DRAFT #2
May 24, 2024

Financial Statements of

TORONTO AND REGION CONSERVATION AUTHORITY

And Independent Auditor's Report thereon

Year ended December 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Toronto and Region Conservation Authority

Opinion

We have audited the financial statements of Toronto and Region Conservation Authority (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of remeasurement gains and losses 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 Entity as at December 31, 2023, and its results of operations, its remeasurement gains and losses, 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 Entity 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated as a result of the modified retroactive adoption of the asset retirement obligation standard. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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.

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 Entity'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 Entity'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 Entity 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Financial Position
(In thousands of dollars)

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated – Note 2)
Assets		
Financial assets:		
Cash and cash equivalents	$ 63,623	$ 39,551
Investments (note 3)	15,482	15,670
Receivables (notes 4 and 15)	90,246	82,192
Derivative financial instrument (note 6)	249	2,170
	169,600	139,583
Liabilities		
Financial liabilities:		
Payables and accrued liabilities	28,166	28,136
Deferred revenue (note 5)	64,474	57,624
Non-revolving credit facility (note 6)	36,000	13,547
Vacation pay entitlements	3,079	2,619
Asset retirement obligation (notes 2 and 7)	1,236	1,236
	132,955	103,162
Net financial assets	36,645	36,421
Non-financial assets:		
Other assets	1,897	2,011
Tangible capital assets (note 8)	542,244	490,979
	544,141	492,990
Contingent liabilities and commitments (note 16)		
Contractual rights (note 18)		
Accumulated surplus (note 9)	582,575	529,411
Accumulated remeasurement loss	(1,789)	–
	$ 580,786	$ 529,411

See accompanying notes to financial statements.

On behalf of Toronto and Region Conservation Authority:

________________________________ Chair

________________________________ Secretary Treasurer

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Operations and Accumulated Surplus
(In thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 17)	2023 Actual	2022 Actual (Restated - note 2)
Revenue (note 20):			
Government funding (note 10)	$ 174,804	$ 136,440	$ 129,853
Authority generated (notes 8, 11 and 15)	49,861	37,397	36,158
Investment income	720	3,390	782
	225,385	177,227	166,793
Expenses (notes 12 and 20):			
Watershed Studies and Strategies	2,505	1,862	1,661
Water Risk Management	68,936	27,941	41,998
Regional Biodiversity	34,085	23,265	19,616
Greenspace Securement and Management	14,132	5,812	5,583
Tourism and Recreation	35,337	23,007	20,819
Planning and Development	14,974	13,216	12,757
Education and Outreach	11,464	10,074	9,524
Sustainable Communities	11,197	7,285	6,529
Corporate Services	16,594	11,737	12,924
	209,224	124,199	131,411
Net surplus before the undernoted	16,161	53,028	35,382
Unrealized gain on derivative financial instrument (note 6)	–	–	8,573
Net gain on disposal of tangible capital assets (note 8)	–	136	774
Net surplus	16,161	53,164	44,729
Accumulated surplus, beginning of year	529,608	529,411	484,682
Accumulated surplus, end of year	$ 545,769	$ 582,575	$ 529,411

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Changes in Net Financial Assets
(In thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 17)	2023 Actual	2022 Actual (Restated - note 2)
Net surplus	$ 16,161	$ 53,164	$ 44,729
Purchase of tangible capital assets	–	(61,578)	(39,473)
Contributed tangible capital assets (note 8)	–	(277)	(489)
Net loss (gain) on disposal of tangible capital assets (note 8)	–	(136)	(774)
Write-off of tangible capital assets	–	2,625	3,180
Proceeds on disposal of tangible capital assets	–	149	778
Amortization of tangible capital assets	–	7,951	7,993
Change in other assets	–	115	(65)
Increase in net financial assets	16,161	2,013	15,879
Net financial assets, beginning of year	37,948	36,421	21,778
Adjustment on adoption of the asset retirement obligation standard (note 2)	–	–	(1,236)
Net remeasurement loss for the year	–	(1,789)	–
Net financial assets, end of year	$ 54,109	$ 36,645	$ 36,421

