

DRAFT #5
May 30, 2019

Financial Statements of

**TORONTO AND REGION
CONSERVATION AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Financial Position

(In thousands of dollars)

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Financial assets:		
Cash (note 2)	\$ 24,095	\$ 14,414
Investments (note 3)	16,057	21,997
Receivables (notes 4 and 13)	24,845	20,192
	<u>64,997</u>	<u>56,603</u>
Liabilities		
Financial liabilities:		
Payables and accrued liabilities	17,821	14,455
Vacation pay entitlements	2,669	2,663
Deferred revenue (note 5)	38,702	37,408
	<u>59,192</u>	<u>54,526</u>
Net financial assets	5,805	2,077
Non-financial assets:		
Other assets	1,018	941
Tangible capital assets (note 6)	468,697	461,869
	<u>469,715</u>	<u>462,810</u>
Accumulated surplus (note 7)	<u>\$ 475,520</u>	<u>\$ 464,887</u>

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, 2018, with comparative information for 2017

	2018 Budget (note 15)	2018 Actual	2017 Actual
Revenue:			
Government funding (note 8)	\$ 100,645	\$ 92,334	\$ 82,549
Authority generated (notes 9 and 13)	36,986	36,823	38,410
Investment income	681	851	795
Net loss on disposal of tangible capital assets (note 6)	–	(2,817)	(3,111)
	138,312	127,191	118,643
Expenses (note 10):			
Watershed Studies and Strategies	3,728	3,042	3,781
Water Risk Management	34,825	31,774	25,060
Regional Biodiversity	16,952	16,727	14,269
Greenspace Securement and Management	6,817	5,309	6,283
Tourism and Recreation	23,161	20,990	21,845
Planning and Development Review	10,285	10,106	9,290
Education and Outreach	12,174	8,785	8,816
Sustainable Communities	9,406	9,083	8,584
Corporate Services	12,270	10,742	10,754
	129,618	116,558	108,682
Net surplus	8,694	10,633	9,961
Accumulated surplus, beginning of year	464,887	464,887	454,926
Accumulated surplus, end of year	\$ 473,581	\$ 475,520	\$ 464,887

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, 2018, with comparative information for 2017

	2018 Budget (note 15)	2018 Actual	2017 Actual
Net surplus	\$ 8,694	\$ 10,633	\$ 9,961
Acquisition of tangible capital assets	(16,499)	(17,437)	(21,138)
Contributed tangible capital assets (note 6)	—	(376)	(1,167)
Net loss on disposal of tangible capital assets (note 6)	—	2,817	3,111
Write-off of tangible capital assets	—	40	1,429
Proceeds on disposal of tangible capital assets	—	43	450
Amortization	7,600	8,085	6,865
Change in other assets	—	(77)	(220)
Increase (decrease) in net financial assets	(205)	3,728	(709)
Net financial assets, beginning of year	2,077	2,077	2,786
Net financial assets, end of year	\$ 1,872	\$ 5,805	\$ 2,077

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Statement of Cash Flows

(In thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Net surplus	\$ 10,633	\$ 9,961
Items not involving cash:		
Amortization	8,085	6,865
Accrued interest on investments	(264)	(579)
Net loss on disposal of tangible capital assets	2,817	3,111
Write-off of tangible capital assets	40	1,429
Contributed tangible capital assets	(376)	(1,167)
Change in non-cash operating working capital:		
Receivables	(4,653)	(6,306)
Other assets	(77)	(220)
Payables and accrued liabilities	3,366	41
Vacation pay entitlements	6	202
Deferred revenue	1,294	(1,577)
	20,871	11,760
Investing activities:		
Purchase of investments	(140)	(500)
Proceeds on maturity of investments	6,344	7,165
	6,204	6,665
Capital activities:		
Purchase of tangible capital assets	(17,437)	(21,138)
Proceeds on disposal of tangible capital assets	43	450
	(17,394)	(20,688)
Increase (decrease) in cash	9,681	(2,263)
Cash, beginning of year	14,414	16,677
Cash, end of year	\$ 24,095	\$ 14,414

See accompanying notes to financial statements.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements

(In thousands of dollars)

Year ended December 31, 2018

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.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

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 non-cashable 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.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

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.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(g) 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.

(h) 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.

(i) 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.

(j) 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.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(k) 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.

