

**UPPER THAMES RIVER
CONSERVATION AUTHORITY
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

SEEBACH & COMPANY
Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Upper Thames River Conservation Authority (the "Authority") are the responsibility of the Authority's management and have been prepared in accordance with Canadian public sector accounting standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada, as 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 from loss, transactions are properly authorized and recorded, and reliable information is available on a timely basis for preparation of the financial statements. These statements are monitored and evaluated by the Authority's management. The Board of Directors meets with management and the external auditor to review the financial statements and discuss and significant financial reporting or internal control matters prior to their approval.

The financial statements have been audited by Seebach & Company, independent external auditors appointed by the Authority. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.

UPPER THAMES RIVER CONSERVATION AUTHORITY



Tracy Annett, MCIP, RPP
General Manager / Secretary-Treasurer



Christine Saracino, CPA, MBA
Supervisor, Finance and Accounting

May 28, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of Upper Thames River Conservation Authority

Opinion

We have audited the accompanying financial statements of Upper Thames River Conservation Authority ("the Authority"), which are comprised of the statement of financial position as at December 31, 2023 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

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 the financial statements in accordance with PSAB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
May 28, 2024

**UPPER THAMES RIVER CONSERVATION AUTHORITY
STATEMENT OF OPERATIONS**


For the year ended December 31	2023 Budget	2023 Actual	2022 Actual
Revenue			
Municipal general levy	6,191,094	5,774,715	4,031,400
Dam and flood control levy	2,043,262	1,985,259	2,040,584
Conservation areas	4,322,144	4,568,863	4,317,395
Land and asset management	3,105,898	3,450,336	2,786,906
Fees for service	1,734,627	1,502,958	1,423,270
Provincial transfer payments			
Ministry of Natural Resources Section 39 grants	181,213	181,213	181,213
Other provincial grants	1,218,508	1,201,702	956,823
Donations	32,500	35,190	85,299
Federal program funding	877,635	312,438	1,025,790
Other	564,225	871,761	481,275
	<u>20,271,106</u>	<u>19,884,435</u>	<u>17,329,955</u>
Expenditures			
Campground operations	4,101,490	4,151,943	4,209,405
Water & information management	5,186,695	3,557,369	3,033,610
Lands, facilities and conservation areas	4,212,123	3,240,361	2,059,326
Integrated watershed management	2,763,331	2,608,089	2,531,345
Community partnerships	1,744,529	1,781,755	1,438,191
Source water protection	608,153	581,565	509,958
Environmental planning & regulations	2,507,465	2,536,525	2,000,040
Service cost centres	484,138	700,479	489,945
	<u>21,607,924</u>	<u>19,158,086</u>	<u>16,271,820</u>
Annual surplus (deficit)	(1,336,818)	726,349	1,058,135
Accumulated surplus, beginning of year	<u>46,670,417</u>	<u>46,670,417</u>	<u>45,612,282</u>
Accumulated surplus, end of year (note 6)	<u><u>\$ 45,333,599</u></u>	<u><u>\$ 47,396,766</u></u>	<u><u>\$ 46,670,417</u></u>

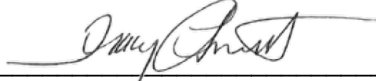
The accompanying notes are an integral part of this financial statement

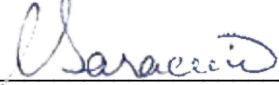
**UPPER THAMES RIVER CONSERVATION AUTHORITY
STATEMENT OF FINANCIAL POSITION**

As at December 31	2023	2022
FINANCIAL ASSETS		
Cash	815,631	1,412,944
Accounts receivable	903,340	1,251,267
Investments (note 3)	15,502,627	14,946,010
	17,221,598	17,610,221
LIABILITIES		
Accounts payable and accrued liabilities	1,046,941	896,245
Deferred revenue	9,289,323	9,244,827
	10,336,264	10,141,072
NET FINANCIAL ASSETS	6,885,334	7,469,149
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 5, schedule C)	40,331,502	38,974,611
Prepaid expenses and deposits	158,626	209,629
Inventories	21,304	17,028
	40,511,432	39,199,268
ACCUMULATED SURPLUS (note 6)	\$ 47,396,766	\$ 46,670,417

