

Audit and Budget Committee Meeting
Monday, April 15, 2019
9:30 a.m.
Ball's Falls Centre for Conservation
Glen Elgin Room
3292 Sixth Avenue, Jordan, ON

A G E N D A

1. ELECTIONS OF CHAIR AND VICE CHAIR

- 1.1 Motion to elect a Chair
- 1.2 Motion to elect a Vice Chair

2. ADOPTION OF AGENDA

- 2.1 Addition of items
- 2.2 Change in order of items: Staff requests that Item 6.4 Draft Terms of Reference – Audit and Budget Committee be brought forward to be addressed prior to Item 4. Presentations.
- 2.3 Adoption of agenda

3. DECLARATION OF CONFLICT OF INTEREST

4. PRESENTATIONS (and/or Delegations)

- 4.1 Presentation by KPMG Scott Plugers, Lois Ouellette, KPMG
 - 4.1.1 Audited 2018 Financial Statements (Draft)
 - 4.1.2 Audit Findings Report for the year ended December 31, 2018

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5. BUSINESS FOR INFORMATION

6. BUSINESS FOR CONSIDERATION

- 6.1 Report No. A&BC-01-19 RE: Forensic Accounting and Human Resources Audit
- 6.2 Report No. A&BC-02-19 RE: Budget Report for Years 2016-2019
- 6.3 Report No. A&BC-03-19 RE: Draft Proposed Budget Process – 2020 Budget
- 6.4 Draft Terms of Reference - Audit and Budget Committee

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Audit and Budget Committee Agenda
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7. NEW BUSINESS

8. ADJOURNMENT

Financial Statements of

**NIAGARA PENINSULA
CONSERVATION AUTHORITY**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Niagara Peninsula Conservation Authority

Opinion

We have audited the financial statements of Niagara Peninsula Conservation Authority (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations 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 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' Responsibilities 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 represents 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.

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
April 17, 2019

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash and cash equivalents	\$ 6,138,740	\$ 4,985,889
Investments	4,256,273	4,076,320
Accounts receivable	278,986	576,404
	<u>10,673,999</u>	<u>9,638,613</u>
Financial liabilities:		
Accounts payable and accrued liabilities	759,075	1,415,417
Employee future benefits (note 3)	73,200	109,500
Deferred revenue (note 5)	1,776,979	2,117,978
Long-term debt (note 4)	700,030	1,460,459
	<u>3,309,284</u>	<u>5,103,354</u>
Net financial assets	<u>7,364,715</u>	<u>4,535,259</u>
Non-financial assets:		
Prepaid expenses	33,109	25,636
Tangible capital assets (note 6)	<u>20,145,167</u>	<u>19,904,908</u>
	<u>20,178,276</u>	<u>19,930,544</u>
Accumulated surplus (note 7)	<u>\$ 27,542,991</u>	<u>\$ 24,465,803</u>

See accompanying notes to financial statement.

Chair

Chief Administrative Officer

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Operations

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

	Budget	2018 Actual	2017 Actual
(note 10)			
Revenues:			
Government transfers			
Province of Ontario – Ministry of Natural Resources and Forestry ("MNRF")	\$ 174,496	\$ 174,496	\$ 174,496
Province of Ontario - Other	299,499	267,038	204,956
Government of Canada	155,000	132,705	231,425
Municipal levies			
General	6,246,119	6,246,119	6,070,715
Special	2,252,166	2,252,166	2,820,257
Authority generated			
User fees, sales and admissions	1,625,350	1,936,971	1,724,747
Niagara Peninsula Conservation Foundation	-	-	68,750
Administration fees	367,500	417,690	533,178
Interest	85,000	155,013	111,391
Other	546,000	701,053	587,132
	11,751,130	12,283,251	12,527,047
Expenses:			
CAO and Administration	1,938,305	2,019,334	1,502,007
Watershed	2,658,203	1,943,791	2,983,489
Corporate Resources	5,097,145	5,242,938	5,881,695
	9,693,653	9,206,063	10,367,191
Annual surplus	2,057,477	3,077,188	2,159,856
Accumulated surplus, beginning of year	24,465,803	24,465,803	22,305,947
Accumulated surplus, end of year	\$ 26,523,280	\$ 27,542,991	\$ 24,465,803

See accompanying notes to financial statement.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Change in Net Financial Assets

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

	2018	2017
Annual surplus	\$ 3,077,188	\$ 2,159,856
Acquisition of tangible capital assets	(1,063,320)	(1,135,509)
Amortization of tangible capital assets	823,061	793,886
Proceeds on disposal of tangible capital assets	-	133,704
Gain on disposal of tangible capital assets	-	(133,703)
(Increase) decrease in prepaid expenses	(7,473)	17,994
	2,829,456	1,836,228
Net financial assets, beginning of year	4,535,259	2,699,031
Net financial assets, end of year	\$ 7,364,715	\$ 4,535,259

See accompanying notes to financial statement.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Statement of Changes in Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,077,188	\$ 2,159,856
Item not involving cash:		
Amortization of tangible capital assets	823,061	793,886
Contributions of tangible capital assets	(145,000)	-
Gain on disposal of tangible capital assets	-	(133,703)
Employee future benefits	(36,300)	(36,500)
Change in non-cash operating working capital:		
Accounts receivable	297,418	(86,472)
Accrued interest on investments	(2,203)	(507)
Prepaid expenses	(7,473)	17,994
Accounts payable and accrued liabilities	(656,342)	140,133
Deferred revenue	(340,999)	(221,244)
Net change in cash and cash equivalents from operations	3,009,350	2,633,443
Capital activities:		
Purchases of tangible capital assets	(918,320)	(1,135,509)
Proceeds from disposal of tangible capital assets	-	133,704
Net change in cash and cash equivalents from capital activities	(918,320)	(1,001,805)
Investing activities:		
Proceeds from sale of investments	4,072,250	4,000,000
Purchases of investments	(4,250,000)	(4,072,250)
Net change in cash and cash equivalents from investing activities	(177,750)	(72,250)
Financing activities:		
Payments on long-term debt	(760,429)	(982,671)
Net change in cash and cash equivalents	1,152,851	576,717
Cash and cash equivalents, beginning of year	4,985,889	4,409,172
Cash and cash equivalents, end of year	\$ 6,138,740	\$ 4,985,889

See accompanying notes to financial statement.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements

Year ended December 31, 2018

The Niagara Peninsula Conservation Authority ("the Authority") is established under The Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources. It is exempt from income taxes under section 149(1)(c) of the Income Tax Act.

1. Significant accounting policies:

The financial statements of Niagara Peninsula Conservation Authority ("the Authority") are prepared by management in accordance with Public Sector Accounting Standards ("PSAS"). Significant accounting policies adopted by the Authority are as follows:

(a) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

(c) Investments:

Investments consist of term deposits and are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss. Investment income earned on investments are reported as revenue in the period earned.

(d) Deferred revenue:

Deferred revenues represent government transfers and user fees which have been collected but for which related expenses or related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Tangible capital assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset. The Authority does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

Cost, less residual value of tangible capital assets are amortized on a straight line basis over their estimated useful life. Land is considered to have an infinite life without amortization. Full year amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Asset	Useful Life - Years
Land Improvements	20 years
Buildings	30 years
Dams	15 to 100 years
Gauge stations	15 to 30 years
Equipment	10 years
Vehicles	5 years
Office equipment	5 years

Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition and recognized as revenue in the year of contribution.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(f) Revenue recognition:

i) Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except when, and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

ii) Municipal levies

Municipal levies are recognized as revenue in the year in which they meet the definition of an asset, the levy is authorized and the levy event has occurred.

iii) Authority generated

User fees, sales and admissions and other income is reported as revenue in the period earned.

(g) Employee future benefits:

The Authority provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefits for early retirees to age 65. The employee future benefits represent management's best estimates of the cost of premiums on benefits up to the date of retirement.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in future. Significant estimates include assumptions used in the estimation of employee future benefits.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Adoption of new accounting standards:

On January 1, 2018, the Authority adopted the following Canadian public sector accounting standards:

- PS 2200 Related party disclosures
- PS 3420 Inter-entity transactions
- PS 3210 Assets
- PS 3320 Contingent assets
- PS 3380 Contractual rights

The adoption of these standards did not result in any adjustments to the financial statements. Requirements for note disclosure where applicable have been included in the notes to the financial statements.

3. Employee future benefit:

The Authority provides extended life, health and dental benefits for early retirees to age 65 which will require funding in future periods. The Authority recognizes these retirement benefit costs in the period in which the service is rendered. The accrued benefit liability at December 31, 2018 was estimated by management to be \$73,200 (2017 - \$109,500).

Information about the Authority's benefit plan is as follows:

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	\$ 109,500	\$ 146,000
Current benefit cost	(9,152)	(9,086)
Benefits paid	(27,148)	(27,414)
Accrued benefit obligation, end of year	\$ 73,200	\$ 109,500

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Long-term debt:

	2018	2017
The Authority has assumed responsibility for the payment of principal and interest charges on long-term debt issued by the Region of Niagara	\$ 700,030	\$ 1,460,459
	<u>\$ 700,030</u>	<u>\$ 1,460,459</u>

Long-term debt bears interest at rates ranging from 4.5% - 4.8%. Total principal payments to be made on the outstanding long-term debt is as follows:

2019	483,705
2020	216,325
	<u>700,030</u>

The Authority paid \$63,691 (2017 - \$109,591) in interest on long-term debt during the year.

