

## Item 9.5.

### Section II – Items for Executive Action

**TO:** Chair and Members of the Executive Committee  
Meeting #5/19, Friday, June 07, 2019

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

**RE:** **2018 AUDITED FINANCIAL STATEMENTS**  
Approval of Financial Statements

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#### KEY ISSUE

The 2018 audited financial statements are recommended for approval.

#### RECOMMENDATION

**THE BOARD RECOMMENDS TO THE AUTHORITY THAT the transfer of funds from surplus to operating reserves in the amount of \$918 as outlined below and reflected in Note 7, “Accumulated Surplus” to the financial statements (Attachment 1) be approved;**

**AND FURTHER THAT the 2018 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 Minister of Natural Resources and Forestry, in accordance with subsection 38(3) of the *Conservation Authorities Act*.**

#### BACKGROUND

The 2018 TRCA audited financial statements are presented for approval. The accounting firm KPMG LLP has completed its audit and has included within the financial statements an unqualified, independent auditor’s report. The audited financial statements are presented as Attachment 1 to the report. Representatives from KPMG LLP will be in attendance to present the auditor’s report on the 2018 financial statements.

#### Auditor Communication on Audit Strategy and Results

Included as Attachment 2 is a report from KPMG LLP addressed to the Executive Committee, entitled, “Audit Findings Report.” This report addresses various matters, including the auditor’s approach to the audit, materiality, and any adjustments. No audit adjustments were identified. The auditors provided performance improvement observations in their findings, which represent comments intended to improve TRCA’s efficiency and effectiveness of financial policies and procedures.

#### Financial Statements Summary

The Statement of Operations and Accumulated Surplus includes revenues, expenses and TRCA’s net surplus position for the year and includes the impact of capitalizing Tangible Capital Asset (TCA) expenditures. The Statement of Financial Position reports on financial assets which include cash, investments and account receivables, as well as non-financial assets which include tangible capital assets and other 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 the organization.

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The Statement of Changes in Net Financial Assets reconciles the 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 from Surplus to Reserves

The status of TRCA reserves is presented in Note 7 of the financial statements. Reserve balances totaled \$8,050 at the end of the year, an increase of \$3,537 from 2017. At year-end, management proposes the following transfer:

	<b>Balance Jan 1, 2018</b>	<b>Pre-Transfer Dec 31, 2018</b>	<b>Proposed Transfer</b>	<b>Ending Balance Dec 31, 2018</b>
Unallocated Surplus	\$ -	\$ 918	\$ (918)	\$ -
Operating Reserve	2,755	5,163	918	\$6,081
Capital Reserve	1,758	1,969	-	\$1,969
Total	<u>\$ 4,513</u>	<u>\$ 8,050</u>	<u>\$ -</u>	<u>\$8,050</u>

The ending operating reserve represents the proposed reserve addition to the 2019 operating and capital budget, which was approved on May 24, 2019, while the ending capital reserve represents funding for unbudgeted tangible capital assets purchases and related expenditures.

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/replace aging infrastructure, over and above available government funding.

### Relationship to Building the Living City, the TRCA 2013-2022 Strategic Plan

This report supports the following strategy set forth in the TRCA 2013-2022 Strategic Plan:  
**Strategy 9 – Measure performance**

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**Date: May 28, 2019**

**Attachments: 2**

Attachment 1: 2018 Audited Financial Statements

Attachment 2: Audit Findings Report