

**GRAND RIVER CONSERVATION AUTHORITY**  
**AUDITED FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT THEREON**  
**DECEMBER 31, 2023**

**GRAND RIVER CONSERVATION AUTHORITY**

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**DECEMBER 31, 2023**

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Notes to the Financial Statements



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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Grand River Conservation Authority

### ***Opinion***

We have audited the financial statements of Grand River Conservation Authority (the "Authority"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and change in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

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, its changes in net financial assets 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 Auditor's 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.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Emphasis of Matter – Change in Accounting Policy***

We draw attention to note 2 to the financial statements which indicates that the Authority has changed its accounting policy for Asset Retirement Obligations, as a result of the adoption of PS 3280, Asset Retirement Obligations, and has applied the change using the prospective method.

Our opinion is not modified in respect of these matters.

***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.

***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 the 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.



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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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants  
Kitchener, Canada  
February 23, 2024

## STATEMENT 1

## GRAND RIVER CONSERVATION AUTHORITY

(Established by the Conservation Authorities Act)

## Statement of Financial Position

As at December 31, 2023

(with comparative information for 2022)

	<u>2023</u>	<u>2022</u>
<b>Financial Assets</b>		
Cash	\$ 10,562,656	\$ 9,532,451
Investments (Note 3)	48,046,442	46,306,659
Accounts Receivable - Government Grants	631,900	787,775
Accounts Receivable - Municipal Levies and Other	425,635	365,437
Other Receivables	1,358,868	882,427
	<u>61,025,501</u>	<u>57,874,749</u>
<b>Financial Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 7)	2,915,416	3,699,510
Deferred Revenue (Note 4)	4,922,626	4,812,932
Deposits	380,568	427,367
Asset Retirement Obligations (Note 6)	2,246,752	-
	<u>10,465,362</u>	<u>8,939,809</u>
<b>Net Financial Assets</b>	<u>50,560,139</u>	<u>48,934,940</u>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 5)	93,943,341	91,376,903
Prepaid Expenses and Inventory	409,108	386,800
	<u>94,352,449</u>	<u>91,763,703</u>
<b><u>ACCUMULATED SURPLUS</u></b>	<u>\$ 144,912,588</u>	<u>\$ 140,698,643</u>

**ACCUMULATED SURPLUS COMPRISED OF**

<b>Accumulated Surplus - Reserves - Operating</b>	(Note 11)	\$ 13,465,626	\$ 11,979,896
<b>Accumulated Surplus - Reserves - Capital</b>	(Note 11)	37,446,566	34,807,910
<b>Accumulated Surplus - Reserves - Motor Pool</b>	(Note 11)	1,766,281	1,971,432
<b>Accumulated Surplus - Other</b>		537,526	562,502
<b>Accumulated Surplus - Tangible Capital Assets</b>		91,696,589	91,376,903
<b><u>ACCUMULATED SURPLUS</u></b>		<u>\$ 144,912,588</u>	<u>\$ 140,698,643</u>

Commitments and Contingencies (Notes 9 and 10)

(see accompanying notes to the financial statements)

**GRAND RIVER CONSERVATION AUTHORITY**  
**STATEMENT OF OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS**  
**For the Year Ended December 31, 2023**  
(with comparative figures for 2022)