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Remeasurement Gains and Losses
(In thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains, beginning of year	$ –	$ –
Accumulated remeasurement gains (losses) attributed to:		
Portfolio investments	132	–
Financial derivatives	(1,921)	–
Accumulated remeasurement losses - end of year	$ (1,789)	$ –

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Net surplus	$ 53,164	$ 44,729
Items not involving cash:		
Amortization of tangible capital assets	7,951	7,993
Accrued interest income on investments	(60)	(13)
Unrealized gain on derivative financial instrument	–	(8,573)
Net loss on disposal of tangible capital assets	(136)	(774)
Write-off of tangible capital assets	2,625	3,180
Contributed tangible capital assets	(277)	(489)
Change in non-cash operating working capital:		
Receivables	(8,055)	(27,380)
Other assets	115	(65)
Payables and accrued liabilities	30	442
Vacation pay entitlements	460	(16)
Deferred revenue	6,850	13,059
	62,667	32,093
Financing activities:		
Proceeds from non-revolving credit facility	22,453	397
Investing activities:		
Purchase of investments	(2,147)	(6,988)
Proceeds on maturity of investments	2,528	7,331
	381	343
Capital activities:		
Purchase of tangible capital assets	(61,578)	(39,473)
Proceeds on disposal of tangible capital assets	149	778
	(61,429)	(38,695)
Increase (decrease) in cash and cash equivalents	24,072	(5,862)
Cash and cash equivalents, beginning of year	39,551	45,413
Cash and cash equivalents, end of year	$ 63,623	$ 39,551

See accompanying notes to financial statements.

Toronto and Region Conservation Authority ("TRCA") furthers the conservation, restoration, development and management of natural resources in its nine watersheds plus their collective Lake Ontario waterfront shorelines. TRCA's jurisdiction includes the City of Toronto and areas in the Regional Municipalities of Durham, Peel and York (including lower tier municipalities), the Township of Adjala Tosorontio and Town of Mono. In accordance with the Conservation Authorities Act, under which TRCA is incorporated, TRCA has delivered programs and services that are provincially mandated, municipally requested, and those that advance its own objectives since 1957.

TRCA is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

1. Significant accounting policies:

The financial statements for TRCA are the responsibility of and prepared by management in accordance with the Chartered Professional Accountants of Canada Public Sector Accounting Handbook, that sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards, with the following significant accounting policies:

(a) Basis of accounting:

The financial statements are prepared using an accrual basis of accounting which recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation(s) or condition(s) underlying the liability is partly or wholly satisfied. Accrual accounting recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

(b) Revenue recognition:

Government funding, which refers to all revenue received from municipal, provincial and federal sources, is recognized as revenue when payments are authorized and all eligibility criteria have been met, except when there is a stipulation that gives rise to a future obligation. In that case, the funding is recorded as deferred revenue and recognized as revenue as the stipulation is met.

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1. **Significant accounting policies (continued):**

Authority generated revenue, which refers to all revenue received from non-government sources, are recognized as revenue in the period in which the related services are performed. Amounts collected for services that have not yet been rendered are recorded as deferred revenue and recognized as revenue when the related services are performed. Donated tangible capital assets are recorded at fair market value, when fair market value can be reasonably estimated.

(c) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, cashable guaranteed investment certificates, and all deposits in banks including interest bearing savings accounts.

(d) Investments:

Investments consist of non-cashable guaranteed investment certificates, equity securities, fixed income securities, bonds and a portfolio with the One Investment Program.

Portfolio investments in equity instruments that are quoted in an active market are recorded at fair value and the associated transaction costs are expensed upon initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

The change in the fair value is recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss until the portfolio investments are realized on disposal. Upon disposal, any accumulated remeasurement gains or losses associated with the portfolio investments are reclassified to the statement of operations and accumulated surplus.

Investment income, including interest and dividends, is recognized when earned. Any discount or premium arising on purchase is amortized over the period to maturity. If there is a permanent loss in value, an investment will be written down to recognize the loss. Any write-down would be included in the statement of operations and accumulated surplus. In the case of an investment in the fair value category, a reversal of any net remeasurement gains recognized in previous reporting periods up to the amount of the write-down is reported in the statement of remeasurement gains and losses. The loss is not reversed if there is a subsequent increase in value.

