Toronto and Region Conservation Authority

Budget/Audit Advisory Board Meeting #2/18 was held at TRCA Head Office, on Friday, June 8, 2018. The Chair Maria Augimeri, called the meeting to order at 8:38 a.m.

PRESENT

Maria Augimeri	Chair
Jack Ballinger	Member
Ronald Chopowick	Member
Jennifer Innis	Member
Gino Rosati	Member

The Chair recited the Acknowledgement of Indigenous Territory.

RES.#C4/18 - MINUTES

Moved by: Jack Ballinger
Seconded by: Ronald Chopowick

THAT the Minutes of Meeting #1/18, held on March 2, 2018, be approved.

CARRIED

PRESENTATIONS

6.1 A presentation by Michael Tolensky, Chief Financial and Operating Officer, TRCA, and Joane Mui, Partner and Vladimir Servan, Manager, KPMG, in regard to item 8.1 - 2017 Audited Financial Statements.

6.2 A presentation by Pamela Papadopoulos, Controller, TRCA, in regard to 2017 TRCA Financial Review.

RES.#C5/18 - PRESENTATIONS

Moved by: Ronald Chopowick
Seconded by: Gino Rosati

THAT above-noted presentation 6.1 be received.

CARRIED

RES.#C6/18 - PRESENTATIONS

Moved by: Gino Rosati
Seconded by: Jennifer Innis

THAT above-noted presentation 6.2 be received.

CARRIED

Section I – Items for Authority Action

<u>RES.#C7/18</u> -	**2017 AUDITED FINANCIAL STATEMENTS** Approval of Financial Statements. The 2017 audited financial statements are recommended for approval.
Moved by:	Ronald Chopowick
Seconded by:	Jack Ballinger

THE BOARD RECOMMENDS TO THE AUTHORITY THAT the transfer of funds from unallocated surplus to operating reserve in the amount of $613 (all amounts in thousands of dollars) as outlined below and reflected in Note 7, "Accumulated Surplus" to the financial statements (Attachment 1) be approved;

AND FURTHER THAT the 2017 audited financial statements, as presented in Attachment 1 be approved, signed by the Chair and Secretary-Treasurer of Toronto and Region Conservation Authority (TRCA), and distributed to each member municipality and the Ministry of Natural Resources and Forestry, in accordance with subsection 38(3) of the *Conservation Authorities Act*.

CARRIED

RATIONALE

The 2017 TRCA audited financial statements are presented in Attachment 1 to the report for approval. KPMG LLP has completed its audit and has included within the financial statements an unqualified, independent auditor's report. Representatives from KPMG LLP will be in attendance to present the auditor's report on the 2017 financial statements.

Auditor Communication on Audit Strategy and Results

The KPMG LLP Audit Findings Report, presented in Attachment 2 to the report addresses various matters, including the auditors' approach to the audit, materiality and findings. The auditors identified two proposed audit adjustments and provided performance improvement observations in their findings, which represent comments intended to improve TRCA's efficiency and effectiveness of financial policies and procedures. The comments are consistent with those noted in the prior year audit report, with management update comments provided therein.

Financial Statements Summary

The Statement of Operations and Accumulated Surplus includes TRCA total revenues, expenses and the net surplus position for the year, with the impact of capitalizing Tangible Capital Asset (TCA) expenditures included. The Statement of Financial Position reports on financial assets such as cash, investments and account receivable, as well as non-financial assets such as tangible capital assets, and financial liabilities such as deferred revenue, vacation and pay accrual, and other trade accounts payable. Collectively, these components comprise the net assets of TRCA.

The Statement of Changes in Net Financial Assets reconciles the net surplus for the year to the change in net assets. Finally, the Statement of Cash Flows itemizes the sources of cash inflows and outflows during the year, classified as either operating, investing or capital in nature.

Approval of Transfer of Funds
The status of TRCA reserves is presented in the chart below. Reserve balances totaled $4,513 at the end of the year, a decrease of $841 from 2016, primarily due to drawings from the capital reserve for the purchase of vehicles and equipment and planned drawings from operating reserves, which was offset by an unplanned operating surplus. At year-end, management proposes the following transfer:

	Balance Jan 1, 2017	Pre-Transfer Dec 31, 2017	Proposed Transfer	Ending Balance Dec 31, 2017
Unallocated Surplus	$ -	$ 613	$ (613)	$-
Operating Reserve	3,006	2,142	613	$2,755
Capital Reserve	2,348	1,758	-	$1,758
Total	$ 5,354	$ 4,513	$ -	$4,513

It is anticipated that additional surplus available in 2018 will replenish any drawings from reserves identified in the 2018 budget, which is expected to be $205.

Over time, TRCA's goal is to build the operating reserve in line with industry best practices, while continuing to build the capital reserve to help finance future cash outlays to maintain, repair and replace aging infrastructure, over and above available government funding.

Report prepared by: Pamela Papadopoulos, extension 5973
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Emails: ppapadopoulos@trca.on.ca
Date: May 30, 2018
Attachments: 2

Attachment 1

DRAFT #4
May 30, 2018

Financial Statements of

TORONTO AND REGION CONSERVATION AUTHORITY

Year ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Toronto and
Region Conservation Authority

We have audited the accompanying financial statements of Toronto and Region Conservation Authority, which comprise the statement of financial position as at December 31, 2017, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation 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 entity'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 Toronto and Region Conservation Authority as at December 31, 2017, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Financial Position
(In thousands of dollars)

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Financial assets:		
Cash (note 2)	$ 14,414	$ 16,677
Investments (note 3)	21,997	28,083
Receivables (notes 4 and 13)	20,192	13,886
	56,603	58,646
Liabilities		
Financial liabilities:		
Payables and accrued liabilities	14,455	14,414
Vacation pay entitlements	2,663	2,461
Deferred revenue (note 5)	37,408	38,985
	54,526	55,860
Net financial assets	2,077	2,786
Non-financial assets:		
Other assets	941	721
Tangible capital assets (note 6)	461,869	451,419
	462,810	452,140
Accumulated surplus (note 7)	$ 464,887	$ 454,926

Contingent liabilities and commitments (note 14)

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, 2017, with comparative information for 2016

	2017 Budget (note 15)	2017 Actual	2016 Actual
Revenue (note 16):			
Government funding (note 8)	$ 85,432	$ 82,549	$ 70,125
Authority generated (notes 9 and 13)	30,112	38,410	31,619
Investment income	625	795	714
Net loss on disposal of tangible capital assets (note 6)	–	(3,111)	(69)
	116,169	118,643	102,389
Expenses (note 10):			
Watershed Studies and Strategies	4,020	3,781	3,439
Water Risk Management	28,549	25,060	16,841
Regional Biodiversity	13,185	14,269	12,394
Greenspace Securement and Management	5,854	6,283	5,625
Tourism and Recreation	22,258	21,845	21,528
Planning and Development Review	9,339	9,290	8,109
Education and Outreach	7,010	8,816	9,118
Sustainable Communities	11,601	8,584	7,701
Corporate Services	11,692	10,754	9,701
	113,508	108,682	94,456
Net surplus	2,661	9,961	7,933
Accumulated surplus, beginning of year	454,926	454,926	446,993
Accumulated surplus, end of year	$ 457,587	$ 464,887	$ 454,926

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, 2017, with comparative information for 2016

	2017 Budget (note 15)	2017 Actual	2016 Actual
Net surplus	$ 2,661	$ 9,961	$ 7,933
Acquisition of tangible capital assets	(12,717)	(21,138)	(13,579)
Contributed tangible capital assets	–	(1,167)	(299)
Net loss on disposal of tangible capital assets	–	3,111	69
Write-off of tangible capital assets (note 6)	–	1,429	25
Proceeds on disposal of tangible capital assets	–	450	10
Amortization	7,052	6,865	7,374
Change in other assets	–	(220)	(167)
Increase (decrease) in net financial assets	(3,004)	(709)	1,366
Net financial assets, beginning of year	2,786	2,786	1,420
Net financial assets, end of year	$ (218)	$ 2,077	$ 2,786

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Net surplus	$ 9,961	$ 7,933
Items not involving cash:		
Amortization	6,865	7,374
Accrued interest on investments	(579)	(521)
Net loss on disposal of tangible capital assets	3,111	69
Write-off of tangible capital assets	1,429	25
Contributed tangible capital assets	(1,167)	(299)
Change in non-cash operating working capital:		
Receivables	(6,306)	(440)
Other assets	(220)	(167)
Payables and accrued liabilities	41	4,168
Vacation pay entitlements	202	(32)
Deferred revenue	(1,577)	5,162
	11,760	23,272
Investing activities:		
Purchase of investments	(500)	(11,871)
Proceeds on maturity of investments	7,165	4,060
	6,665	(7,811)
Capital activities:		
Purchase of tangible capital assets	(21,138)	(13,579)
Proceeds on disposal of tangible capital assets	450	10
	(20,688)	(13,569)
Increase (decrease) in cash	(2,263)	1,892
Cash, beginning of year	16,677	14,785
Cash, end of year	$ 14,414	$ 16,677

See accompanying notes to financial statements.

