

May 12, 2017

**NOTICE OF
BOARD OF DIRECTORS' MEETING**

DATE: TUESDAY, May 