**STATEMENT 2**

	Budget 2023 Note 8	Actual 2023	Actual 2022
<b>Revenue (Note 17)</b>			
<b>Municipal</b>			
Grants:			
<i>General-Operating</i>	\$ 12,018,000	\$ 12,018,000	\$ 11,580,000
<i>General-Capital</i>	950,000	950,000	950,000
<i>Special</i>	130,000	77,678	99,593
Other	800,000	728,552	536,972
<b>Total Municipal Revenue</b>	<b>13,898,000</b>	<b>13,774,230</b>	<b>13,166,565</b>
<b>Government Grants</b>			
MNR Transfer Payments	449,688	449,688	449,688
Source Protection Program-Provincial	640,000	543,467	569,995
Other Provincial	982,500	607,916	688,888
Federal	190,000	226,331	431,023
<b>Total Government Grants</b>	<b>2,262,188</b>	<b>1,827,402</b>	<b>2,139,594</b>
<b>Self-Generated</b>			
User Fees and Sales:			
<i>Enquiries and Permits</i>	590,000	555,502	591,330
<i>Plan Input and Review</i>	554,000	424,338	598,852
<i>Nursery and Woodlot Management</i>	415,000	643,309	636,388
<i>Conservation Lands Income</i>	71,000	59,752	65,050
<i>Conservation Areas User Fees</i>	10,000,000	11,888,124	11,232,461
<i>Nature Centres and Camps</i>	500,000	583,332	519,747
Property Rentals	3,006,000	2,981,768	2,910,172
Hydro Generation	580,000	713,155	589,334
Grand River Conservation Foundation (Note 13)	552,000	225,722	435,142
Donations	135,000	37,326	23,473
Landowner Contributions	180,000	191,531	163,602
Investment Income	1,350,000	2,398,314	866,001
Miscellaneous Income	35,000	94,612	28,693
Gain on Sale of Tangible Capital Assets (Note 5)	-	97,118	15,176,165
<b>Total Self-Generated Revenue</b>	<b>17,968,000</b>	<b>20,893,903</b>	<b>33,836,410</b>
<b>Total Revenue</b>	<b>\$ 34,128,188</b>	<b>\$ 36,495,535</b>	<b>\$ 49,142,569</b>
<b>Expenditures (Note 17)</b>			
Watershed Management and Monitoring	7,341,735	7,135,191	6,946,382
Source Protection Program	640,000	543,467	569,995
Resource Planning	2,574,200	2,283,881	2,229,262
Watershed Stewardship	3,843,192	3,314,990	3,004,021
Conservation Land Management	4,605,248	4,068,348	3,793,701
Recreation and Education	10,631,140	10,609,313	9,739,662
Corporate Services / Information Systems and Motor Pool	4,606,509	4,326,400	4,023,222
<b>Total Expenditures</b>	<b>\$ 34,242,024</b>	<b>\$ 32,281,590</b>	<b>\$ 30,306,245</b>
<b>Annual Surplus (Deficit)</b>	<b>(113,836)</b>	<b>4,213,945</b>	<b>18,836,324</b>
<b>Accumulated Surplus, Beginning of Year</b>		<b>140,698,643</b>	<b>121,862,319</b>
<b>Accumulated Surplus, End of Year</b>		<b>\$ 144,912,588</b>	<b>\$ 140,698,643</b>

(see accompanying notes to the financial statements)

## STATEMENT 3

**GRAND RIVER CONSERVATION AUTHORITY**  
**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2023**

(with comparative information for 2022)

	<u>Actual 2023</u>	<u>Actual 2022</u>
<b><u>Operating Activities</u></b>		
Annual surplus	\$ 4,213,945	\$ 18,836,324
Items not involving cash:		
Amortization	3,497,805	3,422,288
Gain on sale of tangible capital assets	(97,118)	(15,176,165)
Change in non-cash operating assets and liabilities:		
Accounts receivable	(380,764)	(276,759)
Prepaid expenses and inventory	(22,308)	(99,686)
Accounts payable and accrued liabilities	(784,094)	958,157
Deferred revenue and deposits	62,895	(2,646,382)
Net change in cash from operating activities	<u>6,490,361</u>	<u>5,017,777</u>
<b><u>Capital Activities</u></b>		
Cash used to acquire tangible capital assets	(3,832,255)	(3,697,300)
Proceeds on sale of tangible capital assets (Note 5)	111,882	15,247,608
Net change in cash from capital activities	<u>(3,720,373)</u>	<u>11,550,308</u>
<b><u>Investing Activities</u></b>		
Sales of Investments	24,058,127	12,671,060
Purchases of Investments	(25,797,910)	(36,145,765)
Net change in cash from investing activities	<u>(1,739,783)</u>	<u>(23,474,705)</u>
<b>Net change in cash</b>	<b><u>1,030,205</u></b>	<b><u>(6,906,620)</u></b>
Cash, beginning of year	9,532,451	16,439,071
<b>Cash, end of the year</b>	<b>\$ <u>10,562,656</u></b>	<b>\$ <u>9,532,451</u></b>
<hr/>		
<b><u>Non-cash Transactions</u></b>		
Asset Retirement Obligations and Increase in Tangible Capital Assets	2,246,752	-
<hr/>		

(see accompanying notes to the financial statements)



## STATEMENT 4

**GRAND RIVER CONSERVATION AUTHORITY**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**For the Year Ended December 31, 2023**  
(with comparative information for 2022)

	<u>Actual 2023</u>	<u>Actual 2022</u>
Annual surplus	\$ 4,213,945	\$ 18,836,324
Acquisition of tangible capital assets	(3,832,255)	(3,697,300)
Amortization of tangible capital assets	3,497,805	3,422,288
Gain on sale of tangible capital assets	(97,118)	(15,176,165)
Asset retirement obligations	(2,246,752)	-
Proceeds on sale of tangible capital assets	<u>111,882</u>	<u>15,247,608</u>
	1,647,507	18,632,755
Net changes in prepaid expenses and inventory	(22,308)	(99,686)
<b>Net change in financial assets</b>	<u>1,625,199</u>	<u>18,533,069</u>
<b>Net financial assets, beginning of year</b>	<b>48,934,940</b>	<b>30,401,871</b>
<b>Net financial assets, end of year</b>	<b>\$ <u><u>50,560,139</u></u></b>	<b>\$ <u><u>48,934,940</u></u></b>

