

THE LOWER TRENT REGION CONSERVATION AUTHORITY

FINANCIAL STATEMENTS

December 31, 2023



LOWER TRENT CONSERVATION

714 Murray Street, R.R. 1, Trenton, Ontario K8V 0N1

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Registered Charitable Organization No. 107646598RR0001

MANAGEMENT RESPONSIBILITY STATEMENT

The financial statements of The Lower Trent Region Conservation Authority are the responsibility of management and have been approved by the Board.

The financial statements have been prepared in compliance with Canadian public sector accounting standards, as issued by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Authority's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The financial statements have been audited by Welch LLP, independent external auditors appointed by the Authority, in accordance with Canadian auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.

Rhonda Bateman
Chief Administrative Officer

Kelly Vandette
Manager, Corporate Services

April 11, 2024

Working with Local Communities to Protect our Natural Environment



Member of Conservation Ontario
Representing Ontario's 36 Conservation Authorities

INDEPENDENT AUDITOR'S REPORT

To the Members of
THE LOWER TRENT REGION CONSERVATION AUTHORITY

Opinion

We have audited the financial statements of **THE LOWER TRENT REGION CONSERVATION AUTHORITY**, which comprise the statement of financial position as at December 31, 2023, and the statements of surplus, changes in net financial assets, operations 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 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.

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises:

- ◆ The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

Trenton, Ontario
April 11, 2024


CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

THE LOWER TRENT REGION CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
FINANCIAL ASSETS		
Cash	\$ 1,872,797	\$ 2,092,930
Short term investment - <i>note 4</i>	67,661	64,803
Accounts receivable:		
Municipalities	140,066	13,715
Other	210,857	139,979
	<u>2,291,381</u>	<u>2,311,427</u>
 LIABILITIES		
Accounts payable and accrued liabilities	122,583	113,341
Unearned revenue	22,151	32,367
Due to partnership programs - <i>note 6</i>	213,741	251,597
Deferred contributions - <i>note 5</i>	132,100	197,933
	<u>490,575</u>	<u>595,238</u>
 NET FINANCIAL ASSETS	<u>1,800,806</u>	<u>1,716,189</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets - <i>schedule 4</i>	3,037,157	2,980,081
Prepaid expenditures	23,863	43,687
	<u>3,061,020</u>	<u>3,023,768</u>
 ACCUMULATED SURPLUS	<u>\$ 4,861,826</u>	<u>\$ 4,739,957</u>
 Represented by:		
Operating fund - <i>note 7</i>	\$ 1,066,195	\$ 1,043,189
Reserve funds - <i>note 8</i>	758,474	716,687
Equity in tangible capital assets	3,037,157	2,980,081
	<u>\$ 4,861,826</u>	<u>\$ 4,739,957</u>

Approved on behalf of the Board

 Director

 Director

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
STATEMENT OF SURPLUS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
ACCUMULATED SURPLUS , beginning of year	\$ 4,739,957	\$ 4,414,200
Annual surplus	121,869	325,757
ACCUMULATED SURPLUS , end of year	\$ 4,861,826	\$ 4,739,957

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
NET FINANCIAL ASSETS, beginning of year	\$ 1,716,189	\$ 1,448,696
Annual surplus	121,869	325,757
Acquisition of tangible capital assets	(112,965)	(88,068)
Proceeds on disposition of tangible capital assets	-	5,613
Gain on disposal of tangible capital assets	-	(5,079)
Amortization of tangible capital assets	55,889	51,489
Change in prepaid expenditures	19,824	(22,219)
	84,617	267,493
NET FINANCIAL ASSETS, end of year	\$ 1,800,806	\$ 1,716,189