Toronto and Region Conservation Authority ("TRCA") delivers programs and services that further the conservation, restoration, development and management of natural resources other than gas, oil, coal and minerals. As the largest of the 36 provincial conservation authorities, TRCA's area of jurisdiction spans nine watersheds including those within 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.

TRCA is incorporated under the Conservation Authorities Act, having commenced operations in 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 ("PSAS"), excluding Sections PS4200 and PS4270, 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 including transfers, municipal capital and operating levies, grants, contract services and management fees are recognized in the financial statements when the payments are authorized and all eligibility criteria have been met, except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the funding is recorded as deferred revenue and recognized as revenue as the stipulations are met.

1. Significant accounting policies (continued):

Authority generated revenues including property rental income, contract services, admissions and parking, permits (development, camping, picnic, commercial filming and photography), environmental assessments, programs (education, family and community), events (weddings, festivals and corporate events), athletic fees and equipment rentals, program and event sponsorships, product sales (nursery, food, beverage and merchandise) and membership fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have not been performed are recorded as deferred revenue and recognized as revenue when the related services are performed. Unrestricted donations are recorded as revenue in the period they are received or receivable, when a reasonable estimate can be made of the amount involved. Externally restricted donations are deferred and recognized as revenue in the year in which the related expenses are recognized. Donated tangible capital assets are recorded at fair market value, when fair market value can be reasonably estimated.

(c) Cash:

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

(d) Investments:

Investments, which consist of guaranteed investment certificates, bonds and a portfolio with the One Investment Program, are recorded at cost. 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.

(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.

1. Significant accounting policies (continued):

(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 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 net 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.

(g) Change in accounting policy:

In the current year, TRCA changed the basis of amortization for vehicles from the declining balance method to the straight line method to more accurately reflect their usage (note 6).

1. Significant accounting policies (continued):

(h) Vacation pay entitlements:

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

(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.

(j) Employee pension plan:

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

(k) Reserves:

TRCA internally allocates its accumulated surplus to capital reserves to finance the cost of tangible capital assets, purchases, maintenance and related expenditures and operating reserves in order 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 directed by the Board of Directors of TRCA.

1. Significant accounting policies (continued):

(l) 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. Items requiring the use of significant estimates include allowance for doubtful accounts, accrued liabilities, vacation pay entitlements and tangible capital assets. 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. Cash - CTC Source Protection Region:

The Credit Valley, Toronto and Region and Central Lake Ontario Source Protection Region ("CTC Source Protection Region") was established under the Clean Water Act of Ontario to ensure communities protect their drinking water supplies through prevention - by developing collaborative, watershed based source protection plans that are locally driven and based on science. The CTC Source Protection Region's jurisdiction includes the Credit Valley, Toronto and Region and Central Lake Ontario source protection areas, which are represented by the respective conservation authorities under the Clean Water Act. In the current year, the Ministry of the Environment and Climate Change provided funding of $461 (2016 - $540) for source protection projects to the TRCA, which delivers the management function on behalf of the CTC Source Protection Region. Interest of $8 (2016 - $6) has been imputed on the unspent balance of the funds. Total funding of $512 (2016 - $703) is held in a separate bank account, which is included on the statement of financial position as cash, with a corresponding deferred revenue balance.

(In thousands of dollars)

3. Investments:

	2017	2016
Provincial bonds:		
Interest rates: 1.63% - 2.60% (2016 - 1.63% - 3.62%)	$ 6,502	$ 8,052
Years of maturity: 2018 - 2022 (2016 - 2017 - 2022)		
Guaranteed investment certificates:		
Interest rates: 1.75% - 2.46% (2016 - 1.40% - 2.46%)	4,991	7,489
Years of maturity: 2018 - 2021 (2016 - 2017 - 2020)		
Municipal bonds:		
Interest rates: 1.58% - 1.85% (2016 - 1.58% - 1.85%)	1,639	1,611
Years of maturity: 2020 - 2021 (2016 - 2020 - 2021)		
Corporate bonds:		
Interest rates: 1.80% - 3.30% (2016 - 3.12% - 3.30%)	1,395	1,693
Years of maturity: 2018 - 2022 (2016 - 2018 - 2019)		
Financial institution bonds:		
Interest rates: 1.72% - 2.58% (2016 - 1.72% - 2.71%)	777	2,690
Year of maturity: 2020 (2016 - 2017 - 2020)		
The One Investment Program:		
Bond Portfolio	3,610	3,528
Universe Corporate Bond Portfolio	2,583	2,520
Equity Portfolio	500	500
	$ 21,997	$ 28,083

The fair market value of the investments at December 31, 2017 is $21,743 (2016 - $28,033).

4. Receivables:

	2017	2016
Government funding:		
Municipal	$ 12,108	$ 8,978
Federal	1,217	911
Provincial	105	1,066
Authority generated:		
Trade and other	4,374	860
The Living City Foundation (note 13)	2,388	2,071
	$ 20,192	$ 13,886

(In thousands of dollars)

5. Deferred revenue:

	2017	2016
Government funding (a)	$ 22,617	$ 25,898
Authority generated (b)	14,791	13,087
	$ 37,408	$ 38,985

(a) Government funding:

	Balance, beginning of year	Funding received	Funding recognized	2017 Balance, end of year	2016 Balance, end of year
Municipal:					
Capital levies	$ 14,849	$ 36,760	$ (38,292)	$ 13,317	$ 14,849
Contract services	3,433	16,523	(17,721)	2,235	3,433
Other	148	3,597	(2,721)	1,024	148
Provincial	3,708	5,091	(6,944)	1,855	3,708
Federal	222	2,960	(2,943)	239	222
Revenue sharing policy (i)	3,538	931	(522)	3,947	3,538
	$ 25,898	$ 65,862	$ (69,143)	$ 22,617	$ 25,898

The proceeds on the sale of properties of $767 (2016 - $747) is attributed to 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 provincial 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 corresponding provincial share is either matched by other sources of funding or returned to the province. In the current year, $522 (2016 - $284) was applied to the Greenspace acquisition project and nil (2016 - $2) was applied to the revised project for the Etobicoke Motel Strip. Interest of $45 (2016 - $26) has been imputed on the unspent balance of the funds.

(In thousands of dollars)

5. Deferred revenue (continued):

(b) Authority generated:

	2017	2016
Cash in lieu and compensation funds	$ 6,513	$ 7,114
Property easements	3,270	841
Master environmental servicing plans fees	2,579	2,215
Wedding and event deposits	948	627
Contract services	849	631
Other	632	1,659
	$ 14,791	$ 13,087

6. Tangible capital assets:

2017 - Cost	Opening	Additions	Transfers	Disposals	Closing
Land	$ 346,937	$ 2,453	$ 82	$ (3,343)	$ 346,129
Infrastructure	156,019	7,621	4,601	(63)	168,178
Buildings and building improvements	58,080	892	201	(2,255)	56,918
Land improvements	14,517	742	398	–	15,657
Machinery and equipment	9,778	701	–	(3,677)	6,802
Vehicles	5,115	929	–	(392)	5,652
Assets under construction	10,945	8,965	(5,282)	(87)	14,541
	$ 601,391	$ 22,303	$ –	$ (9,817)	$ 613,877

2017 - Accumulated amortization	Opening	Amortization - net	Disposals	Closing
Infrastructure	$ 107,504	$ 3,771	$ (63)	$ 111,212
Buildings and building improvements	28,770	2,024	(2,082)	28,712
Land improvements	5,568	630	–	6,198
Machinery and equipment	4,421	642	(2,336)	2,727
Vehicles	3,709	(202)	(348)	3,159
	$ 149,972	$ 6,865	$ (4,829)	$ 152,008

Net book value	2017	2016
Land	$ 346,129	$ 346,937
Infrastructure	56,966	48,515
Buildings and building improvements	28,206	29,310
Land improvements	9,459	8,949
Machinery and equipment	4,075	5,357
Vehicles	2,493	1,406
Assets under construction	14,541	10,945
	$ 461,869	$ 451,419

(In thousands of dollars)

6. Tangible capital assets (continued):

TRCA changed the basis of amortization for vehicles from the declining balance method to the straight-line method to more accurately reflect their usage. The change in amortization method has resulted in a $623 reduction in accumulated amortization, which has been reflected in amortization expenses in the current period.