(see accompanying notes to the financial statements)

**GRAND RIVER CONSERVATION AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**(1) Summary of Significant Accounting Policies**

The financial statements of Grand River Conservation Authority (the "Authority") are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the Authority are as follows:

**(a) Basis of Accounting**

The Authority follows the accrual method of accounting for revenues and expenditures. Revenues are normally recognized in the year in which they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

**(b) Deferred Revenue and Deposits**

Balance includes funds that have been advanced to the Authority from government agencies and/or the general public and as at year end the funds have not been expended for the purpose for which they were received. In most instances, service and/or product delivery is anticipated to be performed in the following fiscal period. Typical balances include tree planting cash receipts, rural water quality program funding from municipalities, and special projects funding that has been paid in advance of project completion. These amounts will be recognized as revenues in the fiscal year the services are performed.

(c) **Classification of Expenditures**

Expenditures are reported in seven main categories, which follow the format adopted by Conservation Ontario. By following these guidelines, there will be consistency of reporting by all Conservation Authorities in Ontario. These are further explained as follows:

**Watershed Management and Monitoring**

Watershed Management and Monitoring includes expenditures and revenues for programs which provide the information required to develop appropriate resource management strategies and to identify priority actions to maintain a healthy watershed. Also included are the maintenance and operations of all Flood and Erosion Control Structures and the operations of the Flood Forecasting and Warning system.

**Source Protection Program**

The Source Protection Program includes expenditures and revenues for the development of a "Drinking Water Source Protection" plan for the Lake Erie Source Protection Region (includes Grand River, Long Point Region, Kettle Creek, and Catfish Creek Conservation Authorities).

**Resource Planning**

Resource Planning includes expenditures and revenues associated with reviewing official plans, zoning bylaws, development plans and other planning proposals, in accordance with Conservation Authority and Municipal Agreements. It also includes, administration of floodplain regulations and watershed management consulting outside of the Grand River watershed, which is performed on a fee-for-service basis.

### **Watershed Stewardship**

Watershed Stewardship includes those activities associated with providing service and/or assistance to private and public landowners, and community groups on sound environmental practices that will enhance, restore or protect natural heritage features on their properties.

### **Conservation Land Management**

Conservation Land Management includes all expenditures and revenues associated with the acquisition and management of land owned/managed by the Authority. This includes the protection of provincially significant conservation lands, woodlot management, rental/lease agreements and other revenues generated from managing lands and facilities. These expenditures do not include those associated with recreation and education programs on Authority lands.

### **Recreation and Education**

Recreation and Education includes expenditures and revenues associated with delivering recreational and educational programs on Authority lands at a number of active conservation areas and nature centres.

### **Corporate Services / Information Systems and Motor Pool**

Corporate services include the costs associated with head office facilities and functions other than technical staff and associated programs.

Net Information Systems and Motor Pool usage charges include the support areas that are charged out to other cost centres on an "as used" basis. Information Systems consists of the head office, conservation area and nature centre computer systems. User cost centres incur a charge for their computer use. Motor Pool is the vehicles and equipment that are used for operations and capital projects by other cost centres. When equipment or vehicles are used, the cost centre is charged for the use of the asset.

(d) **Financial Instruments**

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Authority has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments are measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

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.

(e) **Accounts Receivable**

Accounts Receivable is reported net of any allowance for doubtful accounts.

(f) **Inventory**

Inventory is valued at the lower of cost or replacement cost.

(g) **Interest Allocation**

The Authority follows the policy of consolidating funds on hand for investment purposes. Interest income is generally recognized into income unless the provisions of a relevant agreement or legislation require that the income be restricted, then restricted interest income is recognized in deferred revenue until used for the purpose or purposes specified.

(h) **Asset Retirement Obligations**

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- (i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset and other contract obligations;
- (ii) The past transactions or events giving rise to the liability has occurred;
- (iii) It is expected that future economic benefits will be given up; and
- (iv) A reasonable estimate of the amount can be made.

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation. A liability has been recognized based on estimated future expenses on retirement of the tangible capital assets. Under the prospective method, the assumptions used on initial recognition are those as of the date the legal obligation was incurred. Assumptions used in the subsequent calculations are revised yearly.