5. Deferred revenue:

Deferred revenues consist of the following:

	Balance at December 31, 2017	Externally restricted inflows	Revenue earned	Balance at December 31, 2018
User fees and other	\$ 236,184	\$ 132,609	\$ (151,116)	\$ 217,677
Government grants	334,209	27,286	(64,535)	296,960
Welland river restoration -				
Ontario Power Generation	1,547,585	-	(285,243)	1,262,342
Total	<u>\$ 2,117,978</u>	<u>\$ 159,895</u>	<u>\$ (500,894)</u>	<u>\$ 1,776,979</u>

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Tangible capital assets:

<u>Cost</u>	Balance at December 31, 2017		Transfers/ Disposals	Balance at December 31, 2018	
Land	\$ 8,504,864	\$ 150,643	-	\$ 8,655,507	
Land improvements	5,616,276	421,377	-	6,037,653	
Buildings	5,697,728	51,629	-	5,749,357	
Dams	4,986,642	-	-	4,986,642	
Gauge stations	403,351	-	-	403,351	
Equipment	1,881,280	286,401	-	2,167,681	
Vehicles	314,254	-	-	314,254	
Office equipment	809,088	49,428	-	858,516	
Work-in-progress	133,074	236,917	133,075	236,916	
Total	\$ 28,346,557	\$ 1,196,395	\$ 133,075	\$ 29,409,877	

<u>Accumulated Amortization</u>	Balance at December 31, 2017		Amortization	Balance at December 31, 2018	
Land	\$ -	\$ -	-	\$ -	-
Land improvements	2,738,173	248,249	-	2,986,422	
Buildings	2,122,995	182,460	-	2,305,455	
Dams	1,653,957	59,084	-	1,713,041	
Gauge stations	183,703	20,626	-	204,329	
Equipment	983,767	172,514	-	1,156,281	
Vehicles	230,992	20,816	-	251,808	
Office equipment	528,062	119,312	-	647,374	
Work-in-progress	-	-	-	-	-
Total	\$ 8,441,649	\$ 823,061	\$ -	\$ 9,264,710	

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Tangible capital assets (continued):

	Net Book Value December 31, 2017	Net Book Value December 31, 2018
Land	\$ 8,504,864	\$ 8,655,507
Land improvements	2,878,103	3,051,231
Buildings	3,574,733	3,443,902
Dams	3,332,685	3,273,601
Gauge stations	219,648	199,022
Equipment	897,513	1,011,400
Vehicles	83,262	62,446
Office equipment	281,026	211,142
Work-in-progress	133,074	236,916
Total	\$ 19,904,908	\$ 20,145,167

Work-in-process, having a value of \$236,916 (\$133,074) has not been amortized. Amortization of these assets will commence when the asset is put into service.

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is \$145,000 (2017 - \$nil) and was comprised of land.

Tangible capital assets recognized at nominal value include land used in the operations and conservation management.

The Authority has not recorded a write-down of tangible capital assets during the year or 2017.

7. Accumulated surplus:

Accumulated surplus consists of the following:

	2018	2017
Invested in tangible capital assets	\$ 19,445,137	\$ 18,444,449
Reserves set aside by the Board of the Authority for specific purpose	8,171,054	6,130,854
Unfunded employee future benefits liability	(73,200)	(109,500)
	\$ 27,542,991	\$ 24,465,803

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Accumulated surplus (continued):

Reserves set aside by the Board of the Authority for specific purpose consists of the following:

	2018	2017
General capital	\$ 1,373,806	\$ 1,058,385
Operating reserve	1,360,743	713,420
Equipment	107,257	279,319
Flood protection	318,406	359,266
Levy differential	1,646,591	1,206,213
Land acquisitions	3,031,880	2,431,880
Restoration	250,000	-
Tree by-law	82,371	82,371
	<hr/> \$ 8,171,054	<hr/> \$ 6,130,854

8. Credit facility:

The Authority's credit facility includes an overdraft lending account of \$800,000 bearing interest at prime. No amount was outstanding as at the year end. The facility is secured by a general security agreement.

9. Pension plan:

The Authority makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the 54 (2017 – 58) members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Authority does not recognize any share of the pension plan deficit of \$4.2 billion (2017 - \$5.4 billion) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2018 calendar year at rates ranging from 9.0% to 14.6% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2018 current and past service was \$378,347 (2017 - \$414,821) and were matched by employee contributions.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. Budget data:

The budget data presented in these financial statements is based upon the 2018 operating budget approved by the Board of the Authority on September 20, 2017 and capital budget approved October 25, 2017. Amortization was not incorporated in the development of the budget and, as such, were not provided on the statement of changes in net financial assets. The chart below reconciles the approved budget to the budget figures reported in these financial statements:

	Budget Amount
Revenues	
Operating	
Approved budget	\$ 9,631,021
Capital	1,258,731
Special levy - reserves	1,040,378
Less:	
Transfers from reserves	(179,000)
Total revenues	11,751,130
Expenses:	
Operating	
Approved budget	10,671,399
Capital	
Approved budget	1,258,731
Add:	
Amortization	823,061
Less:	
Tangible capital assets included in operating expense	(1,258,731)
Transfers to reserves	(1,040,378)
Debt principal payments	(760,429)
Total expenses	9,693,653
Annual surplus	\$ 2,057,477

11. Contingencies:

The Authority is involved from time to time in litigation, which arises in the normal course of business. The exact outcome of these actions is not determinable as at the date of reporting. In respect of certain outstanding claims, the Authority believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

12. Commitments:

The Authority has approved disbursement of the levy differential reserve to the contributing municipalities in the watershed of the Authority. This disbursement is dependent upon the outcome of any litigation with respect to the municipal levies.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2018

13. Related party transactions:

During the year, the Authority incurred \$75,568 (2017 - \$91,531) in expenditures for per diems, honorariums, and mileage which was paid to and on behalf of members of the Board of Directors for the Authority.

14. Contractual rights:

The Authority has contractual rights under contract with various Ministry agencies to receive funds in exchange for services to be provided under those contracts. The Authority is expecting up to \$189,898 in future revenues based on anticipated services to be performed.

15. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year. There is no impact to accumulated surplus as a result of the reclassification.

16. Segmented information:

The Authority provides a wide range of services which are categorized by department. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

CAO and Administration (2017 – Corporate Services)

CAO and administration services is comprised of the administration services of the Authority.

Watershed

The watershed department is the umbrella for three divisions dedicated to monitoring, regulating, protecting and improving the health and safety of our watersheds.

Corporate Resources (2017 – Operations)

The corporate resources department is the umbrella for three divisions dedicated to conservation land management, conservation land programming and development and managing the Authority's vehicles and equipment. Conservation land management is the administration department for the conservation areas. Conservation land programming and development is responsible for maintenance and improvements to the conservation areas. The vehicles and equipment department accounts for the cost of maintaining the vehicles and equipment.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Municipal levies have been allocated to the segments based upon budgeted levies for the segment. Interest earned on investments has been allocated to the corporate resources segment.

NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

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

16. Segmented information (continued)

	2018			
	CAO and Administration	Watershed	Corporate Resources	Total
Revenues:				
MNRF transfers	\$ 29,496	\$ 145,000	\$ -	\$ 174,496
Government transfers	32,765	334,213	32,765	399,743
Municipal levies	2,143,418	1,542,992	4,811,875	8,498,285
User fees, sales and administration	-	-	1,936,971	1,936,971
Administration fees	-	417,690	-	417,690
Interest	-	-	155,013	155,013
Other	4,945	210,082	486,026	701,053
Total revenues	2,210,624	2,649,977	7,422,650	12,283,251
Expenses:				
Salaries and benefits	1,153,483	1,459,290	2,655,482	5,268,255
Materials and supplies	451,406	179,425	1,277,141	1,907,972
Contracted services	63,416	40,640	212,337	316,393
Professional fees	172,140	184,725	155,360	512,225
Rent and financial expenses	15,619	-	298,847	314,466
Debt service	-	-	63,691	63,691
Amortization	163,270	79,711	580,080	823,061
Total expenses	2,019,334	1,943,791	5,242,938	9,206,063
Annual surplus	\$ 191,290	\$ 706,186	\$ 2,179,712	\$ 3,077,188
	2017			
	CAO and Administration	Watershed	Corporate Resources	Total
Revenues:				
MNRF transfers	\$ 75,796	\$ 98,700	\$ -	\$ 174,496
Government transfers	50,639	286,451	99,291	436,381
Municipal levies	3,072,522	2,190,679	3,627,771	8,890,972
User fees, sales and administration	-	-	1,724,747	1,724,747
Niagara Peninsula Conservation Foundation	-	-	68,750	68,750
Administration fees	-	533,178	-	533,178
Interest	-	-	111,391	111,391
Other	8,283	152,027	426,822	587,132
Total revenues	3,207,240	3,261,035	6,058,772	12,527,047
Expenses:				
Salaries and benefits	420,213	2,267,986	3,186,967	5,875,166
Materials and supplies	465,682	220,367	1,342,720	2,028,769
Contracted services	6,351	195,742	196,328	398,421
Professional fees	448,238	219,481	208,081	875,800
Rent and financial expenses	13,169	-	272,389	285,558
Debt service	-	-	109,591	109,591
Amortization	148,354	79,913	565,619	793,886
Total expenses	1,502,007	2,983,489	5,881,695	10,367,191
Annual surplus	\$ 1,705,233	\$ 277,546	\$ 177,077	\$ 2,159,856