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023

	2023 Budget (Note 11)	2023 Actual	2022 Actual
REVENUE - OPERATING			
Government grants - provincial	\$ 68,831	\$ 68,831	\$ 68,831
Municipal levies - operating	1,078,276	1,078,275	1,024,074
Recoveries - property taxes	26,286	24,109	23,919
Legal enquiries and permits	200,000	187,138	197,371
Plan review	150,000	134,760	195,630
Property rental	31,653	36,896	32,459
Grants - stewardship projects	-	198,389	74,111
Tree seedling and native potted plants	25,000	39,263	28,444
Donations - unrestricted	-	5,482	2,179
Dedicated contributions recognized - note 5	87,282	76,634	22,652
Municipal agreements	122,120	128,999	128,999
Recovered from partnership programs - note 10	358,271	274,789	286,188
Government grants - summer students and interns	24,180	9,960	29,088
Interest	10,000	117,257	43,740
Sundry	-	793	13,549
	<u>2,181,899</u>	<u>2,381,575</u>	<u>2,171,234</u>
EXPENDITURES - OPERATING			
Category 1 (Mandatory), Schedule 1	2,098,797	1,972,294	1,678,295
Category 2 (Non-mandatory), Schedule 2	168,355	171,877	171,681
Category 3 (Non-mandatory), Schedule 3	117,118	158,823	70,131
	<u>2,384,270</u>	<u>2,302,994</u>	<u>1,920,107</u>
Annual surplus (deficit) before capital items -note 7	<u>(202,371)</u>	<u>78,581</u>	<u>251,127</u>
CAPITAL ITEMS			
Municipal levies - capital	98,105	98,105	98,105
Municipal special benefitting levy - capital	-	462	17,038
Government grant - provincial - capital project	-	610	17,038
Major repairs and maintenance	-	-	(11,141)
Amortization	-	(55,889)	(51,489)
Gain on disposal of tangible capital assets	-	-	5,079
	<u>98,105</u>	<u>43,288</u>	<u>74,630</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (104,266)</u>	<u>\$ 121,869</u>	<u>\$ 325,757</u>

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
SCHEDULE 1 - CATEGORY 1 (MANDATORY)
YEAR ENDED DECEMBER 31, 2023

	2023 Budget (Note 11)	2023 Actual	2022 Actual
REVENUE			
Government grants - provincial	\$ 68,831	\$ 68,831	\$ 68,831
Municipal levies - operating	1,078,276	1,078,275	1,024,074
Recoveries - property taxes	26,286	24,109	23,919
Legal enquiries and permits	200,000	187,138	197,371
Plan review	150,000	134,760	195,630
Property rental	31,653	36,896	32,458
Grants - stewardship projects	-	141,619	43,925
Donations - unrestricted	-	5,482	2,146
Recovered from partnership programs	358,271	274,789	286,188
Government grants - summer students and interns	9,672	-	17,488
Interest	10,000	117,257	43,740
Sundry	-	793	13,300
	<u>1,932,989</u>	<u>2,069,949</u>	<u>1,949,070</u>
EXPENDITURES			
Natural hazard management			
- Staffing	659,945	553,203	484,797
- Operational	139,502	126,067	68,083
Provincial water quality monitoring			
- Staffing	10,112	14,033	-
Local/regional drinking water source protection			
- Staffing	112,842	109,226	107,000
Core watershed-based resource management			
- Staffing	36,768	-	-
- Operational	-	30,000	-
Conservation authority lands and areas			
- Staffing	232,646	286,718	218,271
- Operational	114,365	180,814	142,933
Enabling services			
- Staffing	547,747	505,811	534,414
- Operational	244,870	166,422	122,797
	<u>2,098,797</u>	<u>1,972,294</u>	<u>1,678,295</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (165,808)</u>	<u>\$ 97,655</u>	<u>\$ 270,775</u>

(See accompanying note)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
SCHEDULE 2 - CATEGORY 2 (NON-MANDATORY)
YEAR ENDED DECEMBER 31, 2023