(l) Adoption of accounting policies:

Effective January 1, 2018, TRCA adopted the following standards issued by PSAB:

(i) PS 2200 - Related party disclosures

(ii) PS 3210 - Asset

(iii) PS 3320 - Contingent assets

(iv) PS 3380 - Contractual rights and

(v) PS 3420 - Inter-entity transactions

The adoption of these standards has resulted in additional note disclosures regarding contractual rights as described in note 16.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

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 \$491 (2017 - \$461) for source protection projects to the TRCA, which delivers the management function on behalf of the CTC Source Protection Region. Interest of \$10 (2017 - \$8) has been imputed on the unspent balance of the funds. Total funding of \$555 (2017 - \$512) is held in a separate bank account, which is included on the statement of financial position as cash, with a corresponding deferred revenue balance.

3. Investments:

	2018	2017
Provincial bonds:		
Interest rates: 1.75% - 1.97% (2017 - 1.63% - 2.60%)	\$ 3,295	\$ 6,502
Years of maturity: 2020 - 2022 (2017 - 2018 - 2022)		
Guaranteed investment certificates:		
Interest rates: 1.81% - 2.46% (2017 - 1.75% - 2.46%)	2,943	4,991
Years of maturity: 2019 - 2021 (2017 - 2018 - 2021)		
Municipal bonds:		
Interest rates: 1.58% - 1.84% (2017 - 1.58% - 1.85%)	1,670	1,639
Years of maturity: 2020 - 2021 (2017 - 2020 - 2021)		
Corporate bonds:		
Interest rates: 1.80% (2017 - 1.80% - 3.30%)	519	1,395
Years of maturity: 2022 (2017 - 2018 - 2022)		
Financial institution bonds:		
Interest rates: 1.72% - 2.58% (2017 - 1.72% - 2.58%)	797	777
Year of maturity: 2020 (2017 - 2020)		
The One Investment Program:		
Bond Portfolio	3,689	3,610
Universe Corporate Bond Portfolio	2,644	2,583
Equity Portfolio	500	500
	\$ 16,057	\$ 21,997

The fair market value of the investments at December 31, 2018 is \$15,723 (2017 - \$21,743).

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

4. Receivables:

	2018	2017
Government funding:		
Municipal	\$ 17,507	\$ 12,108
Federal	1,218	1,217
Provincial	120	105
Authority generated:		
Trade	4,426	4,374
The Living City Foundation (note 13)	1,574	2,388
	\$ 24,845	\$ 20,192

5. Deferred revenue:

	2018	2017
Government funding (a)	\$ 25,809	\$ 22,617
Authority generated (b)	12,893	14,791
	\$ 38,702	\$ 37,408

(a) Government funding:

	2018			2017	
	Balance, beginning of year	Funding received	Funding recognized	Balance, end of year	Balance, end of year
Municipal:					
Capital levies	\$ 13,317	\$ 44,346	\$ 39,967	\$ 17,696	\$ 13,317
Contract services	2,235	26,427	27,474	1,188	2,235
Grants	1,024	1,410	1,399	1,035	1,024
Provincial	1,855	5,375	5,858	1,372	1,855
Federal	239	3,316	3,314	241	239
Revenue sharing policy (i)	3,947	534	204	4,277	3,947
	\$ 22,617	\$ 81,408	\$ 78,216	\$ 25,809	\$ 22,617

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

5. Deferred revenue (continued):

The proceeds on the sale of properties of \$457 (2017 - \$767) 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, \$204 (2017 - \$522) was applied to the Greenspace acquisition project. Interest of \$77 (2017 - \$45) has been imputed on the unspent balance of the funds.

On May 8, 2018, the Ministry approved \$3,538 in funds to be treated as disposition proceeds from land sales associated with provincial grants toward TRCA's administrative building construction project. As of December 31, 2018, these funds were unspent.

(b) Authority generated:

				2018	2017
	Balance, beginning of year	Funding received	Funding recognized	Balance, end of year	Balance, end of year
Cash in lieu and compensation	\$ 6,513	\$ 4,207	\$ 1,607	\$ 9,113	\$ 6,513
Master environmental servicing	2,579	4,550	4,944	2,185	2,579
Contract services	849	1,872	1,922	799	849
Other	632	23,841	24,044	429	632
Event deposits	948	1,017	1,600	365	948
Property easements	3,270	84	3,352	2	3,270
	\$ 14,791	\$ 35,571	\$ 37,469	\$ 12,893	\$ 14,791

6. Tangible capital assets:

2018 - Cost	Opening	Additions	Transfers	Disposals	Closing
Land	\$ 346,129	\$ 422	\$ 32	\$ (2,438)	\$ 344,145
Infrastructure	168,178	4,884	8,039	—	181,101
Buildings and building improvements	56,918	857	1,162	(1,711)	57,226
Land improvements	15,657	577	421	(13)	16,642
Machinery and equipment	6,802	597	117	(55)	7,461
Vehicles	5,652	360	—	(276)	5,736
Assets under construction	14,541	10,116	(9,771)	(40)	14,846
	\$ 613,877	\$ 17,813	—	\$ (4,533)	\$ 627,157