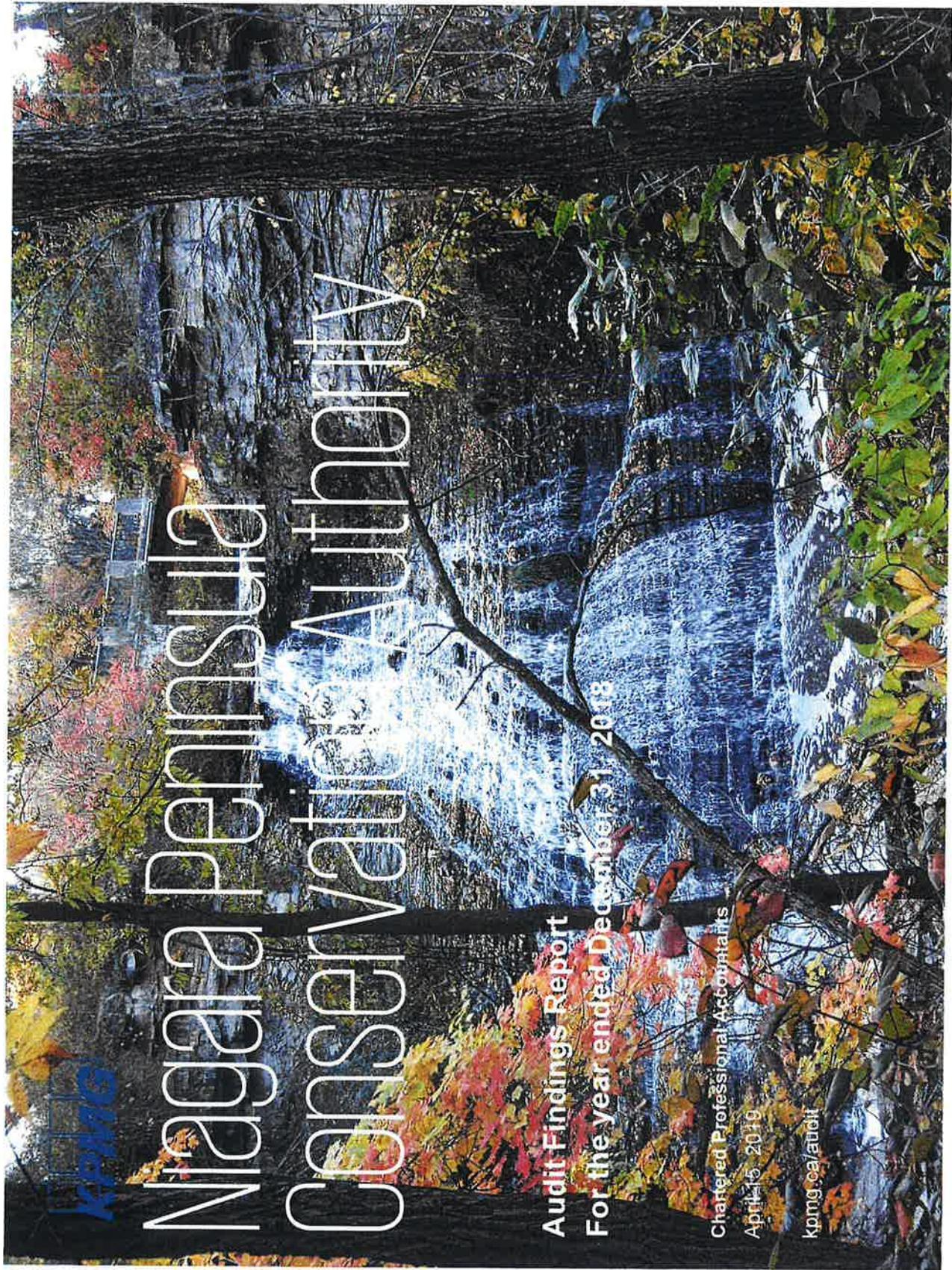


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At KPMG, we are passionate about earning your trust. We take deep personal accountability, individually and as a team, to deliver exceptional service and value in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

Executive Summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the financial statements of Niagara Peninsula Conservation Authority (the "Authority") as at and for the year ended December, 31 2018.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on November 14, 2018.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Audit risks and results

We discussed with you at the start of the audit a number of **areas of audit focus**. We have no significant matters to report to the audit committee in respect of them.

See pages 7 - 8.

Adjustments and differences

The effect of our audit adjustment and differences are summarized on pages 11 and 12 and contained within the management representation letter.

* This Audit Findings Report should not be used for any other purpose or by anyone other than the audit committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive Summary

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:

- obtaining receipt of legal letters
 - obtaining receipt of signed management representation letter
 - completing our discussions with the Audit Committee;
 - obtaining evidence of the Board's approval of the financial statements.
- We will update the audit committee, 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.

Independence

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Audit Committee approved protocols.

Significant accounting policies and practices

The Authority has implemented the required new Canadian public sector accounting standards ("PSAS") applicable for entities under PSAS for the December 31, 2018 year-end. There are no transitional impacts to the financial statements as a result of adoption of these standards

See page 10.

Control and other observations

We did not identify any control deficiencies that we determined to be material weaknesses in ICFR. We have identified other observations to bring to your attention.

See page 13.

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. The first step is the determination of the amounts used for planning purposes as follows:

Materiality determination	Comments	Amount
Metrics		
Benchmark	Relevant metrics include net assets, total revenue, and total expenditures.	
	Based on prior year total revenues at December 31, 2017. This benchmark is consistent with the expected benchmark for entities operating within this industry.	\$12,527,047
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. (2017 - \$245,000)	\$250,000
% of Benchmark	The percentage is within the expected range for the selected benchmark.	2%
Performance materiality	Set at 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. (2017 - \$183,750)	\$187,500
Audit misstatement posting threshold (AMPt)	Set at 5% of materiality, this is the threshold used to accumulate misstatements identified during the audit. (\$12,250)	\$12,500

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate. Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.

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 revenue recognition	This is a presumed fraud risk. We have rebutted this risk with respect to revenue recognition.	We exercise professional judgment to rebut the presumed risk of fraud in revenue recognition after we consider and evaluate the facts and circumstances of the audit. We have rebutted the fraud risk over revenue recognition. There are limited perceived opportunities to commit fraud and NPCA revenue sources require very minimal judgment. We have rebutted this fraud risk as it is not applicable to NPCA where performance is not measured based on earnings and a significant portion of revenues can be tied directly to government funding support.
Fraud risk from management override of controls	This is a presumed fraud risk.	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. Data & Analytics tools were used to perform work in this area including testing of journal entries. We have not identified any instances of management override of controls as a result of our procedures performed.

Audit risks and results

We identified other areas of focus for our audit in our discussion with you in the Audit Plan.
 Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Why	Our response and significant findings
Grant Revenue and Deferred Contributions	Risk of material misstatement related to the completeness, existence and accuracy of grant revenue including related deferred liabilities.	<ul style="list-style-type: none"> - Substantive approach to revenue using third party grant funding agreements and related expenditures to ensure completeness and accuracy of revenue recorded. - Substantive approach over deferred revenue to ensure appropriate timing and revenue recognition. - Substantive approach over municipal levies in accordance with the approved budgets. - <i>No significant findings to report as a result of these procedures.</i>
Authority Generated Revenue	Risk of material misstatement related to the accuracy of authority generated revenue.	<ul style="list-style-type: none"> - KPMG used statistical sampling techniques to select samples for the testing of authority generated revenues. - Revenues across various revenue streams were agreed to supporting documentation and bank deposits. - <i>No significant findings to report as a result of these procedures.</i>
Accounts Payable and Accrued Liabilities	Risk of material misstatement related to the completeness and accuracy of accounts payable and accrued liabilities.	<ul style="list-style-type: none"> - Substantive approach to testing accounts payables and accruals including a review of subsequent payment activity, minutes and relevant contracts to assess for completeness of recorded accruals - Substantive procedures over legal and potential severance accruals and receipt of legal confirmations for completeness of related accruals - <i>No significant findings to report as a result of these procedures.</i>
Operating Expenses	Risk of material misstatement with respect to the existence, accuracy and cut-off of operating expenditures.	<ul style="list-style-type: none"> - Substantive approach including analytical procedures and selecting expenditures for sampling as necessary. - <i>No significant findings to report as a result of these procedures.</i>

Payroll expenditures (including Payroll Accruals)	Risk of material misstatement related to the completeness and accuracy of payroll expenditures.	<ul style="list-style-type: none"> - Substantive approach to testing payroll expenditures including testing of employee headcount. - No significant findings to report as a result of these procedures. <p>We noted that there was no vacation accrual setup at year-end for employees with banked vacation time consistent with prior year. We discussed with management and obtained a summary of all employees vacation carry over days and performed substantive testing over the estimated vacation liability. Per management, the Authority's practice is to permit carry forward up to 2 weeks with appropriate approval. While the amount of the unrecorded vacation liability was not material, it is greater than audit misstatement posting threshold. The unrecorded liability has been communicated to management. The Authority should consider recording this liability in the future to ensure completeness of accruals and assist in future planning and resource allocation. See page 11-12 for more detail.</p>
Tangible Capital Assets (TCA)	Risk of material misstatement related to the completeness, accuracy and classification of tangible capital assets.	<ul style="list-style-type: none"> - Statistical sampling technique used to select samples for testing additions to TCA in the current year and assess capitalization in accordance with Public Sector Accounting Standards. - Vouching contributed tangible capital assets to ensure appropriate valuation. - We also had discussions with management surrounding impairment and contaminated sites and concurred with management's assessment that there are no impaired tangible capital assets and no contaminated sites in accordance with Public Sector Accounting Standards. - No significant findings to report as a result of this procedure.

Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized Technology and (Data & Analytics) D&A in order to enhance the quality and effectiveness of the audit.

We have summarized areas of the audit where D&A tools and routines were used.

Area(s) of focus	D&A tools and routines	Our results	Insights
Journal entry testing	<ul style="list-style-type: none"> We utilized KPMG application software (IDEA) to evaluate the completeness of the journal entry population through a roll-forward of 100% of the accounts We utilized computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing 	<p>High risk journal entries were identified. The results of our testing indicated there were no instances of management override of control, error or fraud.</p>	<p>This procedure allowed us to focus on potential high-risk areas and gain a better understanding of entries made within the Authority.</p>
KPMG DataShare	<ul style="list-style-type: none"> This is a new tool in the pilot stage that was used with management for the 2018 audit. The tool provides us with 100% of the data necessary for the audit in an easy to use format for further audit procedures. 	<p>The tool provided valuable information and minimized the amount of time spent on formatting and sorting data.</p>	<p>Moving forward, this will minimize the requests required of management as the tool provides us with the information necessary to conduct many audit routines and procedures.</p>

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Authority's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices. We also highlight the following:

Form, arrangement, and content of the financial statements

The financial statements are, in all material respects, in accordance with Canadian Public Sector Accounting Standards. The disclosures in the financial statements are adequate.

The Authority has adopted the following new Canadian public sector accounting standards effective for the Authority's December 31, 2018 year-end:

- PS 2200 Related party disclosures
- PS 3420 Inter-entity transactions
- PS 3210 Assets
- PS 3320 Contingent Assets
- PS 3380 Contractual rights

Refer to Appendix 4 for more details.

There is no impact to the Authority's financial statements as a result of the adoption of these standards. Additional disclosures have been added where necessary.

Application of accounting pronouncements issued but not yet effective

There are no concerns at this time regarding future implementation. See Appendix 4 for new standards that will impact the Authority for the December 31, 2019 year-end and beyond.

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 adjustments or 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

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected differences considered to be other than clearly trivial.

Adjustments and differences

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

Description of differences	As at and year ended December 31, 2017	Income effect	Financial position		
			Assets (Decrease) Increase	Liabilities (Decrease) Increase	Equity (Decrease) Increase
To carry forward prior year vacation accrual uncorrected entry from 2017	70,635	-	-	-	(70,635)
To recognize balance of vacation accrual at year-end not previously recorded for employees with eligible carry forward into the next fiscal year	(65,057)	-	65,057	-	-
Total differences	5,578	-	65,057	-	(70,635)

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.

Other observations

Other observations may be identified during the audit that do not rise to the level of significant deficiency. Below is a summary of these other observations that we identified during the audit:

Item	Observation
Segregation of Duties – Journal Entries	<p>During the 2017 audit, we identified the ability for the Manager of Finance to post journal entries and regularly does so as part of day to day responsibilities. The Manager of Finance is also responsible for the preparation of the financial statements and for review of journal entries.</p> <p>Given the small nature of the finance team at the Authority the nature of the process is unavoidable. At the conclusion of our 2017 audit, we recommended that the Authority implement a process of review of journal entries as prepared by the Manager of Finance. The Authority has implemented a monthly review of journal entries posted by the Manager of Finance by the previous Director of Corporate Services and currently the Interim C.A.O. We have not identified any instances of management override of controls with respect to this matter.</p>
Employee future benefits	<p>We understand that the Authority provides certain health and dental benefits to a closed group of employees upon early retirement up to age 65. Under Public Sector Accounting Standards, it is assumed that management uses an actuarial valuation to determine the estimate of the liability as at year-end. The Authority's current practice is to estimate the liability, in-house, based on known monthly premium costs.</p> <p>While not a significant estimate to the financial statements of the Authority, we recommend, at a minimum, that the estimation methodology be updated to include relevant assumptions such as a discount rate to present value the liability and a health care claim trend rate factor to account for inflation of the costs.</p> <p>We completed a sensitivity analysis on the liability factoring in these significant assumptions and found no material differences.</p>
Auditor General Report	<p>We have read the report provided by the Auditor General to assess what, if any, impact the report may have on our audit based on their findings. We did not identify any findings within the report that impact our financial statement audit of the Authority.</p>

Appendices

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Background and professional standards

Appendix 4: Audit trends

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 attached to the draft financial statements.
- **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.

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

-
- The diagram illustrates the KPMG Audit Quality and Risk Management framework, centered around the KPMG logo and the text "Audit Quality and Risk Management". The framework is organized into six key components, each represented by a light blue oval:
- Independence, integrity, ethics and objectivity**
 - Other risk management quality controls**
 - Personnel management**
 - Acceptance & continuance of clients / engagements**
 - Independent monitoring**
 - Engagement performance standards**
- Below each component, there is a list of bullet points detailing the firm's practices or policies related to that specific area.
- 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: Current developments

Please visit the Audit Committee Institute / [Current Developments](#) page for recent developments in IFRS, Canadian securities matters, Canadian auditing and other professional standards and US accounting, auditing and regulatory matters.

The following is a summary of the developments required to be adopted by the Authority for the December 31, 2018 year-end:

Standard	Summary and implications
PS 3380 – Contractual Rights	<p>This standard defines contractual rights to future assets and revenue.</p> <p>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:</p> <p>(a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and</p> <p>(b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future.</p> <p>Implications: As at December 31, 2018, there were a number of contracts for funding support. The aggregate amounts are disclosed in note 14 to the financial statements.</p>

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.

Implications: As at December 31, 2018, there were transactions with members defined as key management personnel. The aggregate amounts and nature of transactions have been disclosed in note 13 to the financial statements.

PS 3420 - Inter-entity Transactions

This standard relates to the measurement of transactions between public sector entities that comprise the government's reporting entity. Transactions are recorded at 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

Implications: There are no inter-entity transactions to consider as there are no commonly controlled entities for the Authority or entities controlled by the Authority.

PS 3320 – Contingent Assets	<p>This standard defines contingent assets.</p> <p>They have two basic characteristics:</p> <ul style="list-style-type: none"> ● An existing condition or situation that is unresolved at the financial statement date. ● An expected future event that will resolve the uncertainty as to whether an asset exists. <p>The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely.</p> <p>Implications: Management has not identified any contingent assets. We have not identified any instances where disclosure would be required as a result of adoption of this standard.</p>
PS 3210 - Assets	<p>This standard provides a definition of assets and further expands that definition as it relates to control. Assets are defined as follows:</p> <ul style="list-style-type: none"> ● 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. <p>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 section entity.</p> <p>Implications: This standard did not have an impact on the Authority.</p>

The following is an overview of future accounting standards under Public Sector Accounting Standards as well as considerations that the Public Sector Accounting Board is considering with respect to entities following Public Sector Accounting Standards:

Standard	Summary and implications
Asset Retirement Obligations	<ul style="list-style-type: none"> – A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2021 (the Authority's 2022 year end). – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity would have to: <ul style="list-style-type: none"> • consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.
Revenue	<ul style="list-style-type: none"> – A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the Authority's 2023 year end). – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. <ul style="list-style-type: none"> – The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Financial Instruments and Foreign Currency Translation	<ul style="list-style-type: none"> – New accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> have been approved by PSAB and are effective for years commencing on or after April 1, 2021 (the Authority's 2022 year end). – Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – Hedge accounting is not permitted. – A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Realized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. – Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 <i>Financial Instruments</i>. An exposure draft with narrow scope amendments is currently available and open for comment until May 1, 2019. The proposed amendments are expected to include the accounting treatment of bond repurchases, scope exclusions for certain activities by the federal government, and improvements to the transitional provisions.
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. – Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans. – The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.
Public Private Partnerships ("P3")	<ul style="list-style-type: none"> – A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. – A Statement of Principles ("SOP") was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. An Exposure Draft of the new standard is expected to be issued in December 2018. <ul style="list-style-type: none"> – The SOP proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The SOP proposes the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, with a liability of the same amount if one exists. Cost would be measured by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.

Concepts Underlying Financial Performance	<ul style="list-style-type: none">- PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.- A Statement of Concepts ("SOC") and Statement of Principles ("SOP") were issued for comment in May 2018 and has closed.- The SOC proposes a revised ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts and PS 1100 Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.- The SOP includes principles intended to replace PS 1201 <i>Financial Statement Presentation</i>. The SOP proposes:<ul style="list-style-type: none">• Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets.• Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).• Restructuring the statement of financial position to present non-financial assets before liabilities.• Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities).• A new provision whereby an entity can use an amended budget in certain circumstances.- Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.
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Report To: Budget and Audit Committee

Subject: Forensic Accounting and Human Resources Audit

Report No: A&BC-01-19

Date: April 15, 2019

RECOMMENDATION:

That Audit and Budget Committee Report No. A&BC 01-19 regarding the Board of Directors' request for a Forensic Accounting and Human Resources Audit **BE RECEIVED**.

That Report No. A&BC-01-19 **BE DISCUSSED** with the Authority's external Auditor on April 15, 2019.

