Welch LLP

REPORT TO THE BOARD OF DIRECTORS OF

THE LOWER TRENT REGION CONSERVATION AUTHORITY

For the year ended December 31, 2013

Prepared by Daniel J.W. Coleman, CPA, CA
Partner
Welch LLP
February 10, 2014

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AUDIT STATUS

Our audit of the financial statements of The Lower Trent Region Conservation Authority for the year ended December 31, 2013 is substantially complete and we expect to release our auditor's report after the following outstanding matters are completed:

- Approval by the Board of Directors of the draft financial statements
- Receipt of the signed management representation letter

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. The following paragraphs provide information we are required to communicate with you in accordance with Canadian auditing standards.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2013 fiscal year.

MANAGEMENT LETTER OF REPRESENTATION

It is necessary for us to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation as an attachment to this letter. The Manager, Corporate Services has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditor's report.

MISSTATEMENTS

The corrected misstatements identified during our audit are included in the draft representation letter. Management made all the corrections we proposed and as a result there are no unadjusted errors to report to you.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

During our audit we did not identify any significant deficiencies in internal control to report to the Board.

FINANCIAL STATEMENT PRESENTATION

1. Significant Accounting Policies

The Authority's significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

2. Management's Judgments and Accounting Estimates

During the audit we did not encounter any situations that required significant judgements on the part of management or involved significant estimates.

DIFFICULTIES ENCOUNTERED DURING THE AUDIT

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

MATTERS SPECIFICALLY REQUIRED BY OTHER CANADIAN AUDITING STANDARDS TO BE COMMUNICATED

Other sections of Canadian Auditing Standards require us to communicate with those charged with governance in a number of specific circumstances:

- Where we encounter unusual related party transactions or significant matters related to related party transactions;
- Where we encounter other transactions that were unusual or not in the normal course of business;
- Where we suspect or detect fraud;
- Where there is inconsistency between the financial statements and other information in documents containing the financial statements; and
- Where we believe there may be non-compliance with legislative or regulatory requirements.

We did not encounter any such matters during the course of our audit.

ACKNOWLEDGEMENTS

During the course of our audit, we received considerable assistance from the Authority's staff and management. We would like to take this opportunity to thank them for their efforts and for their constructive approach to the audit.

Yours truly,

WELCH LLP

DANIEL J.W. COLEMAN, CPA, CA

PARTNER

THE LOWER TRENT REGION CONSERVATION AUTHORITY

714 Murray Street
RR #1
Trenton, Ontario
K8V 5P4

Date of approval of financial statements by the Board

Welch LLP
290 Dundas Street West
Unit 4
Trenton, ON K8V 3S1

Dear Sirs/Madams:

We are providing this letter in connection with your audit of the financial statements of The Lower Trent Region Conservation Authority for the fiscal year ending December 31, 2013 , for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of The Lower Trent Region Conservation Authority in accordance with Canadian Public Sector Accounting Standards.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards and for the design and implementation of internal controls to prevent and detect fraud and error.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 10, 2011, for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the financial statements are fairly presented in accordance therewith.

2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Information Provided

1. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;

   (b) Additional information that you have requested from us for the purpose of the audit; and

   (c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

2. All transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.

4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

   (a) Management;

   (b) Employees who have significant roles in internal control; or

   (c) Others where the fraud could have a material effect on the financial statements.

5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

7. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Notes and Accounts Receivable

1. Notes and accounts receivable represent valid claims relating to transactions made before the end of the fiscal year and do not include any amount relating to services to provided after the year end. Adequate provision has been made for losses which may be sustained in the collection of receivables.

Temporary and Portfolio Investments

1. All investments that are owned by the Authority are recorded in the accounts.

2. The Authority has good title to all investments recorded in the accounts and these investments are free from hypothecation.

3. These investments were valued at cost computed on an average cost basis as at December 31, 2013.

4. All income earned on the investments for the year has been recorded in the accounts.

5. Where there has been a loss in value of a portfolio or long-term investment that is other than a temporary decline, adequate provision for loss has been recorded in the accounts.