In the current year, TRCA transferred lands in the amount of $3,342 (2016 - nil) to the City of Mississauga, which has been reflected in net loss on disposal of tangible capital assets. Further, TRCA received $1,167 (2016 - $299) of contributed tangible capital assets within the Greenspace Securement and Management service area.

7. Accumulated surplus:

	2017	2016
Tangible capital assets	$ 461,869	$ 451,419
Unfunded vacation pay entitlements	(1,496)	(1,847)
Operating reserves	2,756	3,006
Capital reserves	1,758	2,348
	$ 464,887	$ 454,926

8. Revenue - government funding:

	2017 Budget	2017 Actual	2016 Actual
Municipal:			
Capital levies	$ 46,477	$ 38,292	$ 34,346
Contract services	12,717	17,721	10,343
Operating levies	13,928	13,928	13,552
Other	4,036	2,721	2,427
Provincial	6,752	6,944	6,646
Federal	1,522	2,943	2,811
	$ 85,432	$ 82,549	$ 70,125

(In thousands of dollars)

9. Revenue - authority generated:

	2017 Budget	2017 Actual	2016 Actual
Watershed Studies and Strategies:			
Watershed planning and reporting	$ 143	$ 99	$ 3
Climate science	–	–	18
Water Risk Management:			
Erosion and flood management	20	2,116	292
Water resource science	36	57	21
Regional Biodiversity:			
Biodiversity monitoring	427	165	193
Ecosystem management	10	103	27
Restoration and regeneration	1,115	1,712	1,823
Greenspace Securement and Management:			
Rentals	402	188	2,454
Greenspace management	270	1,352	243
Greenspace securement	3,224	3,745	1,349
Tourism and Recreation:			
Site admissions and athletic fees	3,461	3,011	1,963
Wedding and corporate events	2,228	2,530	2,228
Camping and picnic permits	2,122	2,503	3,609
Heritage Village	1,538	1,944	1,750
Events and festivals	831	903	863
Facility rentals and other	160	443	395
Trails	15	324	32
Film and photography permits	141	249	431
Black Creek historic brewery	75	108	74
Planning and Development Review:			
Development planning	5,622	5,957	5,945
Environmental assessments	1,181	1,455	1,307
Education and Outreach:			
Educational programs	4,187	6,015	3,780
Sustainable Communities:			
Living City transition programs	2,383	2,217	1,764
Community engagement	315	293	424
Corporate Services	206	921	631
	$ 30,112	$ 38,410	$ 31,619

(In thousands of dollars)

10. Expenses by object:

	2017 Budget	2017 Actual	2016 Actual
Compensation	$ 61,751	$ 61,535	$ 57,990
Contract services	35,118	28,094	20,632
Materials and supplies	7,184	10,246	6,125
Utilities	1,159	1,021	1,215
Property taxes	1,244	921	1,120
Amortization	7,052	6,865	7,374
	$ 113,508	$ 108,682	$ 94,456

11. Public sector salary disclosure:

TRCA is subject to The Public Sector Salary Disclosure Act, 1996. Salaries and taxable benefits for the 54 employees (2016 - 53 employees) that have been paid by TRCA and reported to the Province of Ontario in compliance with this legislation can be obtained from the Ministry of Finance or upon request from TRCA.

12. Employee pension plan:

TRCA makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer pension plan, on behalf of its qualifying full 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 actuarial deficit of $5,403,000 (2016 - $5,720,000), as TRCA's portion of the amount is not determinable. TRCA' current service contributions to the OMERS pension plan in the amount of $4,234 (2016 - $3,923) are included as compensation in the current year.

13. The Living City Foundation:

The Living City 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 $4,665 (2016 - $1,578) to TRCA programs, which is included as part of authority generated revenue. As at December 31, 2017, the Foundation has an externally restricted fund balance of $3,893 (2016 - $3,532), which is to be used primarily for undertaking TRCA projects, and an operating fund deficit of $103 (2016 - $447). The receivable balance from the Foundation is non-interest bearing, unsecured and has no specified repayment terms.

14. 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.

(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 this 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 of Ontario. To date four of the expropriations have been settled and the compensation has been paid.

(In thousands of dollars)

14. Contingent liabilities and commitments (continued):

(c) Lease commitments:

TRCA is committed under operating leases for office spaces over the next five years and thereafter, with minimum lease payments as follows:

2018	$ 1,041
2019	1,075
2020	1,075
2021	585
2022	96
Thereafter	63
	$ 3,935

(d) Loan guarantee:

TRCA and the City of Toronto have jointly and severally provided a loan guarantee in the amount of $4,600 (2016 - $4,600) to Evergreen for the Don Valley Brick Works restoration project from its financial institutional lender. As of December 31, 2017, Evergreen's outstanding loan balance is $2,752 (2016 - $3,268), and is repayable in monthly installments, with the last payment due on April 15, 2023.

15. Budget figures:

The budget in the statement of operations was approved on March 24, 2017.

16. Comparative information:

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

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended December 31, 2017

17. 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	2017 Total	2016 Total
Revenue:											
Government funding	$ 3,649	$ 28,725	$ 12,747	$ 3,090	$ 8,848	$ 2,490	$ 5,684	$ 7,317	$ 9,999	$ 82,549	$ 70,125
Authority generated	99	2,173	1,980	5,285	12,018	7,410	6,015	2,509	921	38,410	31,619
Investment income	–	8	–	39	–	–	2	–	746	795	714
Net (loss) gain on disposal of tangible capital assets	–	(137)	–	(3,007)	–	–	–	–	33	(3,111)	(69)
	3,748	30,769	14,727	5,407	20,866	9,900	11,701	9,826	11,699	118,643	102,389
Expenses:											
Compensation	2,495	7,721	8,880	2,137	10,517	8,552	6,206	5,555	9,472	61,535	57,990
Contract services	699	10,134	4,190	840	4,119	375	1,077	1,589	5,070	28,094	20,632
Materials and supplies	57	2,260	2,058	619	2,235	159	685	401	1,772	10,246	6,125
Utilities	–	30	2	82	595	–	202	–	110	1,021	1,215
Property taxes	–	–	1	914	–	–	–	–	6	921	1,120
Amortization	2	1,440	29	777	3,414	2	182	240	780	6,865	7,374
Internal charges (recoveries)	528	3,475	(891)	914	965	202	464	799	(6,456)	–	–
	3,781	25,060	14,269	6,283	21,845	9,290	8,816	8,584	10,754	108,682	94,456
Net surplus (deficit)	$ (33)	$ 5,709	$ 458	$ (876)	$ (979)	$ 610	$ 2,885	$ 1,242	$ 945	$ 9,961	$ 7,933

Attachment 2

KPMG

Toronto and Region Conservation Authority

Audit Findings Report
For the year ended December 31, 2017

KPMG LLP

May 30, 2018

kpmg.ca/audit

The contacts at KPMG in connection with this report are:

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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Budget/Audit Advisory Board, in your review of the results of our audit of the financial statements of Toronto and Region Conservation Authority as at and for the year ended December 31, 2017.

Audit approach and findings

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting.

Audit Materiality

Materiality has been determined based on total expenses. We have reviewed the scope of work across segments and businesses across the group. We have determined materiality to be $2,717,000 for the year ended December 31, 2017.

Refer to page 7.

Adjustments and Differences

We did not identify any corrected adjustments.

We identified two uncorrected adjustments and two disclosure omissions.

Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- receipt of legal confirmation;
- completing our discussions with the Budget/Audit Advisory Board;
- completing our subsequent event review procedures;
- receipt of signed management representation letter (dated upon Board approval);
- obtaining evidence of the Board's approval of the financial statements.

We will update you, and not solely the Chair (as required by professional standards), on significant matters, ***if any***, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Refer to page 11 for further details on the observations and management's response.