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

6. Tangible capital assets (continued):

2018 - Accumulated amortization	Opening	Amortization - net	Disposals	Closing
Infrastructure	\$ 111,212	\$ 4,361	\$ –	\$ 115,573
Buildings and building improvements	28,712	1,945	(1,308)	29,349
Land improvements	6,198	678	(13)	6,863
Machinery and equipment	2,727	663	(42)	3,348
Vehicles	3,159	438	(270)	3,327
	\$ 152,008	\$ 8,085	\$ (1,633)	\$ 158,460

Net book value	2018	2017
Land	\$ 344,145	\$ 346,129
Infrastructure	65,528	56,966
Buildings and building improvements	27,877	28,206
Land improvements	9,779	9,459
Machinery and equipment	4,113	4,075
Vehicles	2,409	2,493
Assets under construction	14,846	14,541
	\$ 468,697	\$ 461,869

In the current year, TRCA transferred lands in the amount of nil (2017 - \$3,342) and \$2,744 (2017 - nil) to the City of Mississauga and to Parks Canada, respectively. The land transfers are reflected as net losses on disposal of tangible capital assets in the statement of operations and accumulated surplus. Further, TRCA received \$376 (2017 - \$1,167) of contributed tangible capital assets within the Greenspace Securement and Management service area.

7. Accumulated surplus:

	2018	2017
Tangible capital assets	\$ 468,697	\$ 461,869
Unfunded vacation pay entitlements	(1,227)	(1,496)
Operating reserves	6,081	2,756
Capital reserves	1,969	1,758
	\$ 475,520	\$ 464,887

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

8. Revenue - government funding:

	2018 Budget	2018 Actual	2017 Actual
Municipal:			
Capital levies	\$ 55,403	\$ 39,967	\$ 38,292
Contract services	16,802	27,474	17,721
Operating levies	14,322	14,322	13,928
Other	4,950	1,399	2,721
Provincial	5,835	5,858	6,944
Federal	3,333	3,314	2,943
	\$ 100,645	\$ 92,334	\$ 82,549

9. Revenue - authority generated:

	2018 Budget	2018 Actual	2017 Actual
Watershed Studies and Strategies:			
Watershed planning and reporting	\$ 168	\$ 34	\$ 99
Climate science	–	19	–
Water Risk Management:			
Erosion and flood management	939	1,213	2,116
Water resource science	14	104	57
Regional Biodiversity:			
Biodiversity monitoring	247	162	165
Ecosystem management	432	313	103
Restoration and regeneration	3,082	2,178	1,712
Greenspace Securement and Management:			
Greenspace management	308	222	188
Greenspace securement	648	3,512	1,352
Rentals	2,759	3,325	3,745
Tourism and Recreation:			
Site admissions and athletic fees	3,612	3,054	3,011
Wedding and corporate events	2,250	1,465	2,530
Camping and picnic permits	2,556	2,555	2,503
Heritage Village	1,630	1,939	1,944
Events and festivals	929	1,374	903
Facility rentals and other	209	412	443
Trails	734	206	324
Film and photography permits	163	330	249
Black Creek historic brewery	104	60	108

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

9. Revenue - authority generated (continued):

	2018 Budget	2018 Actual	2017 Actual
Planning and Development Review:			
Development planning	6,842	7,180	5,957
Environmental assessments	1,908	1,186	1,455
Education and Outreach:			
Educational programs	4,585	3,543	6,015
Sustainable Communities:			
Living City transition programs	2,225	1,923	2,217
Community engagement	446	259	293
Corporate Services	196	255	921
	\$ 36,986	\$ 36,823	\$ 38,410

10. Expenses by object:

	2018 Budget	2018 Actual	2017 Actual
Compensation	\$ 70,096	\$ 65,444	\$ 61,535
Contract services	37,122	32,483	28,094
Materials and supplies	12,903	8,456	10,246
Utilities	1,061	1,148	1,021
Property taxes	836	942	921
Amortization	7,600	8,085	6,865
	\$ 129,618	\$ 116,558	\$ 108,682

11. Public sector salary disclosure:

TRCA is subject to The Public Sector Salary Disclosure Act, 1996. Salaries and taxable benefits for the 63 employees (2017 - 54 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.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

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 \$4,191,000 (2017 - \$5,403,000), as TRCA's portion of the amount is not determinable. TRCA's current service contributions to the OMERS pension plan in the amount of \$4,683 (2017 - \$4,234) are included as compensation in the current year.