6. Where the value of temporary investments has declined below the carrying value by a significant amount, the securities have been recorded at market value.

Tangible Capital Assets

1. All charges to tangible capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the Authority during the year.

2. All tangible capital assets sold or dismantled have been properly accounted for in the books of the Authority.

3. Appropriate rates have been used to amortize the assets over their estimated useful lives and the provisions were calculated on a basis consistent with that of the previous period.

4. The Authority has good title to the properties represented by the balance carried in the tangible capital asset accounts, and there are no liens, mortgages or other charges against any of the tangible capital assets shown on the books of the Authority.

5. Where the value of any tangible capital assets has been impaired, this fact has been disclosed to you.

Liabilities and Commitments

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the Authority are included and fairly stated on the balance sheet.

2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute).

3. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

4. At the year-end, the Authority had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the Authority.

5. All claims outstanding against the Authority or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.

6. We understand that any illegal or possibly illegal act could damage the Authority or its reputation or give rise to a claim or claims against the Authority. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

Statement of Operations

1. All of the revenues of the Authority for the year has been recorded in the books of account and disclosed in the financial statements.

2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

Restrictions

1. All restrictions on the use of the Authority's funds or assets, as well as all requirements or conditions imposed by third parties, have been brought to your attention and are appropriately disclosed in the financial statements. The Authority complied with all restrictions, requirements or conditions which, in the event of non-compliance could have a significant effect on the financial statements.

2. All assets subject to a lien, pledged or assigned as security or guarantee for liabilities were brought to your attention and are appropriately disclosed in the financial statements.

Corporate Minutes

The minute books of the Authority contain an accurate record of all of the business transacted at meetings of directors and committees of directors up to the date of this letter.

Controlled and Related Entities

1. The Authority does not have relationships with any companies or other not-for-profit organizations that involve control, joint control, or significant influence nor does the Authority have an economic interest in any other not-for-profit organization.

Related Party Transactions

1. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.

2. There have been no exchanges of goods or services with any related parties for which appropriate accounting recognition and financial statement disclosure has not been given.

Recognition, Measurement and Disclosure

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

2. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

Going Concern

We confirm that we have assessed the Authority's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the Authority is able to continue as a going concern for the foreseeable future.

General

1. We are unaware of any frauds or possible frauds having been committed by the Authority, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

2. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements.

3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.

4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

6. In the course of your audit of our financial statements for the year ended December 31, 2013, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our Authority.

Events Subsequent to the Year-end

All events subsequent to the date of these financial statements and for which Canadian Public Sector Accounting Standards require adjustment or disclosures have been adjusted or disclosed.

Yours very truly,

Per ________________________

Manager, Corporate Services

The Lower Trent Region Conservation Authority

Year End: December 31, 2013
Adjustments
Rev. 10/10/01
Date: 01/01/2013 To 31/12/2013