1. Significant accounting policies (continued):

(e) Other assets:

Other assets include inventory for resale and prepaid expenses. Merchandise, food and beverage inventory for resale is valued at the lower of cost and net realizable value. Nursery inventory is valued at the lower of cost and replacement value. Cost is determined on a first-in, first-out basis.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts directly attributable to acquisition, design, construction development, improvement, or betterment of the assets. Costs include overhead directly attributable to construction and development as well as interest costs that are directly attributable to the acquisition or construction of the asset. The cost, less the estimated residual value of the tangible capital assets, is amortized on a straight-line basis over the estimated useful lives as follows:

Assets	Years
Infrastructure	25 - 50
Buildings and building improvements	10 - 55
Land improvements	20 - 40
Machinery and equipment	5 - 20
Vehicles	6 - 25

Tangible capital assets are written down when conditions indicate they are no longer able to contribute to TRCA's ability to provide goods or services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the statement of operations and accumulated surplus. Contributed tangible capital assets are recorded at fair market value on the date of contribution, except in circumstances where fair market value cannot be reasonably determined, and a nominal value is recorded.

TRCA's collection of historical treasures, including artifacts and buildings, and works of art are not recognized in the financial statements.

1. Significant accounting policies (continued):

(g) Vacation pay entitlements:

Vacation entitlements are accrued for as earned by employees. The liability for the accumulated unused vacation days represents management's best estimate as to TRCA's future liability.

(h) Asset retirement obligation:

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;

(ii) the past transaction or event 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 liability for the removal of asbestos and other hazardous material in several of the buildings owned by the TRCA has been initially recognized using the modified retroactive method. The liability has been measured at current cost as the timing and amounts of future cash flows cannot be estimated. Assumptions used in the calculations are reviewed annually as outlined in (m).

(i) Contaminated sites:

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceed 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) TRCA 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. Changes in this estimate are recorded in TRCA's statement of operations and accumulated surplus.

1. Significant accounting policies (continued):

(j) Employee pension plan:

The cost of the multi-employer defined benefit pension plan is recognized as the required contributions for employees' services rendered in the year.

(k) Reserves:

TRCA may internally allocate its accumulated surplus to capital reserves to finance the cost of tangible capital assets, purchases, maintenance and related expenditures and operating reserves to ensure funds are available for financial relief in the event of a significant loss of revenues or other financial emergency for which no other source of funding is available. These reserve allocations are approved by TRCA's Board of Directors.

(l) Derivative financial instruments:

Derivative financial instruments are initially recorded and subsequently measured at fair value.

(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 date of the financial statements and the reported amounts of the revenue and expenses during the year. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

2. Changes in accounting policies:

(a) Public Accounting Standard PS 3280 – 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. The asset retirement obligation liabilities and the related increase to capital assets are measured as of the date the legal obligation was incurred, adjusted for the accumulated accretion, if any, and amortization as of that date. The comparative figures have been restated with the cumulative effect of applying the new standard recorded to the opening balance of accumulated surplus on 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 $442 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 $794 (net of accumulated amortization), in the previously reported capital assets and the inclusion of an asset retirement obligation of $1,236. These changes resulted in a decrease to opening net assets of $1,236, as a result of the recognition of the liability and accompanying increase in amortization expense.

(b) Public Accounting Standard PS 3450 - Financial Instruments

On January 1, 2023, TRCA adopted Public Accounting Standard PS 3450 - Financial Instruments. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement and disclosure of financial instruments. PS 1201 - Financial Statement Presentation, PS 3450 - Financial Instruments, PS 2601 - Foreign Currency Translation, PS 3041 - Portfolio Investments are effective for year ended December 31, 2023 and required to be implemented concurrently. TRCA has implemented these standards appropriately with no significant impact.

Under PS 3450, all financial instruments, including derivatives, 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 (note 1).