On behalf of the Board:


_____, Chair


_____, General Manager


_____, Supervisor of Finance

The accompanying notes are an integral part of this financial statement

**UPPER THAMES RIVER CONSERVATION AUTHORITY
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

For the year ended December 31	2023	2022
Annual surplus (deficit)	726,349	1,058,135
Amortization of tangible capital assets	1,370,989	1,342,946
Net acquisition of tangible capital assets	(2,810,424)	(1,087,034)
Loss (gain) on sale of tangible capital assets	19,231	(37,022)
Proceeds on sale of tangible capital assets	63,313	39,502
Decrease (increase) in prepaid expenses and deposits	51,003	(72,805)
Decrease (increase) in inventories	(4,276)	7,789
Increase (decrease) in net financial assets	(583,815)	1,251,511
Opening balance	7,469,149	6,217,638
Closing balance	\$ 6,885,334	\$ 7,469,149

The accompanying notes are an integral part of this financial statement

**UPPER THAMES RIVER CONSERVATION AUTHORITY
STATEMENT OF CASH FLOWS**

For the year ended December 31	2023	2022
Operating activities		
Annual surplus (deficit)	726,349	1,058,135
Amortization expense not requiring cash outlay	1,370,989	1,342,946
Loss (gain) on sale of tangible capital assets	19,231	(37,022)
Decrease (increase) in accounts receivable	347,927	339,841
Increase (decrease) in accounts payable and accrued liabilities	150,696	(878,086)
Increase (decrease) in deferred revenue	44,496	621,578
Decrease (increase) in prepaid expenses and deposits	51,003	(72,805)
Decrease (increase) in inventories	(4,276)	7,789
Cash provided by (used for) operating activities	<u>2,706,415</u>	<u>2,382,376</u>
Capital activities		
Proceeds on sale of tangible capital assets	63,313	39,502
Net disposals (purchases) of tangible capital assets	<u>(2,810,424)</u>	<u>(1,087,034)</u>
Cash provided by (used for) capital activities	<u>(2,747,111)</u>	<u>(1,047,532)</u>
Investing activities		
Disposal (purchase) of investments, net	<u>(556,617)</u>	<u>(2,292,928)</u>
Cash provided by (used for) investing activities	<u>(556,617)</u>	<u>(2,292,928)</u>
Increase (decrease) in cash position	(597,313)	(958,084)
Cash (overdraft) beginning of year	<u>1,412,944</u>	<u>2,371,028</u>
Cash (overdraft) end of year	<u>\$ 815,631</u>	<u>\$ 1,412,944</u>

The accompanying notes are an integral part of this financial statement

UPPER THAMES RIVER CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. Description of the business

The Upper Thames River Conservation Authority (the "Authority") is established under the Conservation Authority Act of Ontario to further the conservation, restoration, development and management of natural resources, other than gas, oil, coal and minerals for the watersheds within its area of jurisdiction.

2. Significant accounting policies

The financial statements have been prepared by the management of the Authority in accordance with generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Significant aspects of accounting policies adopted by the Authority are as follows:

a) Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable, and recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Investments

Investments are recorded at cost unless there is a reduction in market value that is determined to be other than temporary, at which time they would be written down to market.

c) Tangible capital assets

Tangible capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development.

The cost, less estimated residual value, of the tangible capital assets, except land, are amortized on a straight-line basis over the estimated useful lives as follows:

Category	Useful Life
Land	not applicable
Land improvements	10 - 30 years
Buildings	15 - 50 years
Infrastructure	15 - 50 years
Furniture and fixtures	5 - 10 years
Vehicles	5 - 15 years
Flood control structures	20 - 80 years
Information technology	3 - 20 years

Amortization is charged in the year of acquisition and in the year of disposal. Construction in progress is not amortized until the asset is available for productive use.