	2023 Budget (Note 11)	2023 Actual	2022 Actual
REVENUE			
Municipal agreements	\$ 122,120	\$ 128,999	\$ 128,999
Government grants - summer students and interns	9,672	5,620	11,600
	<u>131,792</u>	<u>134,619</u>	<u>140,599</u>
EXPENDITURES			
Local water quality monitoring			
- Staffing	25,136	23,273	21,555
- Operational	21,099	18,251	17,904
Local risk management part IV and education			
- Staffing	103,665	110,837	128,550
- Operational	18,455	19,516	3,672
	<u>168,355</u>	<u>171,877</u>	<u>171,681</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (36,563)</u>	<u>\$ (37,258)</u>	<u>\$ (31,082)</u>

(See accompanying note)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
SCHEDULE 3 - CATEGORY 3 (NON-MANDATORY)
YEAR ENDED DECEMBER 31, 2023

	2023 Budget (Note 11)	2023 Actual	2022 Actual
REVENUE			
Grants - stewardship projects	\$ -	\$ 56,770	\$ 30,186
Tree seedling and native potted plants	25,000	39,263	28,444
Donations - unrestricted	-	-	33
Dedicated contributions recognized	87,282	76,634	22,652
Government grants - summer students and interns	4,836	4,340	-
Sundry	-	-	250
	<u>117,118</u>	<u>177,007</u>	<u>81,565</u>
EXPENDITURES			
Youth education			
- Staffing	72,118	57,855	10,976
- Operational	20,000	7,008	11,150
Community outreach			
- Staffing	-	21,654	-
- Operational	25,000	72,306	48,005
	<u>117,118</u>	<u>158,823</u>	<u>70,131</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ 18,184</u>	<u>\$ 11,434</u>

(See accompanying note)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
SCHEDULE 4 - TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2023

	Land	Buildings, structures and bridges	Flood and Erosion Control Infrastructure	Roads, parking lots and trails	Furniture and fixtures	Equipment	Office equipment	Vehicles	Computer Equipment	2023 Total	2022 Total
Historical Costs:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance	2,116,658	844,397	347,911	134,797	39,578	78,503	39,021	188,016	87,037	3,875,918	3,840,702
Additions	-	36,627	1,220	-	-	-	-	47,584	27,534	112,965	88,068
Disposals	-	-	-	-	-	-	-	-	-	-	(52,852)
Closing Balance	2,116,658	881,024	349,131	134,797	39,578	78,503	39,021	235,600	114,571	3,988,883	3,875,918

Accumulated Amortization:

Opening Balance	-	330,655	174,120	45,915	37,930	55,430	37,830	137,248	76,709	895,837	896,666
Amortization	-	12,920	4,377	2,223	329	4,615	357	21,179	9,889	55,889	51,489
Disposals	-	-	-	-	-	-	-	-	-	-	(52,318)
Closing Balance	-	343,575	178,497	48,138	38,259	60,045	38,187	158,427	86,598	951,726	895,837

Net book value for year ended December 31, 2023

	2,116,658	537,449	170,634	86,659	1,319	18,458	834	77,173	27,973	3,037,157	2,980,081
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(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 121,869	\$ 325,757
Adjustments for:		
Amortization	55,889	51,489
Gain on disposal of tangible capital assets	<u>-</u>	<u>(5,079)</u>
	177,758	372,167
Change in non-cash operating balances:		
Accounts receivable	(197,229)	(107,040)
Prepaid expenditures	19,824	(22,219)
Accounts payable and accrued liabilities	9,243	16,309
Unearned revenue	(10,216)	4,796
Due to partnership programs	(37,856)	(91,896)
Deferred contributions	<u>(65,833)</u>	<u>(21,962)</u>
	<u>(104,309)</u>	<u>150,155</u>
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(112,965)	(88,068)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>5,613</u>
	<u>(112,965)</u>	<u>(82,455)</u>
CASH FLOWS FROM INVESTING TRANSACTIONS		
Purchase of short-term investment	<u>(2,859)</u>	<u>(944)</u>
INCREASE (DECREASE) IN CASH	(220,133)	66,756
CASH, beginning of year	<u>2,092,930</u>	<u>2,026,174</u>
CASH, end of year	<u><u>\$ 1,872,797</u></u>	<u><u>\$ 2,092,930</u></u>

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

1. NATURE OF OPERATIONS

The Lower Trent Region Conservation Authority ("the Authority") is established under the Conservation Authorities Act of Ontario to provide for the organization and delivery of programs and services that further the conservation, restoration, development and management of natural resources in watersheds in Ontario. The watersheds include areas in the Municipalities of Centre Hastings, Trent Hills and Brighton, the Townships of Alnwick/Haldimand, Cramahe and Stirling-Rawdon, and the City of Quinte West.