(In thousands of dollars)

3. Investments:

		2023		2022
Investments:				
The One Investment Program:				
Canadian Government Bond Portfolio	$	4,100	$	4,014
Canadian Corporate Bond Portfolio		2,981		2,911
Canadian Equity Portfolio		639		599
Fixed income:				
Interest rates: 0.25% - 5.25% (2022 - 0.75% -5.25%)				
Years of maturity: 2024 - 2028 (2022 - 2023 - 2080)		4,374		4,964
Mutual funds:				
Years of maturity: n/a - n/a (2022 - n/a - 2028)		27		1,475
Equities		3,361		1,707
	$	15,482	$	15,670

Equity instruments have been presented in accordance with the investments accounting policy (note 1(d)). As at December 31, 2023, equities quoted in an active market are recorded at fair value. As at December 31, 2022, equities were recorded at cost.

The fair market value of the investments at December 31, 2023 is $15,098 (2022 - $14,888).

4. Receivables:

		2023		2022
Government funding:				
Municipal (note 6(a))	$	67,611	$	57,674
Federal		8,141		4,016
Provincial		1,885		1,899
Authority generated:				
Trade		9,467		14,563
Toronto and Region Conservation Foundation (note 14)		3,142		4,040
	$	90,246	$	82,192

(In thousands of dollars)

5. Deferred revenue:

	2023	2022
Government funding (a)	$ 43,536	$ 43,438
Authority generated (b)	20,938	14,186
	$ 64,474	$ 57,624

(a) Government funding:

	Balance, beginning of year	Funding received	Funding recognized	2023 Balance, end of year	2022 Balance, end of year
Municipal (note 6(a)):					
Capital levies	$ 33,731	$ 51,747	$ (51,595)	$ 33,883	$ 33,731
Contract services	5,558	37,032	(37,554)	5,036	5,558
Grants	951	40	(265)	726	951
Provincial	1,339	4,106	(4,376)	1,069	1,339
Federal	372	13,736	(12,852)	1,256	372
Revenue sharing policy (i)	1,487	79	–	1,566	1,487
	$ 43,438	$ 106,740	$ (106,642)	$ 43,536	$ 43,438

(i) The proceeds on the sale of properties is attributed to the Province of Ontario (the "Province") and the member municipalities on the basis of their original contribution when the properties were acquired. The Ministry of Natural Resources and Forestry reserves the right to direct the purpose to which the Province's share of funds may be applied or to request a refund. The balance must always be maintained in proportion to the original contribution by the Province and TRCA, represented by the member municipalities. TRCA is permitted to withdraw the municipal share of the funds provided that the Province's corresponding share is either matched by other sources of funding or returned to the Province. The funding received includes $79 (2022 - $27) in interest allocation.

On May 8, 2018, the Ministry of Natural Resources and Forestry approved $3,538 in funds to be treated as disposition proceeds from land sales associated with the Province's grants toward TRCA's administrative building construction project.

(In thousands of dollars)

5. Deferred revenue (continued):

(b) Authority generated:

	Balance, beginning of year	Funding received	Funding recognized	2023 Balance, end of year	2022 Balance, end of year
Cash in lieu and compensation	$ 10,066	$ 5,372	$ (2,355)	$ 13,083	$ 10,066
Master environmental servicing	1,944	4,809	(4,809)	1,944	1,944
Contract services	1,493	5,009	(2,364)	4,138	1,493
Other	565	26,869	(26,924)	510	565
Event deposits	116	726	(822)	20	116
Property easements	2	1,364	(123)	1,243	2
	$ 14,186	$ 44,149	$ (37,397)	$ 20,938	$ 14,186

6. Credit facility agreement and derivative financial instrument:

(a) On February 22, 2019, the Board of Directors authorized TRCA to enter into a $54,000 unsecured, non-revolving construction and term loan agreement to support the construction of TRCA's new administrative office building at 5 Shoreham Drive. The agreement was entered into on February 26, 2019 with a Canadian commercial bank and bears interest at the applicable Canada Bankers' Acceptances plus 0.74%, fixed rate by way of interest rate swap or prime rates, depending on the form of borrowing. All amounts drawn under the agreement will be available with a commitment period of up to 10 years from the date of initial drawdown. The construction loan will convert to the term loan on the earlier of substantial completion of the project and June 30, 2024. The principal amount of the term loan is to be repaid in full over a maximum of 30 years from the conversion date. Under the terms of the loan agreement, TRCA is required to comply with certain financial and non-financial covenants.