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	31/12/2013	Short Term Deposits	1019	B1		216.76			
1	31/12/2013	Short Term Deposit - Shell Can GLCC	1021	B1		123.68			
1	31/12/2013	Unearned Revenue - Shell Fund	2044	B1			123.68		
1	31/12/2013	Interest Earned - Bank Account CIBC	4069	B1			216.76		
		To record income earned on investments that is reinvested			✓				
2	31/12/2013	Short Term Deposits	1019	B1		5,675.76			
2	31/12/2013	Short Term Deposit - Shell Can GLCC	1021	B1			5,675.76		
		To reallocate value assigned to Shell and to the General account for investments			✓				
3	31/12/2013	Current Liabilities	2001	520/BB1			11,900.00		
3	31/12/2013	Annual Audit Fees	5356	520/BB1		11,900.00			
		To record audit accrual per Board approved quote			✓				
4	31/12/2013	Due from Member Mun. - Spec Benefit	1011			5,300.00			
4	31/12/2013	Accounts Receivable	1023			10,399.00			
4	31/12/2013	Planning Fees	4039				5,300.00		
4	31/12/2013	Income fr Prop Rent - Keating C.A.	4081				800.00		
4	31/12/2013	ORM Watershed Assessment	5551				9,599.00		
		To record current year accounts receivable			✓				
5	31/12/2013	Deferred Revenue	2025	PL27			5,400.00		
5	31/12/2013	Goodrich-Loomis Cons Centre Rental	4031	PL27		5,400.00			
		To defer portion of Kawartha rent			✓				
6	31/12/2013	Computer Hardware	1880			10,596.29			
6	31/12/2013	Surplus/Deficit - Beginning of Year	3010			10,596.29			
6	31/12/2013	Equity in Tangible Capital Assets	3020				10,596.29		
6	31/12/2013	FFW Operations Centre M/E	5216				2,000.00		
6	31/12/2013	Office Equipment Rent & Purchase	5335				5,596.29		
6	31/12/2013	WS - Office Admin. Utilities	5543				3,000.00		
		To capitalize server purchase originally expensed			✓				
7	31/12/2013	A/A Buildings and Structures	1815	K1			15,702.00		
7	31/12/2013	A/A Bridges and Dams	1825	K1			3,404.00		
7	31/12/2013	A/A Roads, Parking Lots and Trails	1835	K1			2,862.00		
7	31/12/2013	A/A Furniture and Fixtures	1845	K1			1,308.00		
7	31/12/2013	A/A Equipment	1855	K1			1,630.00		
7	31/12/2013	A/A Office Equipment	1865	K1			1,847.00		
7	31/12/2013	A/A Vehicles	1875	K1			9,242.00		
7	31/12/2013	A/A Computer Hardware	1885	K1			3,059.04		
7	31/12/2013	A/A Computer Software	1895	K1			1,182.00		
7	31/12/2013	Surplus/Deficit - Beginning of Year	3010	K1			40,236.04		
7	31/12/2013	Equity in Tangible Capital Assets	3020	K1		40,236.04			
7	31/12/2013	Amortization Expense	5910	K1		40,236.04			
		To record amortization of capital assets			✓				
8	31/12/2013	Current Liabilities	2001	BB1-3			46,827.26		
8	31/12/2013	Current Liabilities	2001	BB1-3		30,075.95			
8	31/12/2013	FFW Flood Forecasting W/B	5205	BB1-3			6,598.05		
8	31/12/2013	Corporate Services - Wages	5301	BB1-3		33,252.82			
8	31/12/2013	Corporate Services - Wages	5301	BB1-3			19,795.89		
8	31/12/2013	WS - Wages/Benefits (regular stf.)	5530	BB1-3		7,721.38			
8	31/12/2013	WS - Wages/Benefits (regular stf.)	5530	BB1-3			2,288.74		
8	31/12/2013	Cons Lands Regular Staff - W/B	5600	BB1-3		5,853.06			
8	31/12/2013	Cons Lands Regular Staff - W/B	5600	BB1-3			1,393.27		
		To reverse prior years and accrue current years vacation/overtime payable for Authority General - unrestricted employees			✓				
9	31/12/2013	Current Liabilities	2001	BB1-1			25,060.18		

Prepared by	Reviewed by	First Partner	Second Partner
JS 30/01/2014		DJWC 10/02/2014	

WS1

The Lower Trent Region Conservation Authority

Year End: December 31, 2013
Adjustments
Rev. 10/10/01
Date: 01/01/2013 To 31/12/2013