(i) **Tangible Capital Assets**

Tangible capital assets are recorded at cost which include amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized in a straight line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful Life - Years</b>
Site Improvements	10 - 50
Buildings	10 - 50
Furniture and Equipment	10 - 15
Motor Pool	5 - 10
Communications and Computer	5
Water Control Structures	20 - 80

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are 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.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in the financial statements.

(j) **Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

**(k) Contaminated Sites**

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.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- a) An environmental standard exists
- b) Contamination exceeds the environmental standard
- c) The Authority is directly responsible or accepts responsibility for the liability
- d) Future economic benefits will be given up, and
- e) A reasonable estimate of the liability can be made.

**(l) Employee Future Benefits**

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

**(m) Use of Estimates**

The preparation of financial statements 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 dates of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include accrued liabilities, contaminated site liability, contingencies, asset retirement obligations and tangible capital assets. Actual results could differ from estimates.



**(2) Adoption of New Accounting Standards:**

(a) The Authority adopted the following accounting standards beginning January 1, 2023, with no impact on the financial statements:

- (i) 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.
- (ii) PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.
- (iii) 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 distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.
- (iv) PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from

changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

(b) The Authority adopted the following accounting standard beginning January 1, 2023:

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings controlled by public sector entities. An ARO liability can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on prospective basis.

In the past, the Authority has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability*. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from the Authority's buildings. The Authority reports liabilities related to the legal obligations where the Authority is obligated to incur costs to retire a tangible capital asset.

The Authority's ongoing efforts to assess the extent to which designated substances exist in Authority's assets, and new information obtained through regular maintenance and renewal of Authority's assets may result in additional asset retirement obligations from better

information on the nature and extent the substance exists or from changes to the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in adjustment to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis.

In addition, the Authority recognized an additional asset retirement obligation related to underground fuel tanks, as the Authority has a legal obligation to remove the tanks and remediate the site. The fuel tanks expected useful life estimate has not been changed since purchase.

A summary of the impact during the year is as follows:

	January 1, 2023
Tangible capital assets	\$ 2,246,752
Asset retirement obligations	2,246,752

**(3) Investments**

Investments include the following amounts:

	<b>2023</b>	<b>2022</b>
Term Deposit maturing within one year (2022 – fair value \$1,959,882)	\$ -	\$ 2,050,356
Term Deposit maturing within one to five years Fair value at December 31, 2023 - \$2,061,987 (2022 – \$1,975,010)	2,300,000	2,300,000
GIC maturing within one year (Interest rate is 5.25%) Fair value at December 31, 2023 - \$4,000,000 (2022 – \$6,895,835)	4,000,000	6,850,532
GIC maturing within one to five years (Interest rates vary between 4.45% and 4.70%) Fair value at December 31, 2023 - \$4,000,000	4,000,000	-
Bonds maturing within one year (Interest rates vary between 2.597% and 2.983%) Fair value at December 31, 2023 - \$14,454,889 (2022 - \$9,703,959)	14,660,000	9,829,000
Bonds maturing within one to five years (Interest rate is 3.3%) Fair value at December 31, 2023 - \$4,025,913 (2022 - \$18,059,662)	4,100,000	18,760,000
Bonds maturing within six to ten years (Interest rate is 2.237%) Fair value at December 31, 2023 - \$1,923,750 (2022 - \$1,855,390)	2,000,000	2,000,000
High interest savings account (Interest rates vary between 4.55% and 5.465%) Fair value at December 31, 2023 - \$17,120,799 (2022 - \$4,889,673)	17,120,799	4,889,673
Sub-Total	\$ 48,180,799	\$ 46,679,561
Plus: Unamortized purchase net premiums and discounts	(134,357)	(372,902)
Total	\$ 48,046,442	\$ 46,306,659

All investments above are Level 2 investments with the exception of the high interest savings account which is a Level 1. There were no transfers between level 1, 2 and 3.

(4) **Deferred Revenue**

(a) Deferred revenue includes the following amounts:

	<b>2023</b>	<b>2022</b>
<b>Balance, end of year:</b>		
Source Protection Program	\$ 378,724	\$ 219,740
Rural Water Quality Program	1,027,577	972,846
Water and Erosion Control Infrastructure	331,244	197,254
Other Watershed Programs	1,781,410	1,883,874
Cottage Rent	467,997	472,554
Other Miscellaneous	935,674	1,066,664
<b>Total Deferred Revenue</b>	<b>\$ 4,922,626</b>	<b>\$ 4,812,932</b>
<b>Balance, beginning of year:</b>		
Source Protection Program	\$ 219,740	\$ 407,281
Rural Water Quality Program	972,846	955,949
Water and Erosion Control Infrastructure	197,254	22,070
Canada Emergency Wage Subsidy (Note 3 (b))	-	3,157,379
Other Watershed Programs	1,883,874	1,408,998
Cottage Rent	472,554	479,131
Other Miscellaneous	1,066,664	1,088,810
	4,812,932	7,519,618
Grant Contributions (recovery)	2,864,045	(125,041)
Interest	878	-
Other	2,275,838	2,567,655
<b>Total Contributions Received</b>	<b>5,140,761</b>	<b>2,442,614</b>
CEWS Contributions Used (note 3 (b))	-	3,157,379
Contributions Used	5,031,067	1,991,921
<b>Total Contributions Used</b>	<b>5,031,067</b>	<b>5,149,300</b>
<b>Balance, end of year</b>	<b>\$ 4,922,626</b>	<b>\$ 4,812,932</b>

(b) In 2021, the Authority applied for funding through the Canada Emergency Wage Subsidy (CEWS). The Authority received funding totalling \$3,157,379 in 2021 and the amount was recorded as deferred revenue until the year ended December 31, 2021. The Canada Revenue Agency (CRA) through an audit determined that the Authority was not eligible for this subsidy. The subsidy was refunded to the CRA during 2022 in the full amount of \$3,157,379 plus interest charges of \$245,573. In 2022, the interest of \$245,573 was expensed in Corporate Services on the statement of operations. The Authority is appealing this assessment and has also requested that interest charges be waived. A final decision by the CRA is pending as at December 31, 2023.

**(5) Tangible Capital Assets**

<b>Cost</b>	<b>Balance at 31-Dec-22</b>	<b>Additions</b>	<b>ARO Additions</b>	<b>Disposals/ Transfers</b>	<b>Balance at 31-Dec-23</b>
Land and Land Improvements	\$ 30,892,523	\$ -	\$ -	\$ -	\$ 30,892,523
Site Improvements	18,931,788	605,632	-	-	19,537,420
Buildings	19,006,092	671,629	-	-	19,677,721
Furniture and Equipment	2,570,146	178,034	-	(24,327)	2,723,853
Motor Pool	5,627,347	814,545	-	(165,289)	6,276,603
Communications and Computers	1,963,349	204,360	-	(92,388)	2,075,321
Water Control Structures	102,564,109	240,568	-	-	102,804,677
Assets Under Construction	2,809,901	1,813,204	-	(695,717)	3,927,388
Asset Retirement Obligations (note 2)	-	-	2,246,752	-	2,246,752
	<b>\$ 184,365,255</b>	<b>\$ 4,527,972</b>	<b>2,246,752</b>	<b>\$ (977,721)</b>	<b>\$ 190,162,258</b>

<b>Accumulated Amortization</b>	<b>Balance at 31-Dec-22</b>	<b>Disposals</b>	<b>ARO Amortization</b>	<b>Amortization Expense</b>	<b>Balance at 31-Dec-23</b>
Site Improvements	\$ 10,786,117	\$ -	\$ -	\$ 520,720	\$ 11,306,837
Buildings	10,873,973	-	-	460,862	11,334,835
Furniture and Equipment	1,393,518	(24,327)	-	189,289	1,558,480
Motor Pool	3,798,959	(150,525)	-	390,034	4,038,468
Communications and Computers	1,747,165	(92,387)	-	97,265	1,752,043
Water Control Structures	64,388,620	-	-	1,837,524	66,226,144
Asset Retirement Obligations (note 2)	-	-	2,110	-	2,110
	<b>\$ 92,988,352</b>	<b>\$ (267,239)</b>	<b>\$ 2,110</b>	<b>\$ 3,495,694</b>	<b>\$ 96,218,917</b>

	<b>Net Book Value 31-Dec-22</b>	<b>Net Book Value 31-Dec-23</b>
Land and Land Improvements	\$ 30,892,523	\$ 30,892,523
Site Improvements	8,145,671	8,230,583
Buildings	8,132,119	8,342,886
Furniture and Equipment	1,176,628	1,165,373
Motor Pool	1,828,388	2,238,135
Communications and Computers	216,184	323,278
Water Control Structures	38,175,489	36,578,533
Assets Under Construction	2,809,901	3,927,388
Asset Retirement Obligations (note 2)	-	2,244,642
	<b>\$ 91,376,903</b>	<b>\$ 93,943,341</b>