Significant accounting estimates

Overall, we are satisfied with the reasonability of accounting policies in place.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Organization's relevant financial reporting framework.

Audit approach

Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all companies.

The risk of fraudulent revenue recognition can be rebutted, but the risk of management override of control cannot, since management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Professional requirements	Why	Our audit approach
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.	As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions. No issues noted.

Audit approach

Other areas of focus	Our audit approach
Cash and investments	• Obtain confirmations of cash and investment year-end balances from third parties • Review bank reconciliations and vouch significant reconciling items to source documents • Review of investment earnings • Perform cut-off testing • Review of financial statement presentation and disclosure
Revenue, Deferred revenue and Accounts receivable	• Revenue recognition consideration (recognized versus deferred) • Select a sample of deferred revenue and vouch to supporting documentation • Select a sample of revenue and vouch to supporting documentation • Vouch operating and capital levy revenue to supporting documentation • Subsequent receipts of a sample of amounts receivables post year-end • Review of accounts receivable sub-ledger for credit balances • Review of disclosure requirements
Tangible capital assets	• Select a sample of additions of tangible capital assets and work-in-progress and agree to original invoices to ensure proper accounting treatment • Review of significant transfer of items out of the work in progress account • Review of any significant disposals
Expenses / Accounts Payable and Accrued Liabilities	• Select a sample of expense transactions and agree to original invoices to ensure proper classification of expenses • Review supporting documentation for significant accruals • Perform trend analysis • Review of expense cut-off through the search for unrecorded liabilities

Other areas of focus	Our audit approach
Payroll	• Obtain an understanding on payroll processes • Perform substantive analytical procedures over compensation expenses • Testing of payroll input to source documents • Review supporting documentation for significant payroll and vacation accruals

Materiality

The determination of materiality requires professional judgment and is based on a combination of quantitative and qualitative assessments including the nature of account balances and financial statement disclosures.

Materiality determination	Comments	Current year
Metrics	Total revenue or expenses and net assets	Total expenses
Benchmark	Based on actual 2017 total expenses for the year.	$108,682,000
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year’s audit was $2,361,000.	$2,717,000
% of Benchmark	The corresponding percentage for the prior year’s audit was approximately 2.5%.	2.5%
Performance materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year’s audit was 75%.	$2,037,000
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year’s audit was $118,050.	$135,000

How we deliver audit quality

Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Change in capitalization threshold for machinery and equipment	During the year, TRCA changed the capitalization threshold for machinery and equipment from $1,000 to $5,000 to be consistent with all tangible capital asset thresholds, other than land and buildings. The change resulted in management writing off $1.4M of machinery and equipment, made up of individually insignificant items, predominately of older equipment items from 2008/2009. We reviewed the supporting disposals listing and ensured that all assets had acquisition costs below the $5,000 threshold. We also reviewed the tangible capital assets additions in the current period on a sample basis, and ensured that all additions were above the $5,000 capitalization threshold and valid capital asset additions. No issues noted.
Change in accounting policy for amortization of vehicles	During the year, TRCA changed the basis of amortization for vehicles from the declining balance method to the straight-line method to more accurately reflect their usage. We note that such as change would constitute a change in accounting policy, and from a financial reporting perspective, would require retroactive application (to account for the change as if it was always under the new policy since inception). The change in amortization method resulted in a $623K adjustment to accumulated amortization which has been reflected in amortization expense in the current period. The adjustment was made to reflect what the accumulated amortization of vehicles would have been, had the basis of amortization always been straight-line. We noted that the change in accounting policy has been applied retrospectively by TRCA to 2017 amortization expense, without adjusting the impact to opening accumulated surplus. As this adjustment of $623K do not belong to the operations of 2017, the entire amount should be adjusted to opening accumulated surplus. As such, we proposed an uncorrected audit adjustment to reverse the $623K from amortization expense to opening accumulated surplus. Refer to the schedule of uncorrected misstatements. From a disclosure perspective, the change in accounting policy has been appropriately reflected in note 1 (g) and note 6 to the financial statements.
Litigious matters	As part of TRCA's normal operations, TRCA could be involved in various legal actions resulting from its involvement in land purchases, fatalities, personal injuries and flooding on or adjacent properties. TRCA maintains insurance coverage against such risks and has notified its insurers of the legal actions and claims. We discussed all ongoing and potential legal claims with management and reviewed significant legal invoices throughout the year to identify any potential claims. Where significant claims are identified and covered by the insurance coverage, we reviewed management's support to corroborate. No discrepancies were noted. We also sent out legal confirmations to five of TRCA's legal counsels. We are currently pending receipt of one legal letter.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences. Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Uncorrected differences and disclosure omission

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences considered to be other than clearly trivial. Below also summarizes the uncorrected differences and disclosure omissions:

1) Uncorrected differences noted:
   a. An entry to record a cash receipt and corresponding deferred revenue of $782K relating to 2018 operating levy received in advance.
   b. To reflect the $623K change in accounting policy for the depreciation of vehicles as an adjustment to opening accumulated surplus.
2) Disclosure omission noted:
   a. Deferred revenue – disclosure of any changes in deferred revenue balance attributable to each major category of external restriction. We note that there is no deferred revenue roll included in the financial statements for Authority generated revenue.
   b. Letter of credit – an omission in disclosure of the terms of a new letter of credit outstanding as at December 31, 2017

Based on both qualitative and quantitative considerations, management have decided not to correct certain differences, and represented to us that the uncorrected differences—individually and in the aggregate—are, in their judgment, not material to the financial statements.

We concur with management’s representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors’ report.

Performance improvement observations

We have previously communicated to management some performance improvement observations identified during the prior year audit. Below is a summary of these performance improvement observations and updated management's response:

Observation	Description and Potential effect	2017 Management Response
Manual adjustments	**<u>2016 audit observation:</u>** During the audit, we noted that management focuses its in-year financial information needs on subproject/program statements of operations which leads to a high volume of manual journal entries subsequent to year-end related to payroll, tangible capital assets, deferred revenue and other correcting entries. Given the extent of entries occurring at year-end, it is possible that management does not have full visibility of the in-year actual results and resources available across the organization. By permitting all employees, regardless of their level of relevant financial training, access to the general ledger accounts for processing transactions, it increases the risk of error. During the audit, we noted many entries recorded to correct originally recorded journal entries. We further noted several adjustments relating to employees' time coded to various projects. Project statements are available to review during the year; however, review may not happen until year-end. By delaying a fulsome review to year-end, it increases the risk of undetected errors during the year. We noted that Tangible Capital Asset (TCA) entries are coded to expense accounts, requiring manual effort to review whether expenditures should have been capitalized if they were capital in nature at year-end. As part of this annual assessment, we noted no formal process to provide evidence to support an asset being moved from an asset under construction to its completed state. We recommend management review acquisitions throughout the year and implement a formal process to acknowledge the completion of an asset. We noted a manual process related to the reporting of deferred revenue. At year-end, manual effort is required to identify all revenue that should be deferred. This increases the risk of missing an item for deferral or the risk of an error related to the recognition of revenue subject to restrictions. We recommend that management: - Consider implementing a semi-annual review of in-year financial information to identify corrections to projects/programs on a more timely basis. - Review its current process with deferred revenue, and consider recording deferred revenue on a quarterly or semi-annual basis.	Management is constantly exploring processes and modifying procedures to improve the efficiency of financial reporting. Specifically, in the current year management performed a detailed review of its deferred revenue processes, which resulted in the configuration of a deferred revenue report and improved transparency in changes to deferred revenue. In fiscal year 2017, management implemented a nine-month hard close reporting process for the statement of operations. For fiscal year 2018, management is implementing reporting deadlines for four quarters of 2018 to provide more current in-year financial information. As management configures the general ledger module in 2018, employees with access to record journal entries will be limited to a group of staff based on job responsibility, with accounting approval and quality control on all journal entries.