That the Audit and Budget Committee **PROVIDE RECOMMENDATIONS** to the Board of Directors regarding next steps regarding their request for a Forensic Accounting and Human Resources Audit.

PURPOSE OF THIS REPORT:

The purpose of this report is to:

- Discuss the NPCA's Board of Directors' request for a Forensic Accounting and Human Resources Audit with the Authority's external Auditor, and
- Request the Budget and Audit Committee to provide direction and recommendations to the Board of Directors regarding the next steps in establishing a Forensic Accounting and Human Resources Audit.

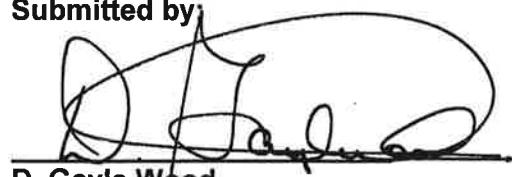
DISCUSSION:

At the February 20, 2019 meeting of the Board of Directors, Resolution FA-61-19 was carried as follows:

"That the Chair and Vice Chair be directed to retain an external firm to conduct a Forensic Accounting and Human Resources Audit."

Given that current Interim Chief Administrative Officer was not present at this meeting, and privy to the discussion regarding the resolution noted above, clarification on the intent of the resolution as well as a discussion on next steps in this process is requested.

Submitted by:

A handwritten signature in black ink, appearing to read "D. Gayle Wood".

**D. Gayle Wood
Interim CAO/Secretary Treasurer**

Report To: Audit and Budget Committee
Subject: Budget Report for Years 2016 - 2019
Report No: A&BC-02-19
Date: April 15, 2019

RECOMMENDATION:

That the Budget Report covering years 2016 - 2019 BE RECEIVED for information.

PURPOSE OF THIS REPORT:

The purpose of this report is to respond to Resolution No. FA-63-19 from the February 20, 2019 Full Authority meeting which stated:

"That staff set up a Budget Review Meeting with all directors who wish to attend to bring the Board up to speed on the 2019 budget, including the past three years budgets to actuals."

DISCUSSION:

In response to Resolution FA-63-19, staff have prepared this report with a comprehensive attachment. The Manager, Finance, John Wallace will review this report at the Audit and Budget Committee meeting scheduled for April 15, 2019 at 9:30 a.m.

As requested by the Board, all members of the NPCA board of Directors have been invited to this meeting.

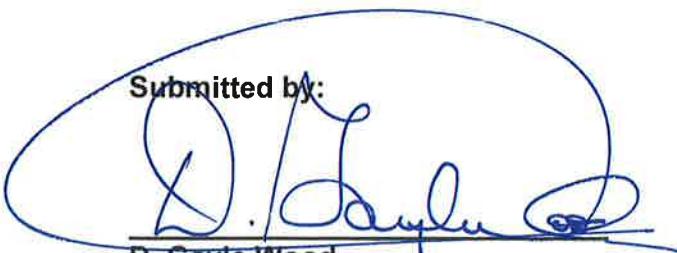
RELATED REPORTS AND APPENDICES:

Appendix 1 – Budget Report - Years 2016 - 2019

Prepared by:


John Wallace
Manager of Finance

Submitted by:


D. Gayle Wood
Interim CAO/Secretary Treasurer



Budget Report

2016-2019

General Overview

Years 2016 and 2017 Financial Statements have Operating costs in three categories

Corporate Services - includes CAO/Clerk ,Board Members , Corporate Management which in 2016 and 2017 incuded a Director , 3 clerical administrative staff , human resources , financial services , information technology and communications

Watershed - includes management , planning , permit compliance ,forestry , biology , restoration , water quality monitoring , source water protection , water resource engineering , flood forecasting/ warning and special projects

Land Management (Operations) - includes management , startegic iniatives (which encompasses the thanksgiving festival and other special events) , ecology , Balls Falls , Binbrook , Chippawa Creek , Long Beach , Gainsborough (Central Workshop) which is responsible for maintenance on passive or non generating parks

Years 2018 and 2019 Financial Statements have Operating costs in three categories

CAO/Administration - includes CAO/Clerk , 3 administrative staff , human resources and communications

Watershed - basically same as 2016 and 2017 with changes to restoration and biology departments

Corporate Resources - includes management , information technology , finance , ecology , strategic iniatives , and the park (both revenue and non revenue generating) as well as the Gainsborough central workshop

Capital Works Projects 2016 - 2019

Each project is budgeted for with a unique account number and have a two year time frame to complete. Any unused funding related to capital works projects (work in progress) is placed in reserve and used to complete the project the following year. If the project goes beyond a two year time period then board approval must be obtained. Board approval must also be obtained if a capital project was not approved during the main budget proces , it can be taken to the Board for approval in the year. This would generally meanthat the funding source for the projectwould come from existing reserve.

2016				
Sources of funds	Budget	Actual	Variance	
Regular Levy	6,010,610	6,010,610	0	
Special Levy	2,792,333	2,792,333	0	
Federal Grant	480,000	271,033	(208,967)	1
Provincial Grant	504,500	555,252	50,752	2
Park Operations/Strat Init.	1,499,725	1,734,125	234,400	3
Land Owner Contribution (Restoration)	0	91,736	91,736	4
Lakefront Enhancement Strategy Funding	0	104,847	104,847	5
Other Grants/Funding	0	54,156	54,156	6
Administrative Fees	355,000	393,255	38,255	7
Interest Earned	60,000	73,892	13,892	8
Opg Funds	110,244	169,635	59,391	9
Approved from Reserves	829,500	912,517	83,017	
Foundation	70,000	13,500	(56,500)	10
Total Sources of funds	12,711,912	13,176,891	464,979	
Uses of Funds				
Corporate	2,964,066	3,140,111	176,045	11
Watershed	3,225,585	3,342,824	117,239	12
Operations	2,903,384	2,985,890	82,506	13
Operating Expenditure Total	9,093,035	9,468,825	375,790	
Loan Principal	1,185,532	1,138,710	(46,822)	
Capital Expenditure	1,405,876	1,327,488	(78,388)	
Directly to Reserve	1,027,469	1,241,868	214,399	
Total Uses of Funds	12,711,912	13,176,891	89,189	

*Excludes Amortization (Depreciation) on Capital Assets (Non Cash)

Reserve Fund Balances

Capital Reserves

	Opening 2016	Closing 2016	Increase/Decrease
Equipment	349,835	383,390	33,555
Flood Protection Services	483,978	404,350	(79,628)
Niagara Levy Differential	347,000	774,469	427,469
Land Acquisition - Hamilton	800,000	900,000	100,000
Land Acquisition - Niagara	298,174	798,174	500,000
General Capital	1,754,572	1,283,542	(471,030)
Total Capital Reserves	4,033,559	4,543,925	510,366

Operating Reserves

General Operating	740,507	559,492	(181,015)
Tree Bylaw	82,371	82,371	0
Total Operating Reserves	822,878	641,863	(181,015)

Operating Expenditures - 2016

	Budget	Actual	Variance
Corporate Services			
Salaries & Benefits	1,477,076	1,632,421	155,345
Other Employee Related	140,320	133,733	(6,587)
Board & Volunteer	58,700	81,464	22,764
Professional Fees	244,450	263,674	19,224
Occupancy Costs	470,600	500,373	29,773
Vehicle/Equipment	89,510	82,997	(6,513)
Interest on Debt	164,468	164,468	0
Marketing /Promotion	100,495	99,849	(646)
Materials/Supplies	73,540	45,236	(28,304)
Other Expenses	144,907	135,896	(9,011)
Total Corporate Services	2,964,066	3,140,111	176,045
Watershed			
Salaries & Benefits	2,400,982	2,600,430	199,448
Other Employee Related	46,900	36,207	(10,693)
Professional Fees	179,153	199,301	20,148
Vehicles/Equipment	19,100	3,795	(15,305)
Contractor Services	354,500	276,026	(78,474)
Material/Supplies	182,475	163,814	(18,661)
Other Expenses	42,475	63,251	20,776
Total Watershed	3,225,585	3,342,824	117,239
Operations			
Salaries & Benefits	2,022,892	2,007,000	(15,892)
Other Employee Related	21,700	14,859	(6,841)
Professional Fees	75,100	77,902	2,802
Vehicles/Equipment	225,600	201,397	(24,203)
Park Maintenance	314,450	373,299	58,849
Materials/Supplies	36,100	59,368	23,268
Other Expenditures	207,542	252,065	44,523
Total Operations	2,903,384	2,985,890	82,506
Total Operating Expenditures			
Salaries & Benefits	5,900,950	6,239,851	338,901
Other Employee Related	208,920	184,799	(24,121)
Board & Volunteer	58,700	81,464	22,764
Professional Fees	498,703	540,877	42,174
Occupancy Costs	470,600	500,373	29,773
Vehicle/Equipment	334,210	288,189	(46,021)
Contractor Services	354,500	276,026	(78,474)
Park Maintenance	314,450	373,299	58,849
Interest on Debt	164,468	164,468	0
Marketing /Promotion	100,495	99,849	(646)
Materials/Supplies	292,115	268,418	(23,697)
Other Expenditures	394,924	451,212	56,288
Total	9,093,035	9,468,825	375,790