As at December 31, 2023, $36,000 (2022 - $13,547) has been drawn under the non-revolving construction loan.

The municipal partners of TRCA, including the City of Toronto and the Regions of Durham, Peel and York have committed up to $60,000 of funding for the project over 33 years, which started in 2017, as approved by their individual Councils, as approved by their individual Councils. Included in municipal government funding receivables is $46,392 (2022 - $34,478) receivable from the municipalities for costs incurred to construct the new administrative office building.

(In thousands of dollars)

6. Credit facility agreement and derivative financial instrument (continued):

(b) In connection with the loan agreement, in 2021 TRCA entered into an interest rate swap to forward fix the interest payable at 4.111% on $50,000 of the available $54,000 facility. This interest rate swap replaced the 2019 interest rate swap at 3.658% on $50,000 of the available $54,000 facility.

At December 31, 2023, TRCA has an interest rate exchange agreement in the amount of $50,000 (2022 - $50,000) outstanding and maturing on July 2, 2049 (2022 - June 1, 2048). The fair value of this contract is recorded as a $249 (2022 - $2,170) derivative financial instrument asset. The change in fair value of this contract is an unrealized loss of $1,921 (2022 - unrealized gain $8,573) which has been recorded as a reduction (2022 - reduction) to the asset on the statement of financial position and unrealized loss (2022 - gain) on derivative financial instrument on the statement of remeasurement gains and losses. Subsequent to year end on April 28, 2024, the fair value of this contract is a $3,686 derivative financial asset.

On April 28, 2023, the Board approved a revised financing agreement to extend the window period from June 2, 2023 up to June 30, 2024, with an end date of 25 years from start date with an in-swap rate of 4.131%.

(c) TRCA has the following amounts outstanding under letter of credit facilities with a Canadian commercial bank as required by Fisheries and Oceans Canada and the City of Toronto to undertake certain work:

Project	Amount available	Interest rate	Expiry date	Amount drawn 2023	Amount drawn 2022
German Mills Settlers Park Sanitary Infrastructure Protection Project	$ 348	0.85%	December 7, 2024	$ 348	$ 348
Ashbridge's Bay Treatment Plant	2,523	1.05%	June 12, 2024	2,450	2,450
New Administrative Office	1,402	0.85%	March 3, 2024	1,402	1,402
Ashbridge's Bay Major Maintenance	1,300	0.85%	October 8, 2024	1,270	1,270
Patterson Creek	77	0.85%	June 12, 2024	77	77
	$ 5,650			$ 5,547	$ 5,547

(In thousands of dollars)

6. Credit facility agreement and derivative financial instrument (continued):

(d) As at December 31, 2023, TRCA has a revolving demand facility with an overall limit of $1,000 (2022 - $1,000). The facility bears interest at the applicable bank prime rate minus 0.25% per annum or rates quoted by the bank at the time of issuance, depending on the form of the borrowing. TRCA had drawn nil (2022 - nil) under the facility as at December 31, 2023.

7. Asset retirement obligation:

TRCA owns and operates several buildings that are known to have asbestos, which represent a health hazard upon demolition of the building and there is a legal obligation to remove it. Following adoption of PS 3280 - Asset Retirement Obligations, TRCA recognized an obligation relating to the removal and post-removal care of the asbestos, estimated as at January 1, 2022. For buildings which are past their estimated useful lives, the full estimate of the retirement obligation has been recorded in the year of adoption of the standard. For buildings with useful lives remaining, the estimated retirement obligation was recorded as an increase to capital assets and will be amortized over the remaining useful life of the building.

The transition and recognition of the asset retirement obligation involved an accompanying increase to the buildings capital assets and the restatement of prior year numbers (note 2).