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
9	31/12/2013	Corporate Services - Wages	5301	BB1-1		9,692.02			
9	31/12/2013	Corporate Services - Wages	5301	BB1-1		1,550.72			
9	31/12/2013	WS - Wages/Benefits (regular stf.)	5530	BB1-1		8,638.15			
9	31/12/2013	WS - Wages/Benefits (regular stf.)	5530	BB1-1		1,382.11			
9	31/12/2013	Cons Lands Regular Staff - W/B	5600	BB1-1		3,273.43			
9	31/12/2013	Cons Lands Regular Staff - W/B	5600	BB1-1		523.75			
		To record accrued payroll and benefits to Dec 31/13			✓				
10	31/12/2013	Deferred Revenue	2025	HH1-1, PL26			72,164.13		
10	31/12/2013	Miscellaneous Revenue	4061	HH1-1, PL26			64,698.34		
10	31/12/2013	Wilson Property - Capital - BCHA	5482	HH1-1, PL26		19,197.44			
10	31/12/2013	Warkworth Dam Safety Review Project	5495	HH1-1, PL26		2,017.21			
10	31/12/2013	Healthy Shorelines Initiative	5570	HH1-1, PL26		37,990.63			
10	31/12/2013	Yellow Fish Road	5576	HH1-1, PL26		469.65			
10	31/12/2013	Trent Watershed Caring Program - MW	5580	HH1-1, PL26		55,366.05			
10	31/12/2013	Children's Water Festival	5581	HH1-1, PL26		20,999.61			
10	31/12/2013	Seymour Family Fishing Day	5585	HH1-1, PL26		821.88			
		To record deferred revenue general			✓				
11	31/12/2013	Unearned Revenue - Shell Fund	2044	HH3		5,675.76			
11	31/12/2013	Shell Canada Funding - GLCC	4015	HH3			5,675.76		
		To recognize revenue from Shell funding related to qualifying expenditues on Goodrich Loomis Conservatin Centre.			✓				
12	31/12/2013	Unearned Revenue - Shell Fund	2044	PL20			22,137.05		
12	31/12/2013	Shell Canada Funding - GLCC	4015	PL20		22,137.05			
		To reallocate Shell deferred revenue			✓				
13	31/12/2013	Miscellaneous Revenue	4061	HH1-1		2,625.00			
13	31/12/2013	Healthy Shorelines Initiative	5570	HH1-1			2,625.00		
		To reverse for work to be done in 2014 per Don			✓				
14	31/12/2013	Unearned Revenue - Implementation M	2030	HH2			71,526.67		
14	31/12/2013	Unearned Revenue- NHS	2032	HH2		15,510.89			
14	31/12/2013	Unearned Revenue - Fate & Transport	2033	HH2			465.23		
14	31/12/2013	Unearned Revenue - Streamgauge Netw	2035	HH2			625.86		
14	31/12/2013	Unearmed Revenue - Early Action	2041	HH2			7,509.63		
14	31/12/2013	Unearned Revenue - Tech. Studies	2042	HH2			72,824.47		
14	31/12/2013	Bay of Quinte Rap - Habitat	4067	HH2		8,750.00			
14	31/12/2013	Lower Trent Cons. In Trust DWSPP	4071	HH2			124.69		
14	31/12/2013	Revenue - Administered Programs	4098	HH2			610,510.51		
14	31/12/2013	BQRAP - Wages	5520	HH2			77,399.22		
14	31/12/2013	BQRAP - Benefits	5521	HH2			17,269.95		
14	31/12/2013	BQRAP - MOE Office	5525	HH2		332,835.88			
14	31/12/2013	BQRAP- EC Office	5527	HH2		99,458.99			
14	31/12/2013	BQRAP Natural Heritage Strategy	5566	HH2		15,276.37			
14	31/12/2013	ODWSP - Early Response (ER01011-08)	5571	HH2		2,828.20			
14	31/12/2013	BQRAP - Biocontaminants	5700	HH2		26,554.88			
14	31/12/2013	BQRAP - GLSF	5701	HH2		191,019.94			
14	31/12/2013	Source Protection Prg.-Early Action	5702	HH2		8,710.40			
14	31/12/2013	BQRAP Phosphorus Mgt. Strategy	5704	HH2		80,000.00			
14	31/12/2013	BQRAP - MNR COA	5707	HH2		8,366.62			
14	31/12/2013	RAP Communications	5709	HH2			4,630.96		
14	31/12/2013	Streamgauge Network Rehabilitation	5712	HH2		625.86			
14	31/12/2013	DWSP - MNR- Funding	5720	HH2		72,824.47			
14	31/12/2013	SPP - Other SPP Tasks	5830	HH2		124.69			
		To record deferred contributions - administered programs			✓				
15	31/12/2013	HST - Rebate	1025	BB1-2		2,360.35			
15	31/12/2013	Accounts Payable	2007	BB1-2			29,730.00		
15	31/12/2013	BQRAP - Biocontaminants	5700	BB1-2		21,369.65			
15	31/12/2013	BQRAP Fish Contaminants Monitoring	5706	BB1-2		6,000.00			
		To record additional payables			✓				