13. The Living City Foundation:

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

In the current year, the Foundation contributed \$1,091 (2017 - \$4,665) to TRCA programs, which is included as part of authority generated revenue. As at December 31, 2018, the Foundation has an externally restricted fund balance of \$4,674 (2017 - \$3,893), which is to be used primarily for undertaking TRCA projects, and an operating fund deficit of \$19 (2017 - \$103). 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.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

14. Contingent liabilities and commitments (continued):

(b) Land expropriations:

TRCA has completed the acquisition of lands required to undertake various projects which includes acquiring lands under the Expropriations Act. A number of properties required for 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.

(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:

2019	\$ 1,075
2020	1,075
2021	585
2022	96
2023	63
Thereafter	16
	<hr/>
	\$ 2,910

(d) Loan guarantee:

TRCA and the City of Toronto have jointly and severally provided a loan guarantee in the amount of \$4,600 (2017 - \$4,600) to Evergreen for the Don Valley Brick Works restoration project from its financial institutional lender. As of December 31, 2018, Evergreen's outstanding loan balance is \$2,236 (2017 - \$2,752), and is repayable in monthly installments, with the final payment due on April 15, 2023.

15. Budget figures:

The budget in the statement of operations was approved on May 25, 2018.

TORONTO AND REGION CONSERVATION AUTHORITY

DRAFT Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended December 31, 2018

16. Contractual rights:

In the current year, PS 3380 Contractual Rights, came into effect, requiring TRCA to disclose information about contractual rights, arising from agreements that will result in both an asset and revenue in the future. As at December 31, 2018, TRCA estimates contractual rights of \$32,930 to be earned in future years.

17. Subsequent events:

- (a) On February 22, 2019, the Board authorized TRCA to enter a \$54,000 construction and term financing agreement to support the construction of the new administrative office building at 5 Shoreham Drive. The financing agreement was signed with a Canadian commercial bank on February 26, 2019. As part of the transaction, the Authority entered into an interest rate swap to forward fix the interest payable by TRCA at 3.658% on \$50,000 of the available \$54,000 credit. The municipal partners of TRCA, including the City of Toronto and the Regions of Durham, Peel and York have committed up to \$60,000 of funding for the project over the next 30 years, as approved by their individual Councils.
- (b) On May 22, 2019, TRCA obtained a letter of credit with a Canadian commercial bank to undertake certain work with the Department of Fisheries and Oceans (DFO), as required by Fisheries and Oceans Canada. The available amount of credit for this facility amounted to \$2,600 at a rate of 1.05%. On May 31, 2019, \$2,450 of this credit limit was applied to the Ashbridge's Bay project, and \$77 was applied to the Patterson Creek project. As of December 31, 2018, TRCA had an existing credit facility of \$300 available, with \$273 applied to the Fishleigh Drive project.
- (c) On June ____, 2019, TRCA transferred lands in the amount of \$____ and buildings in the amount of \$____ to Parks Canada.

18. 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, 2018

19. Segmented disclosures:

	2018										2017
	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	Total	Total
Revenue:											
Government funding	\$ 3,078	\$ 35,499	\$ 14,971	\$ 1,850	\$ 10,699	\$ 2,417	\$ 5,582	\$ 6,347	\$ 11,891	\$ 92,334	\$ 82,549
Authority generated	53	1,317	2,653	7,059	11,395	8,366	3,543	2,182	255	36,823	38,410
Investment income	—	10	—	77	—	—	2	—	762	851	795
Net (loss) gain on disposal of tangible capital assets	—	—	—	(2,823)	(14)	—	—	—	20	(2,817)	(3,111)
	3,131	36,826	17,624	6,163	22,080	10,783	9,127	8,529	12,928	127,191	118,643
Expenses:											
Compensation	2,590	9,462	9,811	2,000	9,944	9,244	6,347	6,006	10,040	65,444	61,535
Contract services	267	15,081	4,433	1,288	3,438	443	1,110	1,472	4,951	32,483	28,094
Materials and supplies	64	2,304	2,250	172	1,882	94	576	307	807	8,456	10,246
Utilities	—	31	2	126	706	—	192	—	91	1,148	1,021
Property taxes	—	—	—	938	—	—	—	—	4	942	921
Amortization	2	1,707	57	643	3,598	2	191	449	1,436	8,085	6,865
Internal charges (recoveries)	119	3,189	174	142	1,422	323	369	849	(6,587)	—	—
	3,042	31,774	16,727	5,309	20,990	10,106	8,785	9,083	10,742	116,558	108,682
Net surplus (deficit)	\$ 89	\$ 5,052	\$ 897	\$ 854	\$ 1,090	\$ 677	\$ 342	\$ (554)	\$ 2,186	\$ 10,633	\$ 9,961