<b>Cost</b>	<b>Balance at 31-Dec-21</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Balance at 31-Dec-22</b>
Land and Land Improvements	\$ 30,918,340	\$ -	\$ (25,817)	\$ 30,892,523
Site Improvements	17,074,824	1,861,857	(4,893)	18,931,788
Buildings	18,827,478	274,838	(96,224)	19,006,092
Furniture and Equipment	2,373,429	207,259	(10,542)	2,570,146
Motor Pool	5,191,097	692,803	(256,553)	5,627,347
Communications and Computers	1,923,592	39,757	-	1,963,349
Water Control Structures	100,282,697	2,281,412	-	102,564,109
Assets Under Construction	4,470,527	2,193,255	(3,853,881)	2,809,901
	<u>\$ 181,061,984</u>	<u>\$ 7,551,181</u>	<u>\$ (4,247,910)</u>	<u>\$ 184,365,255</u>

<b>Accumulated Amortization</b>	<b>Balance at 31-Dec-21</b>	<b>Disposals</b>	<b>Amortization Expense</b>	<b>Balance at 31-Dec-22</b>
Site Improvements	\$ 10,263,522	\$ (4,848)	\$ 527,443	\$ 10,786,117
Buildings	10,507,966	(74,166)	440,173	10,873,973
Furniture and Equipment	1,225,760	(10,542)	178,300	1,393,518
Motor Pool	3,686,033	(233,030)	345,956	3,798,959
Communications and Computers	1,649,483	-	97,682	1,747,165
Water Control Structures	62,555,886	-	1,832,734	64,388,620
	<u>\$ 89,888,650</u>	<u>\$ (322,586)</u>	<u>\$ 3,422,288</u>	<u>\$ 92,988,352</u>

	<b>Net Book Value 31-Dec-21</b>	<b>Net Book Value 31-Dec-22</b>
Land and Land Improvements	\$ 30,918,340	\$ 30,892,523
Site Improvements	6,811,301	8,145,671
Buildings	8,319,512	8,132,119
Furniture and Equipment	1,147,669	1,176,628
Motor Pool	1,505,064	1,828,388
Communications and Computers	274,110	216,184
Water Control Structures	37,726,811	38,175,489
Assets Under Construction	4,470,527	2,809,901
	<u>\$ 91,173,334</u>	<u>\$ 91,376,903</u>

### **Assets Under Construction**

Assets under construction having a value of \$3,927,388 (2022 - \$2,809,901) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### **Write-down of Tangible Capital Assets**

The write-down of tangible capital assets during the year was \$nil (2022 - \$14,450).

### **Gain on Sale of Tangible Capital Assets**

During the year, the Authority disposed of motor pool assets with a total carrying value of \$14,764.

The total proceeds on these sales were \$111,882, which resulted in a gain on sale of \$97,118.

In 2022, the Authority disposed of three significant properties (land) with a total carrying value of \$25,817. The total proceeds on these sales were \$15,184,309, which resulted in a gain on sale of \$15,158,492.

## **(6) Asset Retirement Obligations**

The Authority's asset retirement obligations consist of the following:

### (a) Asbestos obligations:

The Authority owns and operates several buildings and structures that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it.

### (b) Fuel tank obligations:

The Authority has underground fuel tanks that will require future remediation where there is a legal obligation to remove the tank and remediate the site.

All liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.



Changes to the asset retirement obligations in the year are as follows:

		Fuel tanks	Asbestos removal	2023 Total
Balance, beginning of the year	\$	-	\$ -	-
Change in accounting policy (note 2)		36,000	2,210,752	2,246,752
Less: Obligations settled in the year		-	-	-
<b>Balance, end of the year</b>	<b>\$</b>	<b>36,000</b>	<b>\$ 2,210,752</b>	<b>\$ 2,246,752</b>

**(7) Contaminated Site Liability**

The Authority has an estimated liability of \$812,912 as at December 31, 2023 (2022 - \$812,912) for future remediation of two of its properties. During the year, there was no activity or events impacting the liability estimate from prior year. The properties include a former landfill site in the City of Brantford, and a former residential site in the City of Cambridge. The properties were purchased by the Authority in the 1970s under flood control projects. The Ministry of the Environment, Conservation and Parks has requested remediation on the Brantford and Cambridge properties. The estimated future cost of the work at Brantford is based on a detailed remediation plan prepared by a qualified external consultant. Staff have estimated the future cost of remediation for the Cambridge property based on preliminary investigations carried out by an environmental consulting firm.

**(8) 2023 Budget**

The budget figures are those adopted at the General Meeting of the Authority held February 24, 2023. The Authority only prepares a budget for the statement of operations, the budget figures in the statement of change in net financial assets has not been provided.

**(9) Commitments**

The Authority is committed under contracts for various infrastructure projects. The amount expected to be incurred in 2024 under contracts is approximately \$2,653,757.