(i) Contributions of tangible capital assets

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

(ii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

2. Significant accounting policies (continued)

d) Contributed capital assets

Contributed capital assets are recognized as assets and revenue, or deferred revenue, at fair value at the time they are received.

e) Contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

f) Deferred revenue

Revenue restricted by legislation, regulation or agreement and not available for Authority purposes is reported as deferred revenue on the statement of financial position. The revenue is reported on the statement of financial activities in the year in which it is used for the specified purpose.

g) Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized in revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

h) Government transfers

Government transfer payments are recognized as revenue in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end. To the extent that stipulations by the transferor give rise to an obligation that meet the definition of a liability, government transfers are recognized as revenue as the liability is extinguished.

i) Accumulated surplus and reserves

Appropriations are made from operations and accumulated surplus to reserves for future expenditures and contingencies for such amounts as required by various cost sharing arrangements, provincial restrictions and are deemed appropriate, and upon approval of the Board of Directors.

j) 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, the reported amounts of revenues and expenditures during the period, and the accompanying notes. Key components of the financial statements requiring management to make estimates include the amortization rates for tangible capital assets and the establishment of certain accruals. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

3. Investments

Investments are comprised of the following:

	2023	2023	2022	2022
	Cost	Market Value	Cost	Market Value
Fixed income	\$ 9,029,498	\$ 8,871,079	\$ 8,611,123	\$ 8,594,629
Equity investments	<u>6,473,129</u>	<u>6,940,999</u>	<u>6,334,887</u>	<u>6,389,666</u>
	<u>\$ 15,502,627</u>	<u>\$ 15,812,078</u>	<u>\$ 14,946,010</u>	<u>\$ 14,984,295</u>

Fixed income investments consist of term deposits and guaranteed investment certificates with maturities ranging from January 15, 2024 to October 22, 2029. Interest rates on the investments range from 1.1% to 5.65%. Fixed income and equity investments are recorded on the statement of financial position at cost.

4. Other liabilities

The Authority is the lead agency in the source water protection fund, whereby funds are received by the Authority for the other parties to the arrangement. Each party is entitled to its pro-rata share of funding which is for the purpose of source water protection.

5. Tangible capital assets

For additional information, see the Schedule of Tangible Capital Assets information on the tangible capital assets of the Authority by major class, as well as for accumulated amortization of the assets controlled.

6. Accumulated surplus

The accumulated surplus consists of individual fund surplus/(deficit) amounts and reserve and reserve funds as follows:

	2023	2022
Surplus		
Invested in tangible assets	\$ 40,331,502	\$ 38,974,611
Unrestricted net assets surplus (deficit)	<u>(2,259,093)</u>	<u>(902,202)</u>
	38,072,409	38,072,409
Reserves set aside for specific purposes of the Authority		
Operating and/or capital reserves (Schedule B)	3,595,446	3,702,773
Reserve funds set aside for specific purposes by the Authority		
Restricted reserves (Schedule B)	<u>5,728,911</u>	<u>4,895,235</u>
	<u>\$ 47,396,766</u>	<u>\$ 46,670,417</u>

For additional information, see the Schedule of Continuity of Reserves and Reserve Funds.

7. Pension plan agreements

The Authority makes contributions to a multi-employer pension plan on behalf of members of its staff. The 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. The amount contributed for 2023 was \$883,208 (2022 : \$713,978) for current services and is included as an expenditure on the statement of operations.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due. Any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Authority does not recognize any share of the OMERS pension surplus or deficit.

8. Financial instrument risk management

Credit risk

The Authority is exposed to credit risk through its cash, trade and other receivables, and short-term investments. There is the possibility of non-collection of its trade and other receivables. The majority of the Authority's receivables are from users and government entities. For trade and other receivables, the Authority measures impairment based on how long the amounts have been outstanding. For amounts outstanding considered doubtful or uncollectible, an impairment allowance is setup.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority has a planning and a budgeting process in place to help determine the funds required to support the Authority's normal operating requirements on an ongoing basis. The Authority ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

There has been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

9. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the statement of operations for comparative purposes. The 2023 budget amounts for the Upper Thames River Conservation Authority approved by the Membership are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of activities.