Observation	Description and Potential effect	2017 Management Response
	We recommend management provide training to individuals who post journal entries, charge and/or approve time to ensure they understand the financial reporting implications and that permission to record entries be restricted to users with appropriate training to do so. **2017 update:** We obtained an update on the status of the recommendations. Refer to 2017 Management Response column.	
Reporting system (Business World)	**2016 audit observation:** A different set of codes and chart of accounts exist, creating additional steps for all users to cross reference to in order to search for any transactions within the two systems. We note that management has not maximized the functionality of Business World which could help alleviate some of the manual processes. We recommend management explore the options available with the ERP system to simplify and automate some of its current processes, such as allowing users to record journal entries directly in the ERP. **2017 update:** We obtained an update on the status of the recommendation. Refer to 2017 Management Response column.	Modules have been secured and management is developing a plan to effectively implement the ERP system for use across the organization. As noted above, the general ledger update and related training are expected to take place in 2018.
Compliance with vacation policy	**2016 audit observation:** Upon examination of the vacation accrual schedule, we noted that certain employees appear to have accumulated vacation days in excess of what is allowed in the vacation policy. Through discussion with management, we noted that payroll does not have the documented approval for exceptions to the vacation policy on file. We recommend that management enforce the policy and develop a plan to bring the organization in line with the policy within a reasonable timeframe. We further recommend that as a best practice, documented approvals for all banked day requests and exceptions be provided to payroll for record keeping, to ensure consistent application of the vacation policy across the organization. **2017 update:** We obtained an update on the status of the recommendations. Refer to 2017 Management Response column.	Management recognizes the need to enforce its vacation policy, and accordingly revised the policy that will be effective on December 31, 2019. The new policy will enable employees to utilize any vacation in excess of their maximum annual entitlement. TRCA has also recently purchased a Human Resources Information System software product, which will automate compliance tracking to ensure consistent application across the organization.

Appendices

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee.

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our Audit Quality Resources page for more information including access to our audit quality report, Audit quality: Our hands-on process.

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 4: Lean in Audit ™

An innovative approach leading to enhanced value and quality

Our new innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process-oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and yourselves. For example, we may identify control gaps and potential process improvement areas, while companies have the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

How it works

1. Lean training

- Provide basic Lean training and equip our teams with a new Lean mind-set to improve quality, value and productivity.

2. Interactive workshops

- Perform interactive workshops to conduct walkthroughs of selected financial processes providing end to end transparency and understanding of process and control quality and effectiveness.

3. Insight reporting

- Quick and pragmatic insight report including your teams immediate quick win actions and prioritized opportunities to realize benefit.

Appendix 5: New Auditor Reporting

In response to investors demanding more than a binary pass/fail opinion from the auditors' report, the new and revised auditor reporting standards have introduced significant changes to the traditional auditors' report we provide.

In April 2017, the Auditing and Assurance Standards Board (AASB) in Canada approved the new and revised auditor reporting standards as Canadian Auditing Standards (CASs).

What's new?

Highlights of the new auditors' report include:

Change	Applicability
Re-ordering of the auditors' report including moving opinion to the first section	Listed and non-listed entities
Expanded descriptions of management's, those charged with governance and auditors' responsibilities	Listed and non-listed entities
Disclosure of name of the engagement partner	Listed entities
Description of key audit matters (KAMs)	Applicable only when required by law or regulation or when the auditors is engaged to do so

When are the new requirements effective?

The new and revised standards in Canada will be effective for audits of financial statements for periods ending on or after December 15, 2018 with early application permitted.

U.S. developments

In June 2017, the Public Company Accounting Oversight Board (PCAOB) adopted their enhanced auditor reporting standards which includes, among other requirements, discussion of critical audit matters (CAMs) (similar to KAMs) and tenure of the auditor. Highlights and effective dates of the new U.S. standards are:

– New auditors' report format, tenure and other information: audits for fiscal years ending on or after December 15, 2017
– Communication of CAMs for audits of large accelerated filers: audits for fiscal years ending on or after June 30, 2019
– Communication of CAMs for audits of all other companies: audits for fiscal years ending on or after December 15, 2020.

Impact to Foreign Private Issuers in Canada

Auditors of foreign private issuers ("FPIs") will still be able to issue a "combined" report (which many FPIs in Canada issue today) that meets both the CAS and enhanced PCAOB standards for 2017 year-end engagements.

Discussions are still underway whether a "combined report" for 2018 year-end engagements will be allowable.

The way forward in Canada

The AASB, working alongside the regulatory bodies, continue to deliberate how the disclosure of KAMs will be required to listed entities in Canada given the recent developments in the U.S.

Appendix 6: Current developments

The following is a summary of the current developments that are relevant to the Organization:

Standard	Summary and implications
PS 3210 Assets	This standard provides a definition of assets and further expands that definition as it relates to control. Assets are defined as follows: • They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows. • The public sector entity can control the economic resource and access to the future economic benefits. • The transaction or event giving rise to the public sector entity's control has already occurred. The standard also includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public sector entity. This standard is effective for fiscal periods beginning on or after April 1, 2017.
PS 3380 Contractual Rights	This standard defines contractual rights to future assets and revenue. Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed. Factors to consider include, but are not limited to: (a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and (b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future. This standard is effective for fiscal periods beginning on or after April 1, 2017.
PS 2200 Related Party Disclosures	This standard relates to related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements and make comparisons.

	This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized. This standard is effective for fiscal periods beginning on or after April 1, 2017.
PS 3430 Restructuring Transactions	A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibility. The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. This standard is effective for fiscal periods beginning on or after April 1, 2018.
PS 3420 Inter-entity Transactions	This standard relates to the measurement of related party transactions and includes a decision tree to support the standard. Transactions are recorded a carrying amounts with the exception of the following: • In the normal course of business – use exchange amount • Fair value consideration – use exchange amount • No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair. • Cost allocation – use exchange amount This standard is effective for fiscal periods beginning on or after April 1, 2017.
PS 3450 Financial Instruments	A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and it is now effective for fiscal periods beginning on or after April 1, 2019. This standard will require the Authority to identify any contracts that have embedded derivatives and recognize these on the consolidated statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of remeasurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the Authority. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.
Revised Standard PS 2601 Foreign Currency Translation	A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency.

	The effective date of this standard has been deferred and is effective for fiscal periods beginning on or after April 1, 2019. Earlier adoption is permitted. An entity early adopting this standard must also adopt the new financial instruments standard. This standard will require exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.

Deliberations on the Future of Accounting Standards for Not-for-Profit Organizations

In April 2013, the Accounting Standards Board ("AcSB") and the Public Sector Accounting Board ("PSAB") jointly issued a Statement of Principles ("SOP") that proposed to revise Part III of the CPA Canada Handbook and the CPA Public Sector Accounting Handbook to streamline and improve the existing standards for financial reporting by not-for-profit organizations and Government not-for-profit organizations. The SOP garnered much interest from the Not-for-Profit community and, based on the feedback the Boards received, the proposals did not proceed further through the accounting standards development process. In March 2015, citing different financial reporting challenges, user needs and differing priorities faced by PSAB and the AcSB, the Boards announced that they would independently pursue improvements to not-for-profit accounting standards, but collaborate on common issues.

Based on the responses from the SOP, the Public Sector Accounting Board decided that making substantive changes to the Accounting Standards for Government Not-for-Profit Organizations was not a priority at this time. The Board's long-term strategy is to better align the accounting standards used by not-for-profit organizations (as provided in the Section 4200 series in the Accounting Handbook) with those used by other government entities, where practical.

Appendix 7: Audit trends

KPMG understands the wide range of challenges and evolving trends that you face. We also understand that sometimes keeping up with critical issues as they emerge can be difficult.

As your auditors, it is incumbent upon us to provide you with any information that will help you further strengthen corporate governance, enhance your oversight and add greater value within your organization.

As such, KPMG's Audit Committee Institute (ACI) provides information, resources and opportunities for you to share knowledge with your peers. First, you are welcome to attend our Audit Committee Roundtable sessions, which are held in major cities across the country. In addition, you will also benefit from our monthly Audit Point of View article series as well as thought leadership and insights on the most pressing audit committee agenda items.

More information on all of these can easily be found at www.kpmg.ca/audit.

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to your organization. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
Audit Trends	With a range of provocative data, insight and opinion gleaned from KPMG professionals and The Conference Board of Canada survey of Audit Committees and CFOs, Audit Trends examines seven key issues addressing corporate readiness, preparedness and priority in a volatile business environment.	Link to report
The Blockchain shift will be seismic	Blockchain technology is a focused disruptor of the very foundations of external and internal audit: financial recordkeeping and reporting. This Audit Point of View article offers insight on how blockchain technology is impacting business and what audit committees should be thinking about to prepare for certain risks.	Link to article
Audit Quality 2017	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to report

kpmg.ca/audit

(Letterhead of Entity)

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON   L4K 0J3
Canada

Date: ____________ (date of FS approval)

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Toronto and Region Conservation Authority ("the Entity") as at and for the period ended December 31, 2017.