**(10) Contingencies**

The Authority recognizes that liabilities may arise due to certain contract and labour relations matters that were outstanding at year end, in the normal course of business. Legal action may be taken against the Authority for personal injury claims, property damage and other contractual matters. The outcome of these actions is not presently determinable. It is management's opinion that the Authority's insurance coverage and/or accumulated surplus will adequately cover any potential liabilities arising from these matters.

**(11) Accumulated Surplus**

Accumulated surplus consists of tangible capital asset and other surplus and reserve funds. Details of the reserve funds are as follows:

	2023	2022
<b>Operating</b>		
Property and Liability Insurance	\$ 281,417	\$ 270,383
Building and Mechanical Equipment	1,343,443	1,231,833
Small Office Equipment	-	8,013
Personnel	1,299,167	1,104,112
Transition	2,632,308	2,048,704
Apps' Mill Nature Centre	76,501	73,501
Laurel Creek Nature Centre	116,762	120,611
Guelph Lake Nature Centre	145,181	139,487
Shade's Mills Nature Centre	81,014	77,836
Taquanyah Nature Centre	23,102	22,197
Computer Replacement	1,390,899	1,318,602
Forestry Management	1,536,205	1,312,640
Cottage Operations	1,271,831	1,180,650
Property Rental	785,090	737,976
Planning Enforcement	547,652	526,179
Master Plan	442,298	424,958
Grand River Management Plan	118,589	113,939
Watershed Restoration	335,225	268,275
Water Management	1,038,942	1,000,000
<b>Total Operating Reserves</b>	<b>\$ 13,465,626</b>	<b>\$ 11,979,896</b>
<b>Capital</b>		
Completion of Capital Projects	\$ 162,000	\$ 162,000
Cambridge Desiltation Pond	4,967	5,709
Gravel	270,315	259,716
General Capital	1,442,571	1,163,108
Major Dam Maintenance	3,056,063	2,734,473
Gauges	1,010,910	971,275
Conservation Area	8,471,029	7,339,262
Land Reserves	23,028,711	22,172,367
<b>Total Capital Reserves</b>	<b>\$ 37,446,566</b>	<b>\$ 34,807,910</b>
<b>Motor Pool</b>		
Motor Pool Equipment Replacement	\$ 1,670,460	\$ 1,879,368
Vehicle Insurance	95,821	92,064
<b>Total Motor Pool Reserves</b>	<b>\$ 1,766,281</b>	<b>\$ 1,971,432</b>
<b>Total Reserves</b>	<b>\$ 52,678,473</b>	<b>\$ 48,759,238</b>

Land reserves represent the net proceeds of land sales and are available for approved projects including purchases of conservation lands within the Watershed in accordance with Authority policies and Provincial Regulations.

**(12) Pension and Retirement Benefits**

The Authority makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan, on behalf of all eligible 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.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are the 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.

The latest available report for the OMERS plan was December 31, 2022. At that time the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion), based on actuarial liabilities of \$128.8 billion (2021 - \$119.3 billion) and actuarial assets of \$122.1 billion (2021 - \$116.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

In 2023, the Authority’s contribution to OMERS was \$1,304,769 (2022 - \$1,204,260).

**(13) Related Entity**

The Grand River Conservation Foundation (“the Foundation”) is an independent organization and a Registered Charity that raises funds to finance selected operating and capital expenditures of the Authority. Although the Foundation disburses funds at the discretion of its own Board of Directors, it only funds approved projects of the Authority and the Chair of the Authority is a permanent member of the Foundation Board. The accounts of The Grand River Conservation Foundation are not included in these financial statements.

During 2023, the Foundation contributed \$225,722 (2022 - \$435,142) to fund projects carried out by the Authority. At December 31, 2023, the amount due from the Foundation to the Authority is \$118,083 (2022 - \$291,227). This receivable is included in "Other Receivables" on the Statement of Financial Position.

**(14) Financial Risks**

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Authority is exposed to credit risk with respect to the accounts receivable, cash and investments.

The Authority assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Authority as at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts is \$445 (2022 - \$720).

There have been no significant changes to the credit risk exposure from 2022.

(b) Liquidity risk:

Liquidity risk is the risk that the Authority will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Authority manages its liquidity risk by monitoring its operating requirements. The Authority prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets with variable interest rates expose the Authority to cash flow interest rate risk.

The Authority's investments are disclosed in note 3.

There has been no change to the interest rate risk exposure from 2022.

**(15) Public Sector Salary Disclosure**

Grand River Conservation Authority is subject to The Public Sector Salary Disclosure Act, 1996. Salaries and benefits that have been paid by the Authority and reported to the Province of Ontario in compliance with this legislation are listed on the Ontario Ministry of Finance website at <https://www.ontario.ca/page/public-sector-salary-disclosure#section-0> or can be provided in an alternate format upon request from the Authority.

