

**Section I – Items for Board of Directors Action**

**TO:** Chair and Members of the Board of Directors  
Friday, June 21, 2024 Meeting

**FROM:** Darryl Gray, Director, Education & Training

**RE:** **2023 AUDITED FINANCIAL STATEMENTS**  
Approval of Audited Financial Statements

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**KEY ISSUE**

The 2023 audited financial statements are recommended for approval.

**RECOMMENDATION:**

**IT IS RECOMMENDED THAT** the transfer of funds from surplus to unrestricted reserves in the amount of \$2,208,000 as outlined in the Financial Details below and reflected in Note 9, “Accumulated Surplus” to the financial statements (Attachment 1) be approved;

**AND FURTHER THAT** the 2023 audited financial statements, as presented in Attachment 1 be approved, signed by the Chair and Secretary-Treasurer of Toronto and Region Conservation Authority (TRCA) and distributed to each member municipality and the Minister, in accordance with subsection 38(3) of the Conservation Authorities Act.

**BACKGROUND AND RATIONALE**

The 2023 TRCA audited financial statements are presented for approval. The accounting firm KPMG LLP has completed its audit and has included within the financial statements an unqualified, independent auditor’s report. The audited financial statements are presented as Attachment 1 to the report. Representatives from KPMG LLP will be in attendance to present the auditor’s report on the 2023 financial statements.

**Financial Statements Summary**

The Statement of Financial Position reports on financial assets which include cash, investments and account receivables, as well as non-financial assets which include tangible capital assets and other assets,

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and financial liabilities such as deferred revenue, vacation and pay accrual, and other trade accounts payable. The Statement of Operations and Accumulated Surplus includes revenues, expenses and TRCA's net surplus position for the year and includes the impact of capitalizing Tangible Capital Asset (TCA) expenditures. Collectively, these components comprise the net assets of the organization.

The Statement of Changes in Net Financial Assets reconciles the surplus for the year to the change in net assets. The Statement of Cash Flows itemizes the sources of cash inflows and outflows during the year, classified as either operating, investing or capital in nature. Finally, the Statement of Remeasurement Gain and Losses shows the unrealized change in the value of financial instruments, such as investments, being measured at fair market value at the Statement of Financial Position date.

### **Approval of Transfer from Surplus to Reserves**

The status of TRCA reserves is presented in Note 9 of the financial statements. Unrestricted reserve balances totaled \$38.7M at the end of 2023, an increase of \$2.2M from 2022. TRCA continues to grow unrestricted reserves which help finance unfunded future cash outlays including state of good repair for aging infrastructure, over and above available government funding.

### **Relationship to TRCA's 2023-2034 Strategic Plan**

This report supports the following Pillar and Outcome set forth in TRCA's 2023-2034 Strategic Plan:

#### **Pillar 4 Service Excellence:**

4.4 Transparent decision making and accountable results

## **FINANCIAL DETAILS**

### **Financial Statement Summary - Statement of Financial Position**

#### **Cash and cash equivalents**

The increase of \$24.1M in cash is driven by timing of payments and a draw of \$22M on the non-revolving credit facility for the construction of the administrative building in 2023.

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### **Investments**

The composition of TRCA's investment account is split between its portfolios with the One Fund and RBC Dominion Securities. Investments consist of non-cashable guaranteed investment certificates, equity securities, fixed income securities, bonds and a portfolio with the One Investment Program.

On January 1, 2023, TRCA adopted Public Accounting Standard PS 3450 – Financial Instruments. The standard was adopted prospectively from the date of adoption. Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized costs based on the characteristics of the instrument and TRCA's accounting policy choices.

Portfolio investments in equity instruments that are quoted in an active market are recorded at fair value.

In 2023, the recorded value of investments is \$15.5M, the fair market value of these holdings at December 31, 2023, was \$15.1M.

### **Receivables**

The receivable balance increased by \$8.1M (2022 - \$27.4M), primarily due to \$11.9M receivable for TRCA's administrative building offset by lower levy and other receivables of \$3.8M compared to 2023. As of May 31, 2023, 90% of TRCA's short-term receivables balance outstanding at year end (excluding the administrative building receivable) has been collected.