The Authority is a registered charity and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Authority follows Canadian Public Sector Accounting Standards as issued by the Public Sector Accounting Board (PSAB) in preparing its financial statements. The significant accounting policies used are as follows:

Basis of accounting

Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the year in which they have been earned and incurred, respectively, whether or not such transactions have been settled by the receipt or payment of money.

Appropriations to reserves

Authorities may establish reserves by appropriating amounts to earmark them for specific purposes. Appropriations to or from reserves are disclosed in note 6 and note 7 as appropriations from or to the operating fund.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a declining balance basis commencing in the year the asset is put into service. Donated tangible capital assets are reported at fair value at the time of donation. Amortization rates are as follows:

Buildings, structures and bridges	2.5%
Flood and erosion control infrastructure	2.5%
Roads, parking lots and trails	2.5%
Furniture and fixtures	20%
Equipment	20%
Office equipment	30%
Vehicles	30%
Computer equipment	30 to 45%

THE LOWER TRENT REGION CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Authority recognizes revenue as follows:

Municipal levies - general are recognized in the fiscal year in which they are levied.

The Provincial government annual operating grant is recognized in the fiscal year to which the grant relates to the extent that eligible expenditures have been incurred.

User fees and sales are recognized when the service has been performed or the goods have been transferred.

Other grants and specified donations are recognized when the related net expenditures have been incurred.

Property rental income is recognized over the lease term.

General donations are recognized when received.

Any funding received for which the related services have not been performed and/or the related expenditures have not been incurred at the end of the fiscal year are recorded as unearned revenue.

Investment income, which includes interest on bank accounts and distributions from mutual funds, is recognized when earned.

Investments

Investments, which consist of mutual funds, are measured at acquisition cost.

Financial instruments

The Authority initially measures its financial assets and financial liabilities at fair value adjusted by, in the case where a financial asset or financial liability is subsequently measured at amortized cost, the amount of transaction costs directly attributable to the instrument. The Authority subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, accounts receivable and short term investment. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, due to partnership programs, unearned revenue and deferred contributions. The purchase and sale of investments are accounted for using settlement date accounting. Transaction costs associated with the acquisition of investments and investment management fees are expensed as incurred.

THE LOWER TRENT REGION CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability for contaminated sites

A contaminated site is a site at which substances occur, in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated sites if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Authority is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. These statements do not include any liability for contaminated sites.

Pension expense and obligation

The cost of employer contributions to the multi-employer defined benefit pension plan are charged to operations in the same year as the related employee salaries and wages to which the contributions relate. No provision is made for any funding liability or surplus related to this plan.

Asset retirement obligations

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations. These statements do not include any asset retirement obligations.

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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Items requiring the use of significant estimates include determining the estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

THE LOWER TRENT REGION CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

3. FINANCIAL INSTRUMENTS

Credit risk

The Authority is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Authority's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable and investments. The Authority's cash and investments are with Canadian banks while the accounts receivable are largely amounts due from governments and as a result management believes the risk of loss to be remote. All of the receivables are current.

Liquidity risk

Liquidity risk is the risk that the Authority cannot meet a demand for cash or fund its obligations as they become due. The Authority meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can readily be converted to cash. Substantially all of the accounts payable and accrued liabilities are anticipated to be settled within six months of the year end.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

a) Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. Substantially all of the Authority's transactions are in Canadian dollars and as a result, management does not believe the Authority is exposed to significant currency risk.

b) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Authority has limited interest rate risk as it bears no variable rate debt.

c) Other price risk

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Authority is not exposed to other price risk.