Prepared by	Reviewed by	First Partner	Second Partner
JS 30/01/2014		DJWC 10/02/2014	

WS1-1

The Lower Trent Region Conservation Authority
Year End: December 31, 2013
Adjustments
Rev. 10/10/01
Date: 01/01/2013 To 31/12/2013

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
						1,302,560.72	1,302,560.72		

Net Income (Loss) (50,885.02)

Prepared by	Reviewed by	First Partner	Second Partner
JS 30/01/2014		DJWC 10/02/2014	

WS1-2

The Lower Trent Region Conservation Authority
Year End: December 31, 2013
Client adjustments
Date: 01/01/2013 To 31/12/2013
Account No: R1 To R99

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
R1	31/12/2013	Cash in the Bank	1001	A1-1		44,516.62			
R1	31/12/2013	Accounts Payable	2007	A1-1			44,516.62		
		To reallocate cheques issued after year end from o/s cheques to payables			✓				
R2	31/12/2013	Miscellaneous Revenue	4061			18,520.77			
R2	31/12/2013	Internal cost recoveries	9997				18,520.77		
		To reallocate internal recoveries from miscellaneous revenue			✓				
R3	31/12/2013	FPS - Admin. - EAS - C&L	4045	PL40. 4		59,794.02			
R3	31/12/2013	BQRAP - LTC Admin. Support	4057	PL40. 4		100,390.76			
R3	31/12/2013	SWP - LTC Admin. Support	4059	PL40. 4		185,379.10			
R3	31/12/2013	Internal cost recoveries	9997	PL40. 4			345,563.88		
		To reallocate internal recoveries			✓				
						408,601.27	408,601.27		

Net Income (Loss) **(50,885.02)**

Prepared by	Reviewed by	First Partner	Second Partner
JS 30/01/2014		DJWC 10/02/2014	

WS2

THE LOWER TRENT REGION CONSERVATION AUTHORITY

FINANCIAL STATEMENTS

December 31, 2013

DRAFT
FOR DISCUSSION
PURPOSES ONLY

MANAGEMENT RESPONSIBILITY STATEMENT

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

The financial statements have been prepared in compliance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

Glenda Rodgers
Chief Administrative Officer

Don Campbell
Manager, Corporate Services

To be determined

INDEPENDENT AUDITOR'S REPORT

To the Members of
THE LOWER TRENT REGION CONSERVATION AUTHORITY

We have audited the accompanying financial statements of **THE LOWER TRENT REGION CONSERVATION AUTHORITY**, which comprise the statement of financial position as at December 31, 2013, and the statements of surplus, changes in net financial assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **THE LOWER TRENT REGION CONSERVATION AUTHORITY** as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Trenton, Ontario
To be determined

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

THE LOWER TRENT REGION CONSERVATION AUTHORITY

(Established under the Conservation Authorities Act of Ontario)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash	$ 611,583	$ 926,707
Short term investment - *note 2*	61,272	60,932
Accounts receivable:		
Municipalities	5,300	4,680
Other	32,348	27,335
Prepaid expenses	8,912	8,912
	719,415	1,028,566
LIABILITIES		
Accounts payable and accrued liabilities	158,034	320,660
Unearned revenue:		
General	77,564	116,911
Administered programs - *note 4*	137,441	217,821
Deferred contributions - *note 3*	16,585	22,137
	389,624	677,529
NET FINANCIAL ASSETS	329,791	351,037
NON-FINANCIAL ASSETS		
Tangible capital assets - *schedule 4*	3,042,160	3,071,799
ACCUMULATED SURPLUS	$ 3,371,951	$ 3,422,836
Represented by:		
Operating fund - *note 5*	$ 105,079	$ 126,325
Reserve funds - *note 6*	224,712	224,712
Equity in tangible capital assets	3,042,160	3,071,799
	$ 3,371,951	$ 3,422,836