GENERAL:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

RESPONSIBILITIES:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated November 17, 2017, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including (i) the names of all related parties and information regarding all relationships and transactions with related parties; and (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and providing you with access to such relevant information. All significant board and committee actions are included in the summaries.

   c) providing you with additional information that you may request from us for the purpose of the engagement.

   d) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

   e) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

f) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

g) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined are necessary.

h) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

b) all information in relation to fraud or suspected fraud that we are aware of and that affects the financial statements and involves: management, employees who have significant roles in internal control over financial reporting, or others, where the fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

5) We have disclosed to you the identity of the Entity’s related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

GOING CONCERN:

9) We have provided you with all relevant information relevant to the use of the going concern assumption in the financial statements.

MISSTATEMENTS:

10) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

____

By: Mr. John MacKenzie, Chief Executive Officer

____

By: Mr. Michael Tolensky, Chief Financial Officer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with Canadian public sector accounting standards *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members (see paragraph 3840.04).

In accordance with Canadian public sector accounting standards a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Attachment II

Summary of uncorrected misstatement

Method used to evaluate differences: Income statement (Roll over)

									Impact on financial statement captions - DR(CR)								
#	Account #	Account Name	Description / Identified During	Error Type	Amount	Income Effect DR (CR)			Balance Sheet Effect					Cash Flow Effect			Statement of Comprehensive Income - Debit (Credit)
					DR (CR) $	Income effect of correcting the balance sheet in prior period $	Income effect of current period balance sheet $	Income effect (Rollover method) $	Equity at period end $	Current Assets $	Non-Current Assets $	Current Liabilities $	Non-Current Liabilities $	Operating Activities $	Investing Activities $	Financing Activities $	
1	1000	Cash	To set up 2018 operating levy as deferred revenue	Factual	782,000				-	782,000	-	-	-	-	-	-	-
	2200	Deferred Revenue			(782,000)				-	-	-	(782,000)	-	(782,000)	-	-	-
2	5100	Amortization Expense	To reflect the change in accounting policy as an adjustment to opening accumulated surplus	Factual	623,000	-	623,000	623,000	623,000					623,000	-	-	-
	3560	Accumulated Surplus			(623,000)				(623,000)	-	-	-	-	(623,000)	-	-	-
Total uncorrected misstatements (before tax)						-	623,000	623,000	-	782,000	-	(782,000)	-	(782,000)	-	-	-
Tax effect of uncorrected misstatements or tax misstatements						-	-	-	-	-	-	-	-	-	-	-	-
Total uncorrected misstatements (after tax)						-	623,000	623,000	-	782,000	-	(782,000)	-	(782,000)	-	-	-
Final financial statement amounts							-	9,961,000	464,887,000	56,603,000	462,810,000	54,526,000	-	11,760,000	6,665,000	(20,688,000)	-
Percentage of uncorrected misstatements after tax financial statement amounts.								6.25%	-%	1.38%	0.00%	1.43%	0.00%	6.65%	0.00%	0.00%	0.00%

Attachment II

Summary of uncorrected misstatements in presentation and disclosures

	Description of Audit Misstatement	Resolution	Type of Misstatement
1	Deferred revenue - PSAS 3100.18 requires disclosure of any changes in deferred revenue balance attributable to each major category of external restriction. No deferred revenue roll is included in the financial statements of the Authority with respect to Authority Generated Revenue.	Uncorrected	Factual
2	In the current year TRCA obtained a letter of credit in line with the requirements of a third party funder. As at December 31, 2017 the available amount of the credit amounted to $273,000. TRCA has elected not to disclose this commitment as it is not material in nature and is outside of regular operations.	Uncorrected	Factual

<u>RES.#C8/18</u> - **2019 PRELIMINARY MUNICIPAL LEVIES**
Update on the Recommended 2019 Preliminary Municipal Levy Submissions. Update on the 2019 municipal levy submission process.

Moved by: Gino Rosati
Seconded by: Jack Ballinger

THE BOARD RECOMMENDS TO THE AUTHORITY THAT Toronto and Region Conservation Authority's (TRCA) 2019 preliminary municipal levy submissions for the regional municipalities of Durham, Peel and York, and the City of Toronto, be consistent with the anticipated 2019 funding envelopes identified for TRCA in the 2018 budget cycle;

THAT preliminary operating levy targets be set at: Durham Region 2.5%, Peel Region 3.3%, York Region 3.7% and City of Toronto at 2.5%;

THAT the list of unfunded municipal projects included in TRCA's "Unmet Priorities List" be submitted to the municipalities for their budgetary consideration in 2019;

AND FURTHER THAT TRCA staff be directed to submit the preliminary 2019 municipal estimates and multi-year funding requests to the regional municipalities of Durham, Peel and York, and the City of Toronto, in accordance with their respective submission schedules.

CARRIED

BACKGROUND

TRCA's member municipalities require that TRCA provide 10-year capital budget projections and each municipality has its own requirements and format for this information. Attachment 1 includes summary tables for capital projects and programs in the City of Toronto and the regional municipalities of Durham, Peel and York.

TRCA staff regularly consults with member municipality staff to: ensure that there is alignment on objectives and deliverables; avoid duplication of effort; coordinate activities and procurement to realize maximum value and efficiency; report on the achievement of project deliverables.

Attachment 1 provides a summary of the anticipated distribution of funding at the service area level by regional municipality. Detailed information sheets on each TRCA project and program are available to members upon request.

RATIONALE

<u>Municipal Capital Funding</u>

Regional Municipality of Durham

Durham Region guidelines will be provided to TRCA later this year. TRCA will be requesting a funding envelope in the amount of $1.168 million, which compares to $1.075 million in 2018. The increase reflects an 8.6% adjustment on the base; rationale for the adjustment includes inflation (2%) and the transition of multiple TRCA programs to the watershed formula base funding model. The funding distributes mandatory jurisdiction based works on a land area bases.

Regional Municipality of Peel
Peel Region guidelines provide a 2019 funding envelope in the amount of $16.176 million, which compares to $15.928 million excluding one-time costs for emerald ash borer and Bolton Camp of $2.685 million in 2018. This reflects a 1.6% increase on the base and it is consistent with the 2019 targets contained in the 2018 cycle submission.

City of Toronto
City of Toronto guidelines for TRCA established during the 2018 – 2027 capital budget cycle provides a 2019 capital funding envelope in the amount of $19.064 million, which compares to an approved $18.330 million in 2018. City of Toronto capital funding is supported by debt financing and Water Rate.

Regional Municipality of York
York Region's funding envelope is anticipated to be in the amount of $4.898 million, which compares to $4.834 million in 2018. This reflects an approximate 1.3% increase on the base.

Operating Levy
The operating levy anticipated funding envelopes for the regional municipalities of Durham, Peel and York have been set at the amounts indicated in the multi-year targets for TRCA, and which approximate recent historical average increases support.

The anticipated Toronto target of 2.5% equals the 2018 increase in support to TRCA and is equal to the multi-year target included for Water Rate on the portion of TRCA's operating levy funded by water revenues, or 58% of the total Toronto operating levy. Since the 2019 guideline approved by the City calls for no increase over 2018 for tax supported programs (42% of levy) a special case for support will be made to the City, mostly on the basis of the unique funding arrangement with the regional municipalities.

Unmet Priorities Project List
Attachment 2 lists unmet priorities which staff recommends be submitted to the participating municipalities as "unmet or unaccommodated" priorities for consideration during the 2019 budget process. Discussions continue with municipal staff to review available funding, over and above the guidelines.

DETAILS OF WORK TO BE DONE
TRCA budgets will be finalized in the fourth quarter of 2018 and will include municipal levy projects and programs as agreed to by the respective participating municipalities. Staff will make a presentation on key aspects of the 2019 budget in the fourth quarter of 2018, prior to anticipated municipal council approvals in the first quarter of 2019.