### **Derivative Financial Instrument**

The mark-to-market valuation of TRCA's derivative financial instrument decreased by \$1.9M, however is still reflected positively as a financial asset due to our favourable interest rate terms. The value of the derivative financial instrument is at a point in time and any gains or losses would only be realized when the instrument is sold, which is not TRCA's intention.

### **Payables and Accrued Liabilities**

Payables and accrued liabilities are consistent with the prior year, with an increase of \$30K. Trade payables are released as per their respective due dates, therefore, as of May 31, 2023, the 2023 trade payables and related accrued liabilities have been paid in accordance to established terms.

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### **Asset Retirement Obligations**

On January 1, 2022, TRCA adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new standard provides guidance over the reporting and legal obligation associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption which used assumptions and estimates as of January 1, 2022.

As a result of the application of the new standard, the previously reported accumulated surplus for the year ended December 31, 2022, was reduced by \$442K as a result of the recognition of the liability and additional amortization expenses. The statement of financial position as at December 31, 2022, reflects an increase of \$793K (net of accumulated amortization), in the previously reported capital assets and the inclusion of an asset retirement obligation of \$1.2M. These changes resulted in a decrease to opening net assets of \$1.2M as a result of the recognition of the liability and accompanying increase in amortization expense.

### **Deferred Revenues**

The \$6.8M increase in deferred revenues is mainly driven by \$6.7M in authority generated compensation revenues, property easements and contracted services, which are a function of timing. The balance of deferred revenues is related to municipal levies.

### **Tangible Capital Assets**

The increase of \$51.3M is due to additions of \$61.9M offset by amortization of \$8M and net disposals of \$2.6M. The increase also includes the asset retirement obligation of \$794K. With respect to net disposals, a review of work in progress resulted in a write-off of \$2.6M of assets under construction related to longstanding projects which were no longer proceeding and project costs which were no longer deemed to be assets.

### **Financial Statement Summary - Statement of Operations and Accumulated Surplus**

#### **Revenue**

TRCA's revenue increased by \$10.5M compared to the prior year, mainly driven by \$6.6M in government funding, a \$1.2M increase in authority generated revenue and a \$2.6M increase in investment income due to

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higher interest rates. The increase in government funding of \$6.6M is a function of timing related to programs and services offered to all levels of government.

### Expenses

TRCA's expenses decreased by \$7M which is a function of timing related to programs and services.

### Accumulated Surplus

TRCA's 2023 increase to accumulated surplus of \$51.4M includes \$51.3M pertaining to tangible capital assets, decrease in unrealized gain of \$1.9M relating to the derivative financial instrument and an increase of \$177K of unfunded vacation pay entitlements. The remaining \$2.2M increases TRCA's unrestricted reserves. As a result of the adoption of Canadian public sector accounting standard PS 3280 Asset Retirement Obligations, the previously reported accumulated surplus for the year ended December 31, 2022, was reduced by \$443K due to the recognition of the liability and additional amortization expenses.

The continued growth of the unrestricted surplus empowers TRCA to be agile as business opportunities and needs arise. The unrestricted surplus allows TRCA to leverage funding and grant opportunities, such as those to address capital asset portfolio renovations, to continue modernization efforts, and to support operational matters as they arise.

### Variance Explanation

At the April 5, 2024, Executive Committee Meeting, the 2023 Year End Financial Report was approved, which explained variances based on unaudited financial information compiled by Finance.

	<b>April 5, 2024 Report</b>	<b>2023 Draft Audited Financial Statement s</b>	<b>Difference</b>
Revenues	\$ 218,285	\$ 177,227	\$ (41,058)
Expenditures	174,540	124,199	(50,341)
Net Surplus	\$ 43,744	\$ 53,028	\$ 9,284

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The variance in total revenues and expenditures is attributed to year-end adjusting entries relating to deferred revenues and tangible capital assets, which occurred subsequent to the April 5, 2024, report.

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**Date: May 21, 2024**

**Attachments: 3**

Attachment 1 - TRCA 2023 Draft Audited Financial Statements

Attachment 2 - KPMG 2023 Audit Findings Report

Attachment 3 - Draft Management Representation Letter