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

	2023	2022
Opening balance	$ 1,236	$ –
Adjustment on adoption of the asset retirement: Obligation standard (note 2)	–	1,236
Closing balance	$ 1,236	$ 1,236

(In thousands of dollars)

8. Tangible capital assets:

2023 - Cost	Opening (Restated – note 2)	Additions	Transfers	Disposals	Closing
Land	$ 314,216	$ 287	$ 13	$ (1)	$ 314,515
Infrastructure	200,114	5,992	383	–	206,489
Buildings and building improvements	52,105	874	164	–	53,143
Land improvements	19,613	559	1,040	–	21,212
Machinery and equipment	9,998	2,212	–	(52)	12,158
Vehicles	6,628	1,466	–	(171)	7,923
Assets under construction	69,163	50,465	(1,600)	(2,625)	115,403
	$ 671,837	$ 61,855	$ –	$ (2,849)	$ 730,843

2023 - Accumulated amortization	Opening (Restated – note 2)	Amortization - net	Disposals	Closing
Infrastructure	$ 134,140	$ 4,505	$ –	$ 138,645
Buildings and building improvements	27,436	1,434	–	28,870
Land improvements	9,261	705	–	9,966
Machinery and equipment	5,998	820	(46)	6,772
Vehicles	4,023	487	(164)	4,346
	$ 180,858	$ 7,951	$ (210)	$ 188,599

	2023	2022 (Restated - note 2)
Land	$ 314,515	$ 314,216
Infrastructure	67,844	65,974
Buildings and building improvements	24,273	24,669
Land improvements	11,246	10,352
Machinery and equipment	5,386	4,000
Vehicles	3,577	2,605
Assets under construction	115,403	69,163
	$ 542,244	$ 490,979

(In thousands of dollars)

8. Tangible capital assets (continued):

TRCA received from corporations and individual private owners $277 (2022 - $489) of contributed land and buildings within the Greenspace Securement and Management service area included, as part of authority generated revenue. Included in assets under construction is $1,585 (2022 - $434) of capitalized interest relating to the non-revolving construction loan for the new administrative office building. A review of tangible capital asset subledgers resulted in a write off of $2,625 (2022 - $3,180) of assets under construction related to longstanding projects which were no longer proceeding and project costs which were no longer deemed to be assets.

9. Accumulated surplus:

	2023	2022 (Restated - note 2)
Tangible capital assets	$ 542,244	$ 490,979
Unrestricted reserves	38,665	36,457
Unfunded vacation pay entitlements	(372)	(195)
Unrealized gain on derivative financial instrument	249	2,170
	580,786	529,411
Less accumulated remeasurement losses	1,789	–
	$ 582,575	$ 529,411

10. Revenue - government funding:

	2023 Budget	2023 Actual	2022 Actual
Municipal:			
Capital levies	$ 89,723	$ 63,439	$ 59,831
Contract services	49,299	37,554	42,302
Operating levies	17,951	17,953	17,130
Other	878	264	536
Provincial	5,357	4,376	3,336
Federal	11,596	12,854	6,718
	$ 174,804	$ 136,440	$ 129,853

Municipal capital levies include $11,914 (2022 - $19,405) of funding recognized and receivable as at December 31, 2023.

(In thousands of dollars)

11. Revenue - authority generated:

	2023 Budget	2023 Actual	2022 Actual
Watershed Studies and Strategies	$ –	$ (17)	$ 31
Water Risk Management	1,065	1,103	767
Regional Biodiversity	12,252	5,258	3,536
Greenspace Securement and Management	8,502	4,828	4,797
Tourism and Recreation	9,828	10,855	12,226
Planning and Development Review	10,038	9,337	9,947
Education and Outreach	5,594	4,190	3,296
Sustainable Communities	2,190	1,513	676
Corporate Services	392	330	882
	$ 49,861	$ 37,397	$ 36,158

12. Expenses by object:

	2023 Budget	2023 Actual	2022 Actual (Restated - note 2
Compensation (note 13)	$ 93,504	$ 72,629	$ 67,139
Contract services	84,180	33,254	41,841
Materials and supplies	21,235	8,749	12,681
Utilities and property taxes	1,761	1,616	1,757
Amortization of tangible capital assets	8,544	7,951	7,993
	$ 209,224	$ 124,199	$ 131,411

13. Public sector salary disclosure:

TRCA is subject to The Public Sector Salary Disclosure Act, 1996, due to funding received from the Province during the current year being in excess of $1,000. Salaries and taxable benefits for the 130 employees (2022 - 89 employees) that have been paid by TRCA and reported to the Province in compliance with this legislation can be obtained from the Ministry of Finance or upon request from TRCA.