THE LOWER TRENT REGION CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

3. FINANCIAL INSTRUMENTS (continued)

Fair value

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

The Authority has no instruments that are subsequently measured at fair value after initial recognition.

Changes in risk

There was no significant change in the Authority's risk exposure during the year.

4. SHORT TERM INVESTMENT

The short term investment consists of a T-Bill mutual fund and includes \$16,830 (2022 - \$16,119) which is restricted in use for the Shell Canada project described in Note 4. The market value of the investment is equivalent to its cost.

5. DEFERRED CONTRIBUTIONS

	2023	2022
Balance, beginning of year	\$ 197,933	\$ 207,745
Contributions received in year	10,090	12,605
Interest earned	711	235
Expended in year	(76,634)	(22,652)
Balance, end of year	\$ 132,100	\$ 197,933

THE LOWER TRENT REGION CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

5. DEFERRED CONTRIBUTIONS (continued)

Deferred contribution balance includes the following items:

	2023	2022
Shell Canada	\$ 16,830	\$ 16,119
Youth Education Programs and Fundraising Initiative	115,270	165,603
Land Stewardship - Education and Outreach	-	16,211
	\$ 132,100	\$ 197,933

The Authority received contributions in a prior year from Shell Canada that are restricted in their use towards capital improvements at the Goodrich-Loomis Conservation Centre.

The Authority received contributions during the current year and prior years from various donors that are restricted in their use towards Youth Education Programs and Fundraising Initiative.

6. DUE TO PARTNERSHIP PROGRAMS

The Authority has been engaged to manage and administer non-authority programs on behalf of partners. This includes hiring and supervising the employees of these programs as well as providing technical and administrative support. The Authority is advanced funds to cover the expenditures of these programs. Separate bank accounts are not maintained for these programs. Currently, the Authority administers the Bay of Quinte Remedial Action Plan programs ("BQRAP"), the Regional Drinking Water Source Protection Program for the Trent Conservation Coalition ("RDWSP") and the Flood Hazard Identification and Mapping Program ("FHIMP"). At the end of the current year, the Authority had the following amounts payable to these programs and funds received and expended for these programs.

	Amount payable beginning of year	Funds received in year	Expenditures	Amount payable end of year
BQRAP Governance	\$ 69,924	\$ 216,300	\$ (286,345)	\$ (121)
BQRAP Natural Heritage	155,767	74,996	(126,904)	103,859
BQRAP Total	225,691	291,296	(413,249)	103,738
RDWSP	25,906	750,557	(666,460)	110,003
FHIMP	-	375,780	(375,780)	-
	\$ 251,597	\$ 1,417,633	\$ 1,455,489)	\$ 213,741

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6. DUE TO PARTNERSHIP PROGRAMS (continued)

The Authority is the signatory to funding contracts with the Federal and Ontario governments for the above noted programs. Under these contracts, there are periodic submissions of financial reports and reconciliations of expenditures incurred to the funding provided for the contract period. Funding received in excess of eligible expenditures may have to be returned to the funding government.

7. OPERATING FUND

The activity during the year in the operating fund is as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 1,043,189	\$ 822,652
Increase in net financial assets	84,617	267,493
Increase (decrease) in prepaid expenditures	(19,824)	22,219
Appropriations to reserves	(143,105)	(140,342)
Appropriations from reserves	<u>101,318</u>	<u>71,167</u>
Balance, end of year	<u>\$ 1,066,195</u>	<u>\$ 1,043,189</u>

The amounts added to the operating fund surplus for the year (before appropriations to/from reserves) is as follows:

	<u>2023</u>	<u>2022</u>
Category 1 annual operating surplus	\$ 97,655	\$ 270,775
Category 2 annual operating surplus (deficit)	(37,258)	(31,082)
Category 3 annual operating surplus	<u>18,184</u>	<u>11,434</u>
Total annual operating surplus	78,581	251,127
Annual capital surplus	43,288	74,630
Add amortization	55,889	51,489
Less capital asset additions	(112,965)	(88,068)
Add net book value of capital assets disposed of	<u>-</u>	<u>534</u>
	<u>\$ 64,793</u>	<u>\$ 289,712</u>