Approved on behalf of the Board

____________________ Director

____________________ Director

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	2013 Budget (note 8)	2013 Actual	2012 Actual (note 11)
REVENUE			
Government grants - provincial	$ 133,329	$ 133,329	$ 133,329
Municipal levies - general	753,095	753,095	731,422
Municipal levies - special benefiting	15,000	15,359	11,316
Conservation services - trees	17,000	11,614	13,732
Legal enquiries, fill permits and plan review	71,000	74,030	63,570
Sundry	60,676	67,746	60,466
Administered programs - note 7	1,200,000	1,304,542	2,188,719
Property rental	18,000	25,497	17,043
Interest	-	4,001	680
Donations	1,000	612	1,392
Deferred contributions recognized - note 3	-	5,676	-
	2,269,100	2,395,501	3,221,669
EXPENSES			
Corporate Services, Schedule 1	544,500	577,310	321,898
Watershed Science and Services, Schedule 2	596,000	632,545	704,349
Conservation Lands, Schedule 3	294,000	281,216	285,824
Bay of Quinte Remedial Action Plan - note 7	600,000	606,482	654,041
Source Water Protection - note 7	600,000	694,031	1,240,117
Source Protection - Early Action/Response - note 7	-	4,029	294,673
Amortization	-	40,235	41,875
	2,634,500	2,835,848	3,542,777
Expense recoveries	289,100	389,462	268,829
	2,345,400	2,446,386	3,273,948
ANNUAL DEFICIT	$ (76,300)	$ (50,885)	$ (52,279)

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
STATEMENT OF SURPLUS
YEAR ENDED DECEMBER 31, 2013

	2013	2012
Accumulated surplus, beginning of year	$ 3,422,836	$ 3,475,115
Annual deficit	(50,885)	(52,279)
Accumulated surplus, end of year	$ 3,371,951	$ 3,422,836

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2013

	2013	2012
Net financial assets, beginning of year	$ 351,037	$ 375,751
Annual deficit	(50,885)	(52,279)
Acquisition of tangible capital assets	(10,596)	(14,310)
Amortization of tangible capital assets	40,235	41,875
	(21,246)	(24,714)
Net financial assets, end of year	$ 329,791	$ 351,037

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	$ (50,885)	$ (52,279)
Adjustment for:		
Amortization	40,235	41,875
	(10,650)	(10,404)
Change in non-cash working capital components:		
Accounts receivable	(5,633)	25,971
Prepaid expenses	-	(8,912)
Accounts payable and accrued liabilities	(162,626)	(28,980)
Unearned revenue	(119,727)	(374,778)
Deferred contributions	(5,552)	117
	(304,188)	(396,986)
CASH FLOWS FROM CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(10,596)	(14,310)
CASH FLOWS FROM INVESTING TRANSACTIONS		
Purchase of short-term investment	(340)	(323)
DECREASE IN CASH	(315,124)	(411,619)
CASH, beginning of year	926,707	1,338,326
CASH, end of year	$ 611,583	$ 926,707

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

SCHEDULE OF CORPORATE SERVICES

Schedule 1

	2013 Budget (note 8)	2013 Actual	2012 Actual (note 11)
Wages and benefits	$ 436,000	$ 458,937	$ 227,902
Travel and allowances	30,000	29,570	31,939
Equipment purchases and rental	4,000	3,847	924
Materials and supplies	12,000	18,507	8,237
Building occupancy costs	15,000	17,138	28,835
General	47,500	49,311	24,061
	$ 544,500	$ 577,310	$ 321,898