**(16) Comparative Information**

Certain comparative information in the statement of cashflows has been reclassified to conform with the financial statement presentation adopted in the current year.

(17) Segmented Information

2023								
	Watershed Management and Monitoring	Source Protection Program	Resource Planning	Watershed Stewardship	Conservation Land Management	Recreation and Education	Corporate Services/IS and Motor Pool	Total
<b>Revenue:</b>								
Levies	\$ 5,601,590	\$ -	\$ 1,385,200	\$ 1,967,700	\$ -	\$ 310,100	\$ 3,781,088	\$ 13,045,678
Grants	1,075,221	543,467	-	937,266	-	-	-	2,555,954
User fees and Other	-	-	979,840	664,433	3,975,422	12,511,156	2,500,004	20,630,855
Donations	-	-	-	93,979	52,914	80,105	36,050	263,048
<b>Total Revenue</b>	<b>6,676,811</b>	<b>543,467</b>	<b>2,365,040</b>	<b>3,663,378</b>	<b>4,028,336</b>	<b>12,901,361</b>	<b>6,317,142</b>	<b>36,495,535</b>
<b>Expenses:</b>								
Salaries, Wages and Benefits	3,443,584	443,493	1,877,606	1,271,490	2,061,105	5,793,887	3,475,489	18,366,654
Operating Expenses	1,925,896	99,974	406,275	2,031,008	1,774,899	4,013,498	2,952,134	13,203,684
Amortization	1,765,711	-	-	12,492	232,344	801,928	685,330	3,497,805
Less: Chargebacks	-	-	-	-	-	-	(2,786,553)	(2,786,553)
<b>Total Expenses</b>	<b>7,135,191</b>	<b>543,467</b>	<b>2,283,881</b>	<b>3,314,990</b>	<b>4,068,348</b>	<b>10,609,313</b>	<b>4,326,400</b>	<b>32,281,590</b>
<b>Annual surplus/ (deficit)</b>	<b>\$ (458,380)</b>	<b>\$ -</b>	<b>\$ 81,159</b>	<b>\$ 348,388</b>	<b>\$ (40,012)</b>	<b>\$ 2,292,048</b>	<b>\$ 1,990,742</b>	<b>\$ 4,213,945</b>

<b>2022</b>								
	<b>Watershed Management and Monitoring</b>	<b>Source Protection Program</b>	<b>Resource Planning</b>	<b>Watershed Stewardship</b>	<b>Conservation Land Management</b>	<b>Recreation and Education</b>	<b>Corporate Services/IS and Motor Pool</b>	<b>Total</b>
<b>Revenue:</b>								
Levies	\$ 5,445,505	\$ -	\$ 1,307,200	\$ 1,906,200	\$ -	\$ 284,600	\$ 3,686,088	\$ 12,629,593
Grants	1,314,841	569,995	-	760,181	225	30,874	450	2,676,566
User fees and Other	-	-	1,190,182	663,392	18,877,319	11,755,215	891,687	33,377,795
Donations	-	-	-	67,498	252,053	111,741	27,323	458,615
<b>Total Revenue</b>	<b>6,760,346</b>	<b>569,995</b>	<b>2,497,382</b>	<b>3,397,271</b>	<b>19,129,597</b>	<b>12,182,430</b>	<b>4,605,548</b>	<b>49,142,569</b>
<b>Expenses:</b>								
Salaries, Wages and Benefits	3,381,584	464,091	1,987,108	1,330,896	1,941,251	5,118,667	3,368,620	17,592,217
Operating Expenses	1,806,702	105,904	242,154	1,659,521	1,630,327	3,839,875	2,569,958	11,854,441
Amortization	1,758,096	-	-	13,604	222,123	781,120	647,345	3,422,288
Less: Chargebacks	-	-	-	-	-	-	(2,562,701)	(2,562,701)
<b>Total Expenses</b>	<b>6,946,382</b>	<b>569,995</b>	<b>2,229,262</b>	<b>3,004,021</b>	<b>3,793,701</b>	<b>9,739,662</b>	<b>4,023,222</b>	<b>30,306,245</b>
<b>Annual surplus/ (deficit)</b>	<b>\$ (186,036)</b>	<b>\$ -</b>	<b>\$ 268,120</b>	<b>\$ 393,250</b>	<b>\$ 15,335,896</b>	<b>\$ 2,442,768</b>	<b>\$ 582,326</b>	<b>\$ 18,836,324</b>