Notes

1. Federal spending for restoration- AG stewardship program (GLSF) budget \$135k actual received \$71.8k, under \$63k. Niagara River remedial action plan budget \$100k received \$44k, under \$55k. Federal Canada 150 Funding for Binbrook splashpad budget \$245k received \$113k, under \$132k.
2. Niagara River remedial action plan Provincial funding budget \$95k received \$141k, over \$46k
3. Revenues Balls Falls over \$81.5k, Binbrook over \$40.5k, Chippawa Creek over \$47.1k, Long Beach over \$79k, Thanksgiving Festival under \$14k
4. Landowner contribution towards restoration projects \$91.7k, 2015-\$22.8k, 2014-\$9.8k, 2013-\$8k
5. Funding received for various capital projects approved by Niagara Regions Lakefront Enhancement Strategy Program (Long Beach)
6. Other funding includes grants/Funding received not included in other categories (ie. Student wage subsidies)
7. Administrative fees include fees for planning and construction permits
8. Interest earned on bank accounts and investments
9. Funding from Ontario Power Generation was for Welland River flood plain mapping \$154k and various ecological projects \$15k
10. Foundation flowthrough for donations received re: Childerens Water Festival \$9k, Envirothon \$1.5k, Thanksgiving Festival \$3k
11. Main increase over budget was due to severance \$75k, vacation payout \$32k, sick time payout \$15k. Occupancy over budget \$30k due to Hydro, Board member expenses over budget \$23k.
12. Watershed Salaries and benefits include severances which were accrued at year end but were offset by other categories that were lower than budget.
13. Increases in park maintenance mainly due to water system, electrical, and grounds maintenance. Materials and supplies increase due to ecological expenditures which were covered by OPG funding. Other expenses included \$13k for Christmas event zero dollars were budgeted. Also included in other categories is \$48k for MNR charge for service provided at Wainfleet Bog fire.

2017				
Sources of funds	Budget	Actual	Variance	
Regular Levy	6,070,716	6,070,715	(1)	
Special Levy	2,820,256	2,820,257	1	
Federal Grant	190,000	231,425	41,425	1
Provincial Grant	485,996	379,452	(106,544)	2
Park Operations/Strat Init.	1,612,279	1,790,427	178,148	3
Gain on disposal of Fixed Asset(Land sale)	0	133,703	133,703	4
Lakefront Enhancement Strategy Funding	0	115,517	115,517	5
Other Grants/Funding	0	82,836	82,836	6
Administrative Fees	360,325	533,178	172,853	7
Interest Earned	78,400	111,391	32,991	8
Opg Funds	271,000	189,396	(81,604)	9
Approved from Reserves	0	429,016	429,016	
Foundation	28,035	68,750	40,715	10
Total Sources of funds	11,917,007	12,956,063	1,039,056	
Uses of Funds				
Corporate	3,045,837	3,415,296	369,459	11
Watershed	3,013,598	2,903,577	(110,021)	12
Operations	3,101,287	3,254,432	153,145	
Operating Expenditure Total	9,160,722	9,573,305	412,583	
Loan Principal	982,670	982,671	1	
Capital Expenditure	741,871	1,135,508	393,637	
Directly to Reserve	1,031,744	1,264,579	232,835	
Total Uses of Funds	11,917,007	12,956,063	1,039,056	

*Excludes Amortization (Depreciation) on Capital Assets (Non Cash)

Capital Reserves	Opening 2017	Closing 2017	Increase/Decrease
Equipment	383,390	279,319	(104,071)
Flood Protection Services	404,350	359,266	(45,084)
Niagara Levy Differential	774,469	1,206,213	431,744
Land Acquisition - Hamilton	900,000	1,000,000	100,000
Land Acquisition - Niagara	798,174	1,298,174	500,000
Cave Springs - Land Reserve		133,703	133,703
General Capital	1,283,542	1,058,385	(225,157)
Total Capital Reserves	4,543,925	5,335,060	791,135
Operating Reserves			
General Operating	559,492	603,920	44,428
Tree Bylaw	82,371	82,371	0
Total Operating Reserves	641,863	686,291	44,428

* Oportaing Reserve does not include Unfunded employee future benefits liability

Operating Expenditures - 2017

	Budget	Actual	Variance
Corporate Services			
Salaries & Benefits	1,501,575	1,368,726	(132,849)
Other Employee Related	166,870	192,169	25,299
Board & Volunteer	73,700	107,032	33,332
Professional Fees	295,000	713,413	418,413
Occupancy Costs	489,100	489,922	822
Vehicle/Equipment	63,600	33,771	(29,829)
Interest on Debt	109,592	109,591	(1)
Marketing /Promotion	114,000	170,766	56,766
Materials/Supplies	44,000	39,712	(4,288)
Other Expenses	188,400	190,194	1,794
Total Corporate Services	3,045,837	3,415,296	369,459
Watershed			
Salaries & Benefits	2,272,170	2,267,986	(4,184)
Other Employee Related	46,825	29,443	(17,382)
Professional Fees	221,653	293,055	71,402
Vehicles/Equipment	6,800	1,120	(5,680)
Contractor Services	241,750	195,742	(46,008)
Material/Supplies	199,700	87,047	(112,653)
Other Expenses	24,700	29,184	4,484
Total Watershed	3,013,598	2,903,577	(110,021)
Operations			
Salaries & Benefits	2,164,432	2,240,946	76,514
Other Employee Related	20,000	14,845	(5,155)
Professional Fees	75,100	88,951	13,851
Vehicles/Equipment	183,600	203,129	19,529
Park Maintenance	347,950	451,885	103,935
Materials/Supplies	47,100	50,957	3,857
Other Expenditures	263,105	203,719	(59,386)
Total Operations	3,101,287	3,254,432	153,145
Total Operating Expenditures			
Salaries & Benefits	5,938,177	5,877,658	(60,519)
Other Employee Related	233,695	236,457	2,762
Board & Volunteer	73,700	107,032	33,332
Professional Fees	591,753	1,095,419	503,666
Occupancy Costs	489,100	489,922	822
Vehicle/Equipment	254,000	238,020	(15,980)
Contractor Services	241,750	195,742	(46,008)
Park Maintenance	347,950	451,885	103,935
Interest on Debt	109,592	109,591	(1)
Marketing /Promotion	114,000	170,766	56,766
Materials/Supplies	290,800	177,716	(113,084)
Other Expenditures	476,205	423,097	(53,108)
Total	9,160,722	9,573,305	412,583

Notes

1. Federal spending for restoration- AG stewardship program (GLSF) budget \$90k actual received \$71k., under \$19k. Niagara River remedial action plan budget \$100k received \$51k, under \$49k. Federal Canada 150 Funding for Binbrook splashpad budget \$0k received \$100k, over \$100k.

2. Provincial Funding Niagaea River Remedial Action Plan budget \$99.5k received \$\$63k under \$36.5k. Source Water budget \$212k , received \$113.9k under \$98.1k. Weci (Water erosion control funding received \$44k , budget was \$0

3. Revenues Balls Falls over \$99k, Binbrook over \$29.5k, Chippawa Creek over \$73.9k, Long Beach over \$42.6k, Thanksgiving Festival under \$8k , other events under \$73k (20 Valley event \$50k , balls falls christmas event \$23k)

4. Proceeds from Land sale , placed directly into reserve as directed by Board

5. Lakefront enhancement strategy funding through Niagara Region \$85k (50% of total cost for Beach stairs at Long Beach Wainfleet) , remaining \$30k covered a portion of consulting fees for the Wainfleet masterplan.

6. Other funding includes grants/Funding received not included in other catagories (ie. Landcare Niagara , student wage subsidies)

7. Administrative fees include fees for planning and construction permits

8. Interest earned on bank accounts and investments

9. Funding from Ontario Power Generation was for Welland River flood plain mapping \$77k and Binbrook fish study \$34k and hazard tree removal \$78k.

10. Foundation flowthrough for donations received re: Childrens Water Festival \$9k, Floating Dock Balls Falls (Enbridge) \$5k , Accessible Walkway Binbrook \$22.7k (Federal Grant) , St Johns erosion control \$32k (federal grant)

11. Salaries and Benefits under budget by \$132k ,CAO position not filled until later in the season (July). Professional fees include legal fees which had a budget of \$45k , actual spend was \$448k over by \$403k. Marketing and promotion includes advertising which had a budget of \$69k , actual spend was \$131k , over budget by \$62k. Board member per diem over budget by \$19.7k , board member mileage over budget by \$7k.

12. Professional fees over budget by \$71k , Dillon report regarding restoration program \$43k , budget was \$0 , expenditure related to water erosion control consulting \$89k , budget was but 50% was subsidized through grant. Legal fees related to watershed issues \$34k below budget. Contarctoer services under budget \$46k and materials /supplies undr budget by \$112k both related to interruption of the restoration pragram which came under review mid year.

13 Salaries and wages \$76k over budget , actual expenditure includes severence. Professional fees over budget due to consulting fees over budget by \$27k partially offset by legal fees budget \$10k , actual spent \$0. Consulting fees included work done on Wainfleet master plan. Vehicles/Equipment maintenance over budget by \$19k , due to higher tan expected equipment maintenance costs. Parks maintenance over budget \$103k mainly due to tree removal which was subsidized through OPG funding. Other expenditures under budget by \$59k , due to lower than budgetd cost for 20 Valley event.

