

### Section I – Items for Authority Action

**TO:** Chair and Members of the Budget/Audit Advisory Board  
Meeting #2/18, Friday, June 08, 2018

**FROM:** Michael Tolensky, Chief Financial and Operating Officer

**RE:** **2017 AUDITED FINANCIAL STATEMENTS**  
Approval of Financial Statements

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#### KEY ISSUE

The 2017 audited financial statements are recommended for approval.

#### RECOMMENDATION

**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*.**

#### 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.

## Item 8.1

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:

	<b>Balance Jan 1, 2017</b>	<b>Pre-Transfer Dec 31, 2017</b>	<b>Proposed Transfer</b>	<b>Ending Balance Dec 31, 2017</b>
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.

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**Date: May 30, 2018**

**Attachments: 2**