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8. RESERVE FUNDS

Appropriations to or from the reserve for administration facility, reserve for equipment, reserve for special projects, reserve for workshop facility, reserve for conservation lands, reserve for legal fees and reserve for youth education are specific decisions of the Authority's Board of Directors. The Provincial land reserve consists of funds received from sales of lands that are restricted in purpose to the purchase of provincially significant conservation lands, flood operations, flood control structures or hazard land mapping and require provincial approval. The activity in the various reserve funds during the year are as follows:

	Balance beginning of <u>year</u>	Appropriation from <u>Operations</u>	Appropriation to <u>Operations</u>	Balance end <u>of year</u>
Reserve for buildings, structures, and bridges	\$ 105,005	\$ 32,000	\$ (36,627)	\$ 100,378
Reserve for vehicles and equipment	107,215	30,550	(47,584)	90,181
Reserve for special projects	68,195	3,680	(1,220)	70,655
Reserve for conservation lands	15,000	-	-	15,000
Reserve for legal fees	70,000	20,000	-	90,000
Reserve for youth education	65,350	-	-	65,350
Provincial land reserve	225,245	-	-	225,245
Reserve for IT infrastructure	30,864	37,000	(15,887)	51,977
Reserve for land infrastructure	<u>29,813</u>	<u>19,875</u>	<u>-</u>	<u>49,688</u>
	<u>\$ 716,687</u>	<u>\$ 143,105</u>	<u>\$ (101,318)</u>	<u>\$ 758,474</u>

Appropriations from operations includes \$45,000 approved by board resolutions during the year plus the municipal capital levy of \$98,105 approved for the year. Appropriations to operations of \$101,318 relate to actual spending on items approved in the capital asset management plan as follows:

Capital assets additions	\$ 112,965
Net of deposits on current additions appropriated in the prior year	<u>(11,647)</u>
	<u>\$ 101,318</u>

9. DONATIONS

During the year, the Authority received donations totaling \$10,572 of which \$5,090 were restricted in use and have been included in deferred contributions (see note 5) and \$5,482 is included as donations - unrestricted on the statement of operations.

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10. RECOVERIES FROM PARTNERSHIP PROGRAMS

Recoveries from partnership programs are amounts recovered from the programs described in note 6 and include recovery of wages and benefits of general Authority employees, office space and automotive equipment rental and overhead costs. The amounts charged to the programs are as follows:

	2023	2022
Bay of Quinte Remedial Action Plan	\$ 133,660	\$ 147,389
Regional Drinking Water Source Protection	141,129	138,799
	\$ 274,789	\$ 286,188

Of the total recovered, \$157,382 is Category 1 revenue and \$117,407 is Category 3 revenue.

11. BUDGET AMOUNTS

The budget amounts presented are as approved by the Board of Directors on February 9, 2023. This includes both the operating budget and the capital budget. The operating budget included \$2,439,910 of revenue and \$2,642,281 of expenditures for a net deficit of \$202,371. However, the operating budget included certain revenues and expenditures of the Regional Drinking Water Source Protection Program that are not reflected on these financial statements and thus the operating budget presented on the statement of operations has been adjusted to show revenue of \$2,181,899 and expenditures of \$2,384,270 for a net deficit of \$202,371. The capital budget included \$98,105 of revenue with projected capital expenditures of \$110,000 for a net deficit of \$11,895. The Authority does not budget for amortization. The net budgeted deficits were to be funded from prior years' accumulated surplus.

12. EXPENDITURES BY OBJECT

Operating expenditures comprise:

	2023	2022
Salaries and benefits	\$ 1,528,158	\$ 1,503,592
Operating goods and services	774,836	416,515
	\$ 2,302,994	\$ 1,920,107

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13. PENSION AGREEMENTS

The Authority makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of the members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Contributions are split equally between the employees and the Authority.