14. Employee pension plan:

TRCA makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan, on behalf of its qualifying full-time and part-time employees. 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, pension formula and best 60 months of earnings. Employees and employers contribute equally to the plan.

As OMERS is a multi-employer defined benefit pension plan, any pension plan surpluses or deficits are a joint responsibility of all eligible organizations and their employees. As a result, TRCA does not recognize any share of the OMERS pension funding deficit of $4,202,000 (2022 - $6,678,000), as TRCA's portion of the amount is not determinable. TRCA's current service contributions to the OMERS pension plan in the amount of $5,181 (2022 - $4,558) are included as compensation expense in the current year.

15. Toronto and Region Conservation Foundation:

Toronto and Region Conservation Foundation (the "Foundation"), is an independent, non-controlled registered charitable organization which has its own Board of Directors. As such, TRCA's financial statements do not include the activities of the Foundation.

In the current year, the Foundation contributed $3,060 (2022 - $3,960) to TRCA programs, which is included as part of authority generated revenue. As at December 31, 2023, the Foundation has an externally restricted fund balance of $4,611 (2022 - $4,874), which is to be used primarily for undertaking TRCA projects, and an operating fund surplus of $931 (2022 - $575). The receivable balance from the Foundation is non-interest bearing, unsecured and has no specified repayment terms.

16. Contingent liabilities and commitments:

(a) Legal actions and claims:

TRCA has received statements of claim as defendant under various legal actions resulting from its involvement in land purchases, fatalities, personal injuries and flooding on or adjacent to its properties. TRCA maintains insurance coverage against such risks and has notified its insurers of the legal actions and claims. It is not possible at this time to determine the outcome of these claims and, therefore, no provision has been made in these financial statements.

16. Contingent liabilities and commitments (continued):

(b) Land expropriations:

TRCA has completed the acquisition of lands required to undertake various projects which includes acquiring lands under the Expropriations Act. A number of properties required for the Revised Project for the Etobicoke Motel Strip were obtained through expropriation from five owners. Funding was from the City of Etobicoke and the Municipality of Metropolitan Toronto (now collectively known as the City of Toronto) and the Province. To date, four of the expropriations have been settled in the amount of $23,765 and the compensation has been paid during the 2008 to 2012 fiscal periods.

(c) Lease commitments:

TRCA is committed under various operating leases for office spaces over the next four years, with minimum lease payments totaling $1,056 (2022 - $1,492).

17. Budget figures:

TRCA's 2023 budget was approved by its Board of Directors on April 28, 2023.

18. Contractual rights:

As at December 31, 2023, TRCA estimates that contractual rights in the amount of $184,227 (2022 - $173,884) will be earned in future years.

19. Financial instruments and risk management:

(a) Financial instruments classification:

The following table provides the carrying amount information of the TRCA's financial instruments by category. The maximum exposure to credit risk would be the carrying values, as shown below:

	Fair value	Amortized cost
Cash and cash equivalents	$ –	$ 63,623
Accounts receivable	–	90,246
Investments (i)	3,361	12,121
Derivative financial instrument (i)	249	–
Payable and accrued liabilities	–	(28,166)
Non-revolving credit facility	–	(36,000)

(i) Fair value measurement hierarchy:

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

- Level 1 - fair value measurements are those derived from quoted prices 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 asset or liability that are not based on observable market data (unobservable inputs).

All of the TRCA's financial instruments are classified as Level 1, except for the TRCA's derivative financial instrument, which is classified as a Level 3 financial instrument.