2018				
Sources of funds	Budget	Actual	Variance	
Regular Levy	6,246,118	6,246,118	0	
Special Levy	2,252,166	2,252,167	1	
Federal Grant	155,000	132,705	(22,295)	1
Provincial Grant	473,996	441,534	(32,462)	2
Park Operations/Strat Init.	1,702,850	2,030,016	327,166	3
Land Contribution (Donation)	0	145,000	145,000	4
Other Grants/Funding	0	7,766	7,766	5
Administrative Fees	367,500	417,690	50,190	6
Fees for Service(Municipal)	185,000	170,000	(15,000)	7
Interest Earned	93,500	155,013	61,513	8
Opg Funds	275,000	285,243	10,243	9
Approved from Reserves	204,000	212,951	8,951	
Total Sources of funds	11,955,130	12,496,203	541,073	
Uses of Funds				
Board/Administration	1,775,035	1,856,064	81,029	10
Watershed	2,578,492	1,864,080	(714,412)	11
Corporate Resources	4,517,065	4,662,858	145,793	14
Operating Expenditure Total	8,870,592	8,383,002	(487,590)	
Loan Principal	760,429	760,429	0	
Capital Expenditure	1,283,731	1,063,320	(220,411)	
Directly to Reserve	1,040,378	2,289,452	1,249,074	
Total Uses of Funds	11,955,130	4,113,201	1,028,663	

*Excludes Amortization (Depreciation) on Capital Assets (Non Cash)

Capital Reserves	Opening 2018	Closing 2018	Increase/Decrease
Equipment	279,319	107,258	(172,061)
Flood Protection Services	359,266	318,406	(40,860)
Niagara Levy Differential	1,206,213	1,646,591	440,378
Land Acquisition - Hamilton	1,000,000	1,100,000	100,000
Land Acquisition - Niagara	1,298,174	1,798,176	500,002
Cave Springs - Land Reserve	133,703	133,703	0
General Capital	1,058,385	1,373,806	315,421
Total Capital Reserves	5,335,060	6,477,939	1,142,879
Operating Reserves			
General Operating	603,920	1,287,542	683,622
Restoration Program		250,000	250,000
Tree Bylaw	82,371	82,371	0
Total Operating Reserves	686,291	1,619,913	933,622

* Oportaing Reserve does not include Unfunded employee future benefits liability

* Amounts shown for Actuals in report are pending final audit review by KPMG

Operating Expenditures - 2018

	Budget	Actual	Variance
CAO/Administration			
Salaries & Benefits	1,016,535	1,152,845	136,310
Other Employee Related	214,250	141,862	(72,388)
Board & Volunteer	93,250	83,112	(10,138)
Professional Fees	206,000	232,227	26,227
Vehicle/Equipment	42,000	13,613	(28,387)
Marketing /Promotion	130,000	141,317	11,317
Materials/Supplies	34,000	35,147	1,147
Other Expenses	39,000	55,941	16,941
Total Corporate Services	1,775,035	1,856,064	81,029
Watershed			
Salaries & Benefits	1,854,095	1,459,289	(394,806)
Other Employee Related	39,995	23,881	(16,114)
Professional Fees	238,565	264,257	25,692
Vehicles/Equipment	2,500	0	(2,500)
Contractor Services	321,900	40,641	(281,259)
Material/Supplies	60,745	24,177	(36,568)
Other Expenses	60,692	51,835	(8,857)
Total Watershed	2,578,492	1,864,080	(714,412)
Corporate Resources			
Salaries & Benefits	2,623,874	2,662,201	38,327
Other Employee Related	59,000	13,855	(45,145)
Professional Fees	350,000	305,708	(44,292)
Occupancy Costs	507,000	527,427	20,427
Vehicles/Equipment	180,000	207,750	27,750
Park Maintenance	385,600	546,516	160,916
Interest on Debt	63,691	63,691	0
Materials/Supplies	56,000	21,378	(34,622)
Other Expenditures	291,900	314,332	22,432
Total Operations	4,517,065	4,662,858	145,793
Total Operating Expenditures			
Salaries & Benefits	5,494,504	5,274,335	(220,169)
Other Employee Related	313,245	179,598	(133,647)
Board & Volunteer	93,250	83,112	(10,138)
Professional Fees	794,565	802,192	7,627
Occupancy Costs	507,000	527,427	20,427
Vehicle/Equipment	224,500	221,363	(3,137)
Contractor Services	321,900	40,641	(281,259)
Park Maintenance	385,600	546,516	160,916
Interest on Debt	63,691	63,691	0
Marketing /Promotion	130,000	141,317	11,317
Materials/Supplies	150,745	80,702	(70,043)
Other Expenditures	391,592	422,108	30,516
Total	8,870,592	8,383,002	(487,590)

Notes

1. Federal spending for restoration- AG stewardship program (GLSF) budget \$50k actual received \$0(k program was not active in 2018), under \$50k. Niagara River remedial action plan budget \$100k received \$132k, over \$32k.

2. Provincial Funding Niagara River Remedial Action Plan budget \$99.5k received \$63k under \$36.5k. Source Water budget \$212k , received \$152k under \$60k. Weci (Water erosion control funding received \$11k , budget was \$0. National Disaster mitigation program funding received \$50k ,budget \$0 for floodplan mapping St. Catharines/Grimsby/Lincoln.

3. Revenues Balls Falls over \$110k, Binbrook over \$132k, Chippawa Creek over \$19.2k, Long Beach over \$39.5k, Thanksgiving Festival under \$25.4k , other revenues from St. John's Centre over \$42k (rent and utility cost recovery).

4. Fair Market Value of Land received as a donation. Asset resides in fixed asset ledger under land listings.

5. Other funding includes grants/Funding received not included in other categories (ie. student wage subsidies)

6. Administrative fees include fees for planning and construction permits

7. Contribution from Niagara Region regarding Water Quality monitoring program

8. Interest earned on bank accounts and investments

9. Funding from Ontario Power Generation was for Welland River flood plain mapping \$22.5k,hazard tree removal \$114.8k , digital terrain model \$96k , ortho imagery \$16.8k and water quality loggers \$14.8k.

11. Salaries and Benefits over budget by \$136k ,additional position in communications hired near end of 2017 not budgeted for in 2018 , part time help in human resources brought in to assist in not budgeted for (3 months). Other employee related below budget \$72k , staff training and development budget \$120k , actual expenditure \$77k , under budget \$43k , retiree benefits budget \$28.5k actual expenditure \$0 due to reduction in calculation for future employee benefit. Professional fees over budget by \$26k mainly due to services related to website development in communications department

12. Salaries and Benefits under budget by \$395k , Senior Manager Planning position back filled by Supervisor and Supervisor position budgeted for but not filled. Third planning position budgeted but not filled during the year , Compliance Officer position vacant for 9 months ,budgeted for full year , Biology Supervisor budgeted for full year , was vacant for 6 months but duties performed by third party independent consultant after procurement process completed. Senior Manager Water Resources budgeted for full year was vacant for 6 months. Other employee related expenses lower than budget due to numerous vacancies in positions during year. Professional services higher than budget due use of consulting services in source water protection and Biology functions. Contract Services are shing \$281k below budget , \$250k was budgeted for revamped restoration program , \$0 were spent , as per Board resolution the \$250k has been placed in reserve for future restoration programming purposes. The remaining \$30k under budget was due to no activity in the AG Stewardship (GLSF) program , budget was \$26k expenditure was \$0. Correspondingly no funding was received . Materials and Supplies also show as \$36k under budgetwhich was also due to no activity in the AG Stewardship (GLSF) program ,budget was \$26k expenditure was \$0.

13 Salaries and wages \$38k over budget , actual expenditure exceeded budget due to maternity leaves in Information Technology Department and at Balls Falls , overlap of salaried costs for replacement staff. Other employee related expenditure is \$45k under budget mainly do to lower than expected overtime costs and lower than expected expenditure in staff expenses for Strategic Initiative staff. Professional fees under budget \$44k , Information Technology related services \$9k under budget , consulting services \$30k under budget. Park maintenance over budget \$160k , \$135k due to hazard tree removal which was funded through OPG. Materials/Supplies under budget by \$35k , ecological supplies budget \$25k actual spend \$1k.

2019 Budget

Sources of funds

Regular Levy	6,416,084
Special Levy	635,001
Federal Grant	100,000
Provincial Grant	476,996
Park Operations/Strat Init.	1,916,600
Admin Fees	314,850
Fees for Service(Municipal)	170,000
Other	101,200
Opg Funds	
Approved from Reserves	1,151,120

Total Sources of funds 11,281,851

Uses of Funds

Board/Administration	1,816,912
Watershed	2,412,194
Corporate Resources	4,728,645
Operating Expenditure Total	<u>8,957,751</u>
Loan Principal	483,705
Capital Expenditure	1,600,306
Directly to Reserve	240,089
Total Uses of Funds	<u>11,281,851</u>

Capital Reserves	Opening 2019	Appropriations 2019	Projected Closing 2019
Equipment	107,258	0	107,258
Flood Protection Services	318,406	(59,443)	258,963
Niagara Levy Differential	1,646,591	0	1,646,591
Land Acquisition - Hamilton	1,100,000	100,000	1,200,000
Land Acquisition - Niagara	1,798,176	0	1,798,176
Cave Springs - Land Reserve	133,703	0	133,703
General Capital	1,373,806	(1,334,443)	39,363
Total Capital Reserves	<u>6,477,939</u>	<u>(1,293,886)</u>	<u>5,184,053</u>