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

SCHEDULE OF WATERSHED SCIENCE AND SERVICES

Schedule 2

	2013 Budget (note 8)	2013 Actual	2012 Actual (note 11)
Wages and benefits	$ 300,000	$ 417,131	$ 343,772
Wages and benefits (flood protection)	94,000	53,196	216,208
Materials and supplies	8,500	479	597
Equipment upgrades and replacements	8,000	5,368	3,292
Office expenses	10,000	9,018	6,342
Vehicle and equipment - operations and maintenance	10,000	7,495	5,780
Vehicle and equipment replacement	20,000	-	-
Engineering services	12,000	2,460	5,430
Oak Ridges Moraine Coalition	2,500	2,500	2,500
Groundwater monitoring network	8,000	1,763	1,959
Benthic/flow monitoring	10,000	15,867	12,649
Flood and erosion control structures operations	6,000	6,000	6,000
Routine/minor maintenance of control structures	-	-	432
Preventative maintenance of control structures	3,000	8,297	1,119
Flood forecasting and warning	30,000	24,808	24,779
Caring for Our Watersheds	20,000	34,429	16,626
Children's Water Festival	8,000	5,315	9,299
Seymour Family Fishing Day	500	679	829
Events and publications	8,500	6,249	11,334
Tree planting	17,000	7,216	14,025
Healthy Shorelines	20,000	24,275	20,461
Yellow Fish Road	-	-	916
	$ 596,000	$ 632,545	$ 704,349

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

SCHEDULE OF CONSERVATION LANDS

Schedule 3

	2013 Budget (note 8)	2013 Actual	2012 Actual (note 11)
Wages and benefits	$ 174,000	$ 174,639	$ 166,926
General maintenance	16,000	19,218	11,704
Property taxes	27,000	27,682	25,593
Insurance	15,000	15,526	13,926
Workshop costs	12,000	9,097	8,838
Travel and clothing	1,000	955	1,055
Staff training	1,000	233	1,213
Goodrich-Loomis Conservation Centre operations	9,000	5,514	9,666
Capital works	16,000	5,997	26,329
Vehicle and equipment operations and maintenance	23,000	15,197	19,140
Vehicles and equipment lease/purchase	-	7,158	1,434
	$ 294,000	$ 281,216	$ 285,824

(See accompanying notes)

THE LOWER TRENT REGION CONSERVATION AUTHORITY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2013

Schedule 4

	Land $	Buildings and structures $	Bridges and dams $	Roads, parking lots and trails $	Furniture and fixtures $	Equipment $	Office equipment $	Vehicles $	Computer $	2013 Total $	2012 Total $
Historical Costs:											
Opening Balance	2,136,808	808,643	284,897	134,797	36,697	69,460	47,357	182,194	49,997	3,750,850	3,736,540
Additions	-	-	-	-	-	-	-	-	10,596	10,596	14,310
Disposals	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	2,136,808	808,643	284,897	134,797	36,697	69,460	47,357	182,194	60,593	3,761,446	3,750,850
Accumulated Amortization:											
Opening Balance	-	180,562	148,745	20,305	30,155	61,313	41,199	151,391	45,381	679,051	637,176
Amortization Expense	-	15,702	3,404	2,862	1,308	1,630	1,847	9,242	4,240	40,235	41,875
Effects of Disposals	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	-	196,264	152,149	23,167	31,463	62,943	43,046	160,633	49,621	719,286	679,051
Net book value for year ended December 31, 2013	2,136,808	612,379	132,748	111,630	5,234	6,517	4,311	21,561	10,972	3,042,160	3,071,799

(See accompanying notes)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Lower Trent Region Conservation Authority are prepared in accordance with Canadian generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by The Lower Trent Region Conservation Authority are as follows:

Basis of accounting

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

Appropriations to reserves

Authorities may establish reserves by appropriating amounts to earmark them for specific purposes. Appropriations to or from reserves are reported on the statement of surplus as appropriations from or to surplus.

Revenue recognition

The Authority recognizes revenue as follows:

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

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

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

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

General donations are recognized when received.

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

Investments

Investments are measured at acquisition cost.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

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

Buildings and structures	2.5%
Roads, parking lots and trails	2.5%
Bridges and dams	2.5%
Furniture and fixtures	20%
Equipment	20%
Vehicles	30%
Office equipment	30%
Computer equipment	30 to 45%

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include determining the estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

2. SHORT-TERM INVESTMENTS

The short term investment consists of a T-Bill mutual fund and includes $16,585 (2012 - $22,137) which is restricted in use as described in Note 3. The market value of the investment is equivalent to its cost.