The Authority's share of contributions to OMERS for 2023 was \$129,889 (2022 - \$132,258) for current service costs, of which \$19,399 (2022 - \$22,575) related to Partnership Programs and \$109,683 (2022 - \$109,683) relates to Authority programs that are included in the statement of operations.

The OMERS plan has a reported \$4.2 billion going concern actuarial deficit at the end of 2023 (2022 - \$6.7 billion), and \$136.2 billion of going concern actuarial liabilities at the end of 2022 (2022 - \$130.3 billion).

14. UNCERTAINTY DUE TO IMPACT OF CHANGES TO THE CONSERVATION AUTHORITIES ACT AND REGULATIONS

In November 2022, the Provincial government passed Bill 23 that included amendments to the Conservation Authorities Act ("the Act") that have altered the role of Conservation Authorities ("CAs") in reviewing municipal planning applications for natural heritage. Additional pending Bill 23 amendments may further limit the role of CAs in planning and permitting. The Province has frozen CA user fees for 2023 and into 2024.

In December 2020, the Provincial government passed Bill 229, which made changes to the Act that made changes to the role of CAs and providing more control to municipalities over what programs and services of CAs that the municipalities will fund. These changes gave the Provincial government power to implement new regulations. Phase 1 of the regulations were finalized in October 2021 while phase 2 of the regulations were finalized in April 2022. These regulations required CAs to develop and inventory of programs and services and categorize them into three categories:

- Category 1 - Mandatory Programs and Services
- Category 2 - Municipal Programs and Services
- Category 3 - Other Programs and Services

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**14. UNCERTAINTY DUE TO IMPACT OF CHANGES TO THE CONSERVATIONS
AUTHORITIES ACT AND REGULATIONS (continued)**

Category 1 programs and services are prescribed by the regulations and do not require a municipal servicing agreement. Category 2 programs and services benefit member municipalities individually or as a group and are subject to agreements between CAs and member municipalities (either individually or as a group). Category 3 programs and services are programs and services that the CAs members find important to deliver to best meet the overall direction of the Act and are subject to cost apportioning agreements if municipal funding is proposed to be used. Municipal agreements for Category 2 and 3 programs and services must in place by January 1, 2024. The regulations also set out the annual budget process with a requirement to allocate costs by project to the participating municipalities in determining the annual levy to each municipality for budgets for fiscal 2024 and beyond. The regulations also deal with how CAs may charge user fees to the general public (either for use of assets such as Conservation Areas or fee for service).

The Authority has developed its inventory of programs and services and categorized them accordingly in conjunction with its member municipalities. The Authority has agreements in place for with municipalities for 2024 and will be implementing other agreements, as necessary. The Authority has approved its 2024 budget in partnership with its member municipalities.

The impact of the above changes on the future assets, liabilities, revenues and expenditures of the Authority are not completely known at this time. In the short-term, the Authority has sufficient operating surplus and reserves to continue to operate as a going concern.

15. ADOPTION OF NEW ACCOUNTING POLICIES

Effective January 1, 2023, the Authority adopted PS3450 Financial Instruments, PS2601 Foreign Currency Translation, PS3041 Portfolio Investments and PS3280 Asset Retirement Obligations. The adoption of these standards had no impact on prior periods due to the nature of its financial instruments.

16. COMPARATIVE FIGURES

The Authority prepared its budget for 2023 in accordance with the categories outlined in Note 14 and has presented the Statement of Operations and related schedules in the same format. As such, the comparative figures have been restated from those previously presented to conform to the presentation adopted for the current year.

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17. CONTINGENT LIABILITY

Subsequent to the year end, defendants in an enforcement action undertaken by the Authority, filed a claim for recovery of costs the defendants incurred with respect to the enforcement action which was concluded prior to December 31, 2023. The claim is for approximately \$95,000. An estimate of the liability, if any, arising from this matter cannot be made since the outcome of this matter cannot be determined at this time. The Authority maintains insurance coverage that may reduce the Authority's exposure to any liability that may arise from this claim. No provision has been made in these financial statement with respect to this matter.