Report prepared by: Jenifer Moravek, extension 5659
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Emails: jmoravek@trca.on.ca
Date: May 30, 2018
Attachments: 2

Attachment 1 - Regional Municipalities Projected Levies (Operating and Capital)

		Projected Levies										
		2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
	Regional Municipality of Durham Details											
1	Watershed Studies and Strategies Total	9,000	82,000	85,000	85,000	93,000	93,000	97,000	101,000	101,000	104,000	104,000
2	Water Risk Management Total	337,000	355,000	365,000	365,000	365,000	375,000	377,000	385,000	385,000	385,000	385,000
3	Regional Biodiversity Total	423,200	418,000	418,000	427,000	429,000	434,000	437,000	449,000	450,000	456,000	461,000
4	Greenspace Securement and Management Total	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
5	Tourism and Recreation Total	105,000	110,000	111,000	116,000	118,000	122,000	124,000	128,000	130,000	134,000	138,000
6	Planning and Development Total	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200
7	Education and Outreach Total	-	-	-	-	-	-	-	-	-	-	-
8	Sustainable Communities Total	102,200	104,200	106,200	108,200	110,200	112,200	114,200	116,200	118,200	120,200	122,200
9	Corporate Services Total	81,671	81,671	81,671	81,671	81,671	81,671	81,671	81,671	81,671	81,671	81,671
	Total Capital	**1,075,071**	**1,167,871**	**1,183,871**	**1,199,871**	**1,213,871**	**1,234,871**	**1,247,871**	**1,277,871**	**1,282,871**	**1,297,871**	**1,308,871**
	Total Operating	**539,120**	**553,000**	**567,000**	**581,000**	**596,000**	**611,000**	**626,000**	**642,000**	**658,000**	**674,000**	**691,000**
		1,614,191	**1,720,871**	**1,750,871**	**1,780,871**	**1,809,871**	**1,845,871**	**1,873,871**	**1,919,871**	**1,940,871**	**1,971,871**	**1,999,871**
	Regional Municipality of Peel Details											
1	Watershed Studies and Strategies Total	742,000	761,000	787,000	806,000	842,000	862,000	889,000	916,000	938,000	966,000	990,000
2	Water Risk Management Total	2,107,000	2,333,000	2,362,000	2,420,000	2,461,000	2,530,000	2,582,000	2,649,000	2,695,000	2,753,000	2,811,000
3	Regional Biodiversity Total	3,799,000	3,992,000	4,080,000	4,219,000	4,307,000	4,395,000	4,514,000	4,644,000	4,768,000	4,897,000	5,026,000
4	Greenspace Securement and Management Total	1,421,400	2,298,400	2,366,400	2,436,400	2,509,400	2,584,400	2,661,400	2,740,400	2,822,400	2,906,400	2,993,400
5	Tourism and Recreation Total	872,000	212,000	218,000	224,000	230,000	238,000	246,000	254,000	262,000	270,000	278,000
6	Planning and Development Total	434,000	449,000	449,000	449,000	461,000	461,000	473,000	473,000	485,000	485,000	485,000
7	Education and Outreach Total	5,379,500	1,253,000	1,291,000	1,329,000	1,369,000	1,410,000	1,452,000	1,496,000	1,540,000	1,585,000	1,633,000
8	Sustainable Communities Total	2,942,100	3,175,100	3,270,100	3,366,100	3,464,100	3,567,100	3,668,100	3,775,100	3,886,100	4,007,100	4,124,100
9	Corporate Services Total	916,000	1,753,000	1,796,000	1,840,000	1,885,000	1,932,000	1,980,000	2,029,000	2,080,000	2,132,000	2,186,000
	Total Capital	**18,613,000**	**16,226,500**	**16,619,500**	**17,089,500**	**17,528,500**	**17,979,500**	**18,465,500**	**18,976,500**	**19,476,500**	**20,001,500**	**20,526,500**
	Total Operating	**1,856,000**	**1,917,000**	**1,980,000**	**2,045,000**	**2,112,000**	**2,182,000**	**2,254,000**	**2,328,000**	**2,405,000**	**2,484,000**	**2,566,000**
		20,469,000	**18,143,500**	**18,599,500**	**19,134,500**	**19,640,500**	**20,161,500**	**20,719,500**	**21,304,500**	**21,881,500**	**22,485,500**	**23,092,500**
	City of Toronto Details											
1	Watershed Studies and Strategies Total	246,000	246,000	252,000	252,000	268,000	268,000	274,000	278,000	278,000	283,000	286,000
2	Water Risk Management Total	11,247,000	12,144,000	12,159,000	12,159,000	12,175,000	14,512,000	14,512,000	14,526,000	14,526,000	14,526,000	14,535,000
3	Regional Biodiversity Total	1,486,000	1,501,000	1,518,000	1,559,000	1,586,000	1,600,000	1,603,000	1,611,000	1,611,000	1,614,000	1,633,000
4	Greenspace Securement and Management Total	64,400	64,400	64,400	64,400	64,400	64,400	64,400	64,400	64,400	64,400	64,400
5	Tourism and Recreation Total	2,941,000	2,641,000	641,000	641,000	641,000	641,000	641,000	641,000	641,000	641,000	650,000
6	Planning and Development Total	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000
7	Education and Outreach Total	147,000	147,000	147,000	147,000	180,000	189,000	189,000	189,000	189,000	189,000	192,000
8	Sustainable Communities Total	928,000	1,026,000	1,100,000	1,174,000	1,200,000	1,281,000	1,396,000	1,497,000	1,627,000	1,753,000	1,778,000
9	Corporate Services Total	948,600	972,600	1,024,600	1,054,600	1,085,600	2,080,600	2,080,600	2,080,600	2,080,600	2,080,600	2,080,600
	Total Capital	**18,330,000**	**19,064,000**	**17,228,000**	**17,373,000**	**17,522,000**	**20,958,000**	**21,082,000**	**21,209,000**	**21,339,000**	**21,473,000**	**21,541,000**
	Total Operating	**8,602,300**	**8,742,358**	**8,885,916**	**9,033,064**	**9,183,891**	**9,338,488**	**9,496,950**	**9,659,374**	**9,825,859**	**9,996,505**	**10,171,418**
		26,932,300	**27,806,358**	**26,113,916**	**26,406,064**	**26,705,891**	**30,296,488**	**30,578,950**	**30,868,374**	**31,164,859**	**31,469,505**	**31,712,418**

	Regional Municipality of York Details											
1	Watershed Studies and Strategies Total	189,000	189,000	198,000	198,000	218,000	218,000	227,000	234,000	234,000	240,000	240,000
2	Water Risk Management Total	1,831,100	1,841,000	1,894,000	1,899,000	1,905,000	1,932,000	1,965,000	1,986,000	1,992,000	1,997,000	2,003,000
3	Regional Biodiversity Total	1,047,000	1,081,000	1,094,000	1,118,000	1,127,000	1,139,000	1,148,000	1,176,000	1,182,000	1,196,000	1,207,000
4	Greenspace Securement and Management Total	393,400	400,400	408,400	416,400	424,400	432,400	440,400	448,400	457,400	466,400	475,400
5	Tourism and Recreation Total	-	-	-	-	-	-	-	-	-	-	-
6	Planning and Development Total	107,000	107,000	107,000	107,000	107,000	107,000	107,000	107,000	107,000	107,000	107,000
7	Education and Outreach Total	177,000	180,000	184,000	187,000	191,000	195,000	200,000	205,000	210,000	215,000	220,000
8	Sustainable Communities Total	468,200	478,200	485,200	493,200	498,200	509,200	514,200	525,200	530,200	541,200	553,200
9	Corporate Services Total	621,300	621,300	621,300	621,300	621,300	621,300	621,300	621,300	621,300	621,300	621,300
	Total Capital	**4,834,000**	**4,897,900**	**4,991,900**	**5,039,900**	**5,091,900**	**5,153,900**	**5,222,900**	**5,302,900**	**5,333,900**	**5,383,900**	**5,426,900**
	Total Operating	**3,322,000**	**3,444,000**	**3,499,000**	**3,586,475**	**3,676,137**	**3,768,040**	**3,862,241**	**3,958,797**	**4,057,767**	**4,159,211**	**4,263,192**
		8,156,000	**8,341,900**	**8,490,900**	**8,626,375**	**8,768,037**	**8,921,940**	**9,085,141**	**9,261,697**	**9,391,667**	**9,543,111**	**9,690,092**
	Township of Adjala - Tosorontio Details											
	Total Capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total Operating	**870**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
		870	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
	Town of Mono Details											
	Total Capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total Operating	**1,710**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**
		1,710	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**	**2,000**

