on disposal of tangible capital assets	-	-	500
TOTAL REVENUES	3,777,933	4,216,629	4,537,331
EXPENSES			
Salaries and wages	801,420	847,418	776,720
Benefits	235,979	240,494	199,120
Amortization	1,052,535	1,115,153	1,094,244
Cost of sales - fuel	220,000	357,830	1,723,251
Facilities	441,530	442,677	513,065
Administration	241,644	264,878	209,415
Cost of service delivery	104,780	84,967	111,252
TOTAL EXPENSES	3,097,888	3,353,417	4,627,067
ANNUAL SURPLUS/(DEFICIT)	<u>680,045</u>	863,212	(89,736)
ACCUMULATED SURPLUS - beginning of year		23,690,147	23,779,883
ACCUMULATED SURPLUS - end of year		24,553,359	23,690,147

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, 2023

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
ANNUAL SURPLUS/(DEFICIT)	680,045	863,212	(89,736)
Amortization of tangible capital assets	1,052,535	1,115,153	1,094,244
Purchase of tangible capital assets	(1,764,381)	(753,104)	(456,165)
Gain on disposal of tangible capital assets	-	-	(500)
Proceeds on sale of tangible capital assets	-	-	500
Change in other assets	-	(6,600)	-
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(31,801)	1,218,661	548,343
NET FINANCIAL ASSETS - beginning of year	1,070,556	1,070,556	522,213
NET FINANCIAL ASSETS - end of year	1,038,755	2,289,217	1,070,556

The accompanying notes are an integral part of these financial statements

LAKE SIMCOE REGIONAL AIRPORT

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	2023	2022
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	863,212	(89,736)
Items not involving cash		
Amortization of tangible capital assets	1,115,153	1,094,244
Gain on disposal of tangible capital assets	-	(500)
Change in non-cash assets and liabilities		
Accounts receivable	(191,760)	49,904
Inventory	(11,362)	48,076
Due to/from County of Simcoe	(1,515,370)	(966,718)
Other assets	(6,600)	-
Accounts payable and accrued liabilities	(4,396)	(91,044)
Due from City of Barrie	250,530	18,171
Net change in cash from operating activities	499,407	62,397
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(753,104)	(456,165)
Proceeds on disposal of tangible capital assets	-	500
Net change in cash from capital activities	(753,104)	(455,665)
NET CHANGE IN CASH	(253,697)	(393,268)
CASH - beginning of year	404,148	797,416
CASH - end of year	150,451	404,148

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, 2023

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) 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.

(d) 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).

LAKE SIMCOE REGIONAL AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) 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.

(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, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

<u>Financial Instrument</u>	<u>Measurement Method</u>
Cash	Amortized Cost
Accounts receivable	Amortized Cost
Due from the County of Simcoe	Amortized Cost
Due from the City of Barrie	Amortized Cost
<u>Accounts payable and accrued liabilities</u>	<u>Amortized Cost</u>

Fair value category: The Airport description manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

LAKE SIMCOE REGIONAL AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

2. TANGIBLE CAPITAL ASSETS

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

	2023	2022
	\$	\$
General		
Land	5,394,153	5,394,153
Land improvements	999,925	1,218,908
Buildings	2,424,588	2,585,004
Machinery & equipment	2,881,986	3,052,722
Vehicles	897,238	425,441
Computer equipment	75,038	100,261
Infrastructure		
Infrastructure	9,278,058	9,750,858
	21,950,986	22,527,347
Assets under construction	286,556	72,244
	22,237,542	22,599,591

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

During the year there were no write-downs of assets (2022 - \$Nil) and no interest capitalized (2022 - \$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.

LAKE SIMCOE REGIONAL AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

5. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2023	2022
	\$	\$
Surplus		
100 common shares issued, authorized for an unlimited number of common shares	100	100
Unallocated accumulated surplus	327,822	163,133
	327,922	163,233
Invested In Capital Assets		
Net book value of capital assets	22,237,542	22,599,591
Surplus	22,565,464	22,762,824
Reserves		
Lake Simcoe Regional Airport reserve	1,987,895	927,323
	24,553,359	23,690,147

6. BUDGET FIGURES

The budget, approved by the Airport, for 2023 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 2023 Annual Report disclosed total actuarial liabilities of \$136,185 million in respect of benefits accrued for service with actuarial assets of \$131,983 million indicating an actuarial deficit of \$4,202 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 2023 were \$77,868 (2022 - \$62,122).

LAKE SIMCOE REGIONAL AIRPORT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

8. CHANGES IN ACCOUNTING POLICIES - ADOPTION OF NEW ACCOUNTING STANDARDS

The Corporation has implemented the following PSA sections which are now effective under the PSA Handbook: 1201 Financial Statement Presentation, 3450 Financial Instruments, 2601 Foreign Currency Translation and 3280 Asset Retirement Obligations.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

Section 2601 provides comprehensive requirements for the recognition, measurement, presentation and disclosure of foreign currency transactions. The adoption of this standard did not have an impact on the Corporation's financial statements.

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The adoption of this standard did not have an impact on the Airport's financial statements.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. Financial instruments are included on the statement of financial position and are measured either at fair value or cost or amortized cost based on the characteristics of the instrument and the Airport's accounting policy choices (see Note 1. Significant Accounting Policies). The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments. The adoption of this standard did not have an impact on the Airport's financial statements but did result in additional note disclosure.

PS 3280 Asset Retirement Obligations addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The adoption of these standards did not have an impact on the Airport's financial statements.

9. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Airport assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. The Airport has no significant currency, liquidity, or other risks.

The Airport is exposed to the following risks in respect of certain of the financial instruments held:

(a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss.

LAKE SIMCOE REGIONAL AIRPORT

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2023

10. SUBSEQUENT EVENT

Subsequent to year end, the County of Simcoe purchased 10% of Lake Simcoe Regional Airport. After this transaction, the County holds 100% ownership of the Airport.

LAKE SIMCOE REGIONAL AIRPORT

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2023

	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	4,174,450	881,331	274,015	14,373,281	72,244	36,428,872
Add: additions during the year	-	-	-	5,443	525,152	8,197	-	214,312	753,104
Balance, end of year	5,394,153	6,868,479	4,390,919	4,179,893	1,406,483	282,212	14,373,281	286,556	37,181,976
ACCUMULATED AMORTIZATION									
Balance, beginning of year	-	5,649,571	1,805,915	1,121,728	455,890	173,754	4,622,423	-	13,829,281
Add: additions during the year	-	218,983	160,416	176,179	53,355	33,420	472,800	-	1,115,153
Balance, end of year	-	5,868,554	1,966,331	1,297,907	509,245	207,174	5,095,223	-	14,944,434
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	5,394,153	999,925	2,424,588	2,881,986	897,238	75,038	9,278,058	286,556	22,237,542