Operating Reserves

General Operating	1,287,542	(192,576)	1,094,966
Restoration Program	250,000	0	250,000
Tree Bylaw	82,371	0	82,371
Total Operating Reserves	<u>1,619,913</u>	<u>(192,576)</u>	<u>1,427,337</u>

*2019 Capital Budget Funded through Reserves \$1,132,665
\$800,000 - General Capital , \$332,665 - General Operating (Pending Board Approval)

*Amount Required to complete 2018 Work in Progress/Carry Over Capital Works \$534,443 (from General Capital) and \$59,443 from Flood Protection

* Land Acquisition - Hamilton does not include potential Land acquisition in 2019

Operating Expenditures - 2019

	Budget
CAO/Adminstration	
Salaries & Benefits	1,155,412
Other Employee Related	192,850
Board & Volunteer	89,900
Professional Fees	159,000
Vehicle/Equipment	20,500
Marketing /Promotion	113,000
Materials/Supplies	53,250
Other Expenses	33,000
Total Corporate Services	1,816,912

Watershed

Salaries & Benefits	1,656,713
Other Employee Related	36,755
Professional Fees	325,420
Vehicles/Equipment	2,500
Contractor Services	298,500
Material/Supplies	34,680
Other Expenses	57,626
Total Watershed	2,412,194

Corporate Resources

Salaries & Benefits	2,881,465
Other Employee Related	92,500
Professional Fees	262,500
Occupancy Costs	540,000
Vehicles/Equipment	172,200
Park Maintenance	395,500
Interest on Debt	27,980
Materials/Supplies	25,000
Other Expenditures	331,500
Total Operations	4,728,645

Total Operating Expenditures

Salaries & Benefits	5,693,590
Other Employee Related	322,105
Board & Volunteer	89,900
Professional Fees	746,920
Occupancy Costs	540,000
Vehicle/Equipment	195,200
Contractor Services	298,500
Park Maintenance	395,500
Interest on Debt	27,980
Marketing /Promotion	113,000
Materials/Supplies	112,930
Other Expenditures	422,126
Total	8,957,751

	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Sources of funds				
Regular Levy	6,010,610	6,070,716	6,246,118	6,416,084
Special Levy	2,792,333	2,820,256	2,252,166	635,001
Federal Grant	480,000	190,000	155,000	100,000
Provincial Grant	504,500	485,986	473,986	476,996
Park Operations/Strat. Init.	1,499,725	1,512,279	1,702,850	1,916,580
Land Owner Contribution (Restoration)	0	0	0	314,850
Lakefront Enhancement Strategy Funding	0	0	0	170,000
Other Grants/Funding	0	0	0	101,200
Administrative Fees	355,000	360,325	367,500	365,000
Interest Earned	60,000	78,400	93,500	93,500
One Funds	110,244	271,000	275,000	275,000
Approved from Reserves	828,500	0	204,000	204,000
Foundation	70,000	28,035		
Total Sources of funds	<u>12,711,912</u>	<u>11,917,007</u>	<u>11,955,130</u>	<u>11,281,851</u>
Uses of Funds				
Corporate	2,964,056	3,045,837	3,175,035	3,412,194
Watershed	3,225,585	3,013,598	2,578,492	4,728,645
Operations	2,953,384	3,101,287	4,517,065	
Operating Expenditure Total	<u>9,093,035</u>	<u>9,160,722</u>	<u>8,970,592</u>	<u>8,957,751</u>
Loan Principal	1,185,532	982,670	760,429	1,600,306
Capital Expenditure	1,405,876	741,871	1,283,731	240,089
Directly to Reserve	1,027,469	1,031,744	1,040,378	
Total Uses of Funds	<u>12,711,912</u>	<u>11,917,007</u>	<u>11,955,130</u>	<u>11,281,851</u>

Report To: Audit and Budget Committee

Subject: Draft Proposed Budget Process – 2020 Budget

Report No: A&BC-03-19

Date: April 15, 2019

RECOMMENDATION:

1. That Report No. A&B-03-19 regarding the Draft Proposed Budget Process for the 2020 budget **BE RECEIVED**.
2. That the Proposed Budget Process for the 2020 budget be recommended to the Board of Directors **FOR APPROVAL**.

PURPOSE:

The purpose of this report is:

- To provide draft proposed changes to the 2020 NPCA budget process which will provide for more formal consultation and interaction with our municipal funding partners; and
- To request the Audit and Budget Committee provide a recommendation to the Board of Directors for approval of the budget process.

BACKGROUND:

The Interim CAO/ST has reviewed the current budget process with the Manager, Finance and recommended a modified process for 2020. At the March 20, 2019 Board of Directors' meeting, the Board requested that the Audit and Budget Committee review the budget process recommendations for final approval of the process by the Board.

DISCUSSION:

Municipalities generally commence budget discussions for the upcoming year around June. NPCA should also commence its budget process around June of each year, as follows:

June 2019

- Staff will consult with staff of funding municipalities regarding upcoming budget year
- Staff will prepare a report for the Budget Committee which outlines budget assumptions for the upcoming year, including inflation, COLA, levy, growth, special operating and capital funds
- Levy guidance for the upcoming year would be provided at this point by the Committee
- The Committee will provide a recommendation for the Board of Directors in July.

July 2019

- The Board provide direction and approval on budget assumptions for 2020 and will direct staff to prepare a draft Budget.

September 2019

- Staff will present a draft budget operating budget to the Budget Committee for recommendation to the Board of Directors' for approval, in principle.
- Board will direct staff to consult with funding municipal staff regarding the draft operating budget and direct staff to prepare a capital budget for consideration in October.

October 2019

- Staff will report municipal discussions to the Budget Committee/Board and the Board will direct staff to prepare a final budget both operating and capital.

November 2019

- Staff will present a final budget for Board consideration.

Late November/Early December 2019

- Council presentations by the NPCA CAO, with Chair/Vice Chair and Senior staff regarding the budget will occur.

December/January 2019/2020

- Board will provide a weighted vote on the NPCA levy and a majority vote on operating and capital budgets.
- Levy letters will be sent out to participating municipalities and within 30 days of receipt of the apportionment letter, municipalities have the ability to appeal apportionment only.

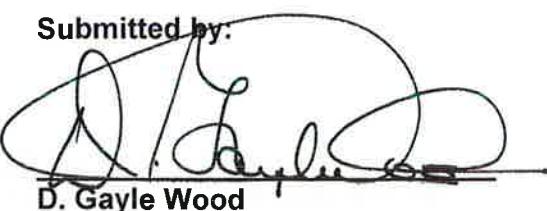
FINANCIAL IMPLICATIONS:

Per Diems and mileage will be provided to the Budget Committee members and staff salaries, which are currently within the 2019 budget will cover staff costs to prepare the budget and consult with member municipalities.

Prepared by:


John Wallace
Manager, Finance

Submitted by:


D. Gayle Wood
Interim CAO/Secretary-Treasurer

Niagara Peninsula Conservation Authority

DRAFT TERMS OF REFERENCE

AUDIT AND BUDGET COMMITTEE

Date of Committee Review – April 15, 2019

Date of Board Approval – Proposed April 17,
2019

Committee Type: Standing Committee

Committee Purpose and Scope:

The Audit and Budget Committee assists the Board of Directors in the provision of effective oversight of prudent fiscal management, by overseeing annual budget preparations, and annual review of the Audited Financial Statements. Specifically, key responsibilities include:

Key Responsibilities

- 1** • Reviewing financial accounting, reporting, and internal controls

- 2** • Ensuring adequate controls are in place to safeguard the Authority's assets

- 3** • Reviewing of Risk Assessments and Risk Mitigation Plans

- 4** • Ensuring compliance with legal, ethical and regulatory requirements and standards



- 5**
 - Reviewing the annual budget approvals process, recommending general guidance to be used in preparing annual estimates, and reviewing draft budgets for presentation to the Board of Directors
- 6**
 - Reviewing annual Audited Financial Statements, meeting with the NPCA's external Auditor and recommending the Statements to the Board of Directors for consideration
- 7**
 - Recommending approval of the appointment, re-appointment or replacements of external auditors to the Board of Directors.
- 8**
 - Reviewing the effectiveness of corporate reporting systems regarding administrative, program performance and the level of compliance with legislation, regulations, corporate objectives, policies and ethics and providing recommendations for improvements, as required

Committee Authority:

Reports and recommendations will be made by the Committee members and Committee minutes will be sent to the Board of Directors for review and approval.

Membership:

The Committee will have a minimum of three (3) members, appointed by the Board of Directors at each Annual Meeting, and will include the Chair and Vice Chair in an ex-officio, non-voting capacity.

Meeting Requirements:

Meetings will be held at the call of the Committee Chair. Agendas will be prepared by staff with the approval of the Committee Chair and circulated five days in advance of the Committee meeting and posted on the NPCA website. Minutes will be prepared by staff and distributed to the Committee members and staff prior to the next meeting. Minutes will be forwarded to the Board of Directors for approval.

The Committee will operate openly with the aim of arriving at recommendations through consensus. However, votes may be called by the Committee Chair to advance the agenda. Results of the discussion will be reflected in the minutes.

Meeting Location:

Meetings will be at the NPCA Head Office (250 Thorold Road West, Welland), Ball's Falls Conservation Area, or at a location determined by the Committee Chair.



Resources/Budget:

The work will be done by the Committee, NPCA staff and any duly procured and authorized consultant. Costs will be discussed by the Committee and if required, taken to the Board of approval.



NIAGARA PENINSULA
CONSERVATION
AUTHORITY