Attachment 2 - Unmet Priorities

	Total Cost	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
						Projected Cost					
Regional Municipality of Durham Details											
Emerald Ash Borer	1,150,000	175,000	275,000	275,000	275,000	150,000	-	-	-	-	-
Capital Asset Management Plan Implementation	2,500,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Greenspace Management and Land Care	2,000,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Toronto Wildlife Centre	435,000	145,000	145,000	145,000	-	-	-	-	-	-	-
Watershed Plan Development*	-	-	-	-	-	-	-	-	-	-	-
	6,085,000	**770,000**	**870,000**	**870,000**	**725,000**	**600,000**	**450,000**	**450,000**	**450,000**	**450,000**	**450,000**
Regional Municipality of Peel Details											
Bolton Camp Community Infrastructure	10,000,000	2,500,000	2,500,000	2,500,000	2,500,000	-	-	-	-	-	-
Albion Hills Conservation Area Master Plan Implementation	19,800,000	1,800,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Capital Asset Management Plan Implementation	9,500,000	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Toronto Wildlife Centre	1,695,000	565,000	565,000	565,000	-	-	-	-	-	-	-
Watershed Plan Development*	-	-	-	-	-	-	-	-	-	-	-
	40,995,000	**5,365,000**	**6,065,000**	**6,065,000**	**5,500,000**	**3,000,000**	**3,000,000**	**3,000,000**	**3,000,000**	**3,000,000**	**3,000,000**
City of Toronto Details											
Black Creek Pioneer Village - State of Good Repair	13,000,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Scarborough Bluff West EA	3,475,000	875,000	1,300,000	1,300,000	-	-	-	-	-	-	-
Waterfront Rehabilitation	100,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Toronto Wildlife Centre	9,705,000	3,235,000	3,235,000	3,235,000	-	-	-	-	-	-	-
Watershed Plan Development*	-	-	-	-	-	-	-	-	-	-	-
	126,180,000	**15,410,000**	**15,835,000**	**15,835,000**	**11,300,000**	**11,300,000**	**11,300,000**	**11,300,000**	**11,300,000**	**11,300,000**	**11,300,000**
Regional Municipality of York Details											
Capital Asset Management Plan Implementation	11,250,000	-	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Greenspace Management and Land Care	7,800,000	855,000	855,000	855,000	855,000	855,000	705,000	705,000	705,000	705,000	705,000
Nashville Master Plan	5,500,000	400,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	300,000
Toronto Wildlife Centre	3,210,000	1,070,000	1,070,000	1,070,000	-	-	-	-	-	-	-
Watershed Plan Development*	-	-	-	-	-	-	-	-	-	-	-
	30,460,000	**2,595,000**	**4,045,000**	**4,045,000**	**2,975,000**	**2,975,000**	**2,825,000**	**2,825,000**	**2,825,000**	**2,825,000**	**2,525,000**

*TRCA is engaging municipal partners to determine the work required to compile and update watershed planning information. Updated information will ensure that Municipal Comprehensive Reviews conform to new provincial Growth Plan policies. At this time, provincial requirements have not yet been fully articulated. As a result, the cost and anticipated timelines associated with compiling and updating has not be established. TRCA will continue collaborating with municipal staff, and will report back in the Fall when more information is available.

Section III – Items for the Information of the Board

RES.#C9/18 - **2017 EXPENDITURES REPORT**
Receipt of Toronto and Region Conservation Authority's (TRCA) expenditures for the year ended, December 31, 2017.

Moved by: Ronald Chopowick
Seconded by: Jack Ballinger

THAT the 2017 Expenditures Report be received.

CARRIED

BACKGROUND
As part of TRCA's financial governance procedures, staff is presenting the 2017 Expenditures Report, which covers the period from January 1, 2017 through December 31, 2017.

FINANCIAL DETAILS
The operating and capital expenditures by service area are provided in Attachments 1 and 2, respectively. Each attachment contains two charts, the first of which provides a numerical analysis of expenditures to date, while the later provides variance explanations for service areas which have not spent between 90% - 110% of their approved budgetary expenses in the normal course of operations. This threshold allows for an unexplained variance of +/- 10% from the annual budget.

The capital expenditures presented (both budgeted and actual) include asset costs that are capitalized as the tangible capital assets in the audited financial statements.

TRCA's continued focus on budgeting has led to improved variances of only 3% for both the capital and operating budgets, as compared to 15% and 4%, respectively, in 2016. Staff have done a good job assessing their 2017 deliverables when completing their budgets and determining what capacity/resources were required to complete the tasks, which has led to the reduction of in-year surprises.

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Date: May 3, 2018
Attachments: 2

Attachment 1

Operating Expenditures
(All dollar amounts are presented in thousands of dollars)

Service Area	2017 Budgeted Expenditures	2017 Actual Expenditures	$ Variance	% Variance	Variance Explanations
Watershed Studies and Strategies	$1,707	$1,670	($37)	(2%)	
Water Risk Management	$1,033	$1,020	($13)	(1%)	
Regional Biodiversity	$712	$1,464	$752	106%	**A**
Greenspace Securement and Management	$3,162	$3,286	$124	4%	
Tourism and Recreation	$12,952	$13,823	$871	7%	
Planning and Development	$8,654	$8,652	($2)	(0%)	
Education and Outreach	$6,348	$6,230	($118)	(2%)	
Sustainable Communities	$235	$174	($61)	(26%)	**B**
Corporate Services	$10,016	$9,618	($398)	(4%)	
Total	**$44,819**	**$45,937**	**$1,118**	**3%**	

	Variance Explanations
A	Unbudgeted Rouge Park expenditures of $1,164 were offset by cost savings of $190 from the inland fill program and $236 from the plant propagation program. Once these are taken into account, the % of unexplained variance is 4%, which falls within the expected range.
B	Plant material internal recoveries exceeded budget by $53. Once taken into account, the % of unexplained variance is 3%, which falls within the expected range.

Attachment 2

Capital Expenditures
(All dollar amounts are presented in thousands of dollars)

Service Area	2017 Budgeted Expenditures	2017 Actual Expenditures	$ Variance	% Variance	Variance Explanations
Watershed Studies and Strategies	$2,436	$2,100	($336)	(14%)	**C**
Water Risk Management	$28,518	$30,732	$2,214	8%	
Regional Biodiversity	$12,619	$13,173	$554	4%	
Greenspace Securement and Management	$3,412	$3,914	$502	15%	**D**
Tourism and Recreation	$9,012	$9,266	$254	3%	
Planning and Development Review	$709	$570	($139)	(20%)	**E**
Education and Outreach	$3,436	$4,375	$939	27%	**F**
Sustainable Communities	$11,318	$9,703	($1,615)	(14%)	**G**
Corporate Services	$2,896	$2,467	($429)	(15%)	**H**
Total	**$74,356**	**$76,300**	**$1,944**	**3%**	

	Variance Explanations
C	Anticipation of Provincial guidance on municipal requirements in regards to watershed plan updates resulted in cost deferral of $162. Further, the Climate Science Applications Project had cost savings of $179 due to unanticipated staff gapping, causing the deliverables to be delayed until 2018. Once these are taken into account, the % of unexplained variance is 0%, which falls within the expected range.
D	The market value of unbudgeted land transfers totals $798. Once taken into account, the % of unexplained variance is 9%, which falls within the expected range.
E	Carruthers Plan projects were under budget by $128, partially due to technical issues delaying the transfer of information to the consultant resulting in work deferral to 2018. Once these are taken into account, the % of unexplained variance is 1%, which falls within the expected range.
F	The Living City Centre project incurred $1,100 of unbudgeted costs in order to bring site servicing to the Kortright Campus. Offsetting cost deferrals related to Bolton Camp site improvement of $141 and the Pan Am Equestrian Facility landscaping of $56 were incurred. Once these are taken into account, the % of unexplained variance is 1%, which falls within the expected range.
G	Unanticipated staff gapping variances, project deferrals and efficiencies in implementation led to $600 in savings from the Partners in Project Green program, $212 from the Performance Based Conservation Pilot Program and $175 from the Growing Local Foods project. Once these are taken into account, the % of unexplained variance is 6%, which falls within the expected range.
H	Head office cost deferrals relating to the construction of the new head office of $919 were partially offset by asset management implementation of $218 and restoration and infrastructure modernization of $130. Once these are taken into account, the % of unexplained variance is 5%, which falls within the expected range.

TERMINATION

ON MOTION, the meeting terminated at 9:05 a.m., on Friday, June 08, 2018.

Maria Augimeri
Chair

John MacKenzie
Secretary-Treasurer

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