3. DEFERRED CONTRIBUTIONS

	2013	2012
Balance, beginning of year	$ 22,137	$ 22,020
Interest earned	124	117
Expended in year	(5,676)	-
Balance, end of year	$ 16,585	$ 22,137

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

4. ADMINISTERED PROGRAMS

The Authority is administering various non-authority programs on behalf of outside organizations. The Authority is advanced funds to cover the expenditures of these programs. At December 31, the Authority had the following unearned revenue (funding to be received) relating to these programs:

	2013	2012
Bay of Quinte Natural Heritage	$ (15,511)	$ 90,224
Bay of Quinte Governance	71,527	50,464
Bay of Quinte Biocontaminants	465	26,555
Source Protection Early Action/Response	7,510	(2,706)
Streamgauge Network Rehabilitation	626	626
Source Water Protection	72,824	52,658
	$ 137,441	$ 217,821

5. OPERATING FUND

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

	2013	2012
Balance, beginning of year	$ 126,325	$ 231,039
Decrease in net financial assets	(21,246)	(24,714)
Appropriations to reserves	-	(80,000)
Balance, end of year	$ 105,079	$ 126,325

THE LOWER TRENT REGION CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

6. RESERVE FUNDS

Appropriations to or from the reserve for administration facility, reserve for equipment, reserve for special projects, reserve for workshop facility, reserve for conservation lands and reserve for legal fees are specific decisions of the Authority's Board of Directors. The activity in the various reserve funds during the year are as follows:

	Balance beginning of year	Appropriation from Operations	Appropriation to Operations	Balance end of year
Reserve for administration facility	$ 35,480	$ -	$ -	$ 35,480
Reserve for equipment	71,556	-	-	71,556
Reserve for special projects	17,676	-	-	17,676
Reserve for workshop facility	30,000	-	-	30,000
Reserve for conservation lands	30,000	-	-	30,000
Reserve for legal fees	40,000	-	-	40,000
	$ 224,712	$ -	$ -	$ 224,712

7. REVENUE AND EXPENSES - ADMINISTERED PROGRAMS

Revenues and expenses of the programs are summarized as follows:

	Revenues unearned beginning of year	Funds received in year	Revenues unearned end of year	Expenses
Bay of Quinte Governance	$ 50,464	$ 282,531	$ 71,527	$ 261,468
Bay of Quinte Natural Heritage	90,224	213,189	(15,511)	318,924
Bay of Quinte Biocontaminants	26,555	-	465	26,090
	167,243	495,720	56,481	606,482
Source Protection Early Action/Response	(2,706)	14,245	7,510	4,029
Source Water Protection	52,658	714,197	72,824	694,031
Streamgauge Network Rehabilitation	626	-	626	-
	$ 217,821	$ 1,224,162	$ 137,441	$ 1,304,542

Revenues for the year are equal to the expenses incurred in the year for these programs.

THE LOWER TRENT REGION CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

8. BUDGET AMOUNTS

The budget amounts have been presented for information purposes only and have not been audited. Certain expenditures in the budget amounts may include capital items and thus the budget amounts are not fully comparable to actual amounts.

9. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash, short term investment, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

The fair value of the financial instruments, excluding short term investment, approximate their carrying values because of their expected short-term maturities and treatments on normal trade terms. The fair value of the short term investment approximates its carrying value as the investment is in a T-bill fund for which the quoted price does not vary.

10. PENSION AGREEMENTS

The Authority belongs to the Ontario Municipal Employees Retirement Funds (OMERS). OMERS is a defined benefit pension plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Contributions are split equally between the employees and the Authority. The Authority's share of contributions included in expenditures in the statement of operations in these financial statements is $91,769 (2012 - $96,252).

11. COMPARATIVE FIGURES

Effective January 1, 2013, the Authority implemented an organizational restructuring which resulted in new departments being created and employees being assigned to those departments. The comparative figures on the statement of operations and surplus have been reclassified to reflect this restructuring but may not be fully comparable.