UPPER THAMES RIVER CONSERVATION AUTHORITY
Schedule A - Service Cost Centres

For the year ended December 31	2023 Budget	2023 Actual	2022 Actual
Recoveries from mission cost centres	<u>4,881,526</u>	<u>4,476,340</u>	<u>3,981,735</u>
Expenditures			
Occupancy	780,898	819,266	531,169
Information systems	917,048	865,405	766,970
Administration	902,696	787,508	811,204
Finance & human resources	1,257,284	1,275,019	1,047,136
Long-term investment	43,000	43,569	42,737
Marketing and communications	727,327	667,189	596,840
Vehicles and equipment	737,411	718,863	675,624
	<u>5,365,664</u>	<u>5,176,819</u>	<u>4,471,680</u>
	<u>(\$ 484,138)</u>	<u>(\$ 700,479)</u>	<u>(\$ 489,945)</u>

UPPER THAMES RIVER CONSERVATION AUTHORITY
Schedule B - Continuity of Reserves and Reserve Funds
For the Year Ended December 31, 2023

	Balance, beginning of year	Appropriations To (From) Reserves	Balance, end of year
Restricted reserves			
Flood control	3,529,679	(47,470)	3,482,209
Donor designated memorial forests	44,876	1,163	46,039
Harrington Grist Mill	37,269	(930)	36,339
Land disposition/acquisition reserve	90,949	(60,090)	30,859
	<u>3,702,773</u>	<u>(107,327)</u>	<u>3,595,446</u>
Operating and/or capital reserves			
Capital building, fleet and equipment replacement	851,493	-	851,493
General operating reserves	431,212	153,715	584,927
Defined purpose reserves	3,612,530	679,961	4,292,491
	<u>4,895,235</u>	<u>833,676</u>	<u>5,728,911</u>
	<u><u>\$ 8,598,008</u></u>	<u><u>726,349</u></u>	<u><u>\$ 9,324,357</u></u>

UPPER THAMES RIVER CONSERVATION AUTHORITY
Schedule C - Tangible Capital Assets
For the Year Ended December 31, 2023

	Land	Land Improvements	Buildings	Infrastructure	Furniture and Fixtures	Vehicles	Flood Control Structures	Information Technology Equipment	Construction in Progress	TOTAL Net Book Value 2023	TOTAL Net Book Value 2022
Cost											
Balance, beginning of year	15,106,602	3,134,574	14,883,375	7,894,031	760,102	2,278,113	22,939,368	676,777	45,874	67,718,816	66,720,045
Add: Additions during the year		64,061	1,870,000		32,701	283,743	256,483	190,653	112,783	2,810,424	989,214
Less: Disposals during the year	(80,700)					(154,516)				(235,216)	(143,130)
Other: WIP transfers							45,874		(45,874)	-	-
Reclassifications and adjustments										-	152,687
Balance, end of year	<u>15,025,902</u>	<u>3,198,635</u>	<u>16,753,375</u>	<u>7,894,031</u>	<u>792,803</u>	<u>2,407,340</u>	<u>23,241,725</u>	<u>867,430</u>	<u>112,783</u>	<u>70,294,024</u>	<u>67,718,816</u>
Accumulated Amortization											
Balance, beginning of year		1,298,145	4,990,674	6,971,996	686,478	1,607,319	12,597,541	592,052		28,744,205	27,487,042
Add: Amortization during the year		96,711	355,064	31,821	15,904	152,120	657,772	61,597		1,370,989	1,342,946
Less: Accumulated amortization						(152,672)				(152,672)	(238,470)
Reclassifications and adjustments										-	152,687
Balance, end of year on disposals	<u>-</u>	<u>1,394,856</u>	<u>5,345,738</u>	<u>7,003,817</u>	<u>702,382</u>	<u>1,606,767</u>	<u>13,255,313</u>	<u>653,649</u>	<u>-</u>	<u>29,962,522</u>	<u>28,744,205</u>
Net Book Value											
of Tangible Capital Assets	<u>15,025,902</u>	<u>1,803,779</u>	<u>11,407,637</u>	<u>890,214</u>	<u>90,421</u>	<u>800,573</u>	<u>9,986,412</u>	<u>213,781</u>	<u>112,783</u>	<u>\$ 40,331,502</u>	<u>\$ 38,974,611</u>