19. Financial instruments and risk management (continued):

(b) Risk management:

The risks associated with TRCA's financial instruments and policies in managing the risks are as follow:

(i) Credit risk:

Credit risk is the risk of financial loss to the TRCA if a debtor fails to discharge their obligation. TRCA's primary source of this risk relates to its cash and cash equivalents, investments, and accounts receivable.

The TRCA's exposure to credit risk associated with cash and cash equivalents is assessed as low because the TRCA's cash and cash equivalents are held by Canadian Schedule 1 Chartered banks and accounts receivables are mainly with municipal partners.

The TRCA's investments are risk-managed under TRCA's investment policy. The investment policy puts limits on the permitted investments, including portfolio composition, issuer type and credit quality.

(ii) 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. Diversification techniques are utilized to minimize risk.

(iii) Interest rate risk

Interest rate risk arises from changes in market interest rates which cause potential financial loss in the fair value of financial instruments. The TRCA is exposed to this risk in its interest-bearing investments, and non-revolving credit facility.

The TRCA mitigates its interest rate risk by way of an interest rate swap. Interest rate risk on its investments is mitigated by investing in securities with varying maturities - both short term (one year and less) and long term (greater than one year).

19. Financial instruments and risk management (continued):

(iv) Other price risk:

Other price risk arises when the fair value of equity funds changes due to a decrease in a stock market index or other risk variables. The TRCA is exposed to this risk in its investments.

(v) Liquidity risk:

Liquidity risk is the risk associated with the TRCA's inability to meet its financial obligations as they come due. The TRCA mitigates the risk by monitoring cash flows from operations, the expected outflows and financing activities to ensure it has sufficient funds to meet the current and long-term financial liabilities when due.

The table below shows the financial liabilities and its contractual maturities:

	Due within 1 year	Due beyond 1 year	Total
Payables and accrued liabilities	$ 28,166	$ –	$ 28,166
Non-revolving credit facility	–	36,000	36,000
	$ 28,166	$ 36,000	$ 64,166

(In thousands of dollars)

20. Segmented disclosures:

	Watershed Studies and Strategies	Water Risk Management	Regional Biodiversity	Greenspace Securement and Management	Tourism and Recreation	Planning and Development	Education and Outreach	Sustainable Communities	Corporate Services	2023 Total	2022 Total (Restated - note 2)
Revenue:											
Government funding	$ 1,882	$ 55,897	$ 17,936	$ 5,867	$ 11,669	$ 4,115	$ 4,532	$ 6,187	$ 28,355	$ 136,440	$ 129,853
Authority generated	(17)	1,103	5,258	4,828	10,855	9,337	4,190	1,513	330	37,397	36,158
Investment income	–	–	4	(79)	(1)	–	6	4	3,456	3,390	782
	1,865	57,000	23,198	10,616	22,523	13,452	8,728	7,704	32,141	177,227	166,793
Expenses:											
Compensation	1,694	7,300	11,300	2,439	9,482	12,342	8,023	5,810	14,239	72,629	67,139
Contract services	75	9,868	6,060	775	6,407	218	905	563	8,383	33,254	41,841
Materials and supplies	6	2,227	2,595	192	1,338	363	632	197	1,199	8,749	12,681
Utilities and property taxes	–	28	8	623	586	–	201	–	170	1,616	1,756
Amortization of tangible capital assets	4	2,492	144	260	3,354	35	247	42	1,373	7,951	7,994
Internal charges (recoveries)	83	6,026	3,158	1,523	1,840	258	66	673	(13,627)	–	–
	1,862	27,941	23,265	5,812	23,007	13,216	10,074	7,285	11,737	124,199	131,411
Net surplus (deficit) before the undernoted	3	29,059	(67)	4,804	(484)	236	(1,346)	419	20,404	53,028	35,382
Unrealized gain on derivative financial instrument	–	–	–	–	–	–	–	–	–	–	8,573
Net gain (loss) on disposal of tangible capital assets	–	–	–	(1)	–	–	–	–	137	136	774
Net surplus (deficit)	$ 3	$ 29,059	$ (67)	$ 4,803	$ (484)	$ 236	$ (1,346)	$ 419	$ 20,541	$ 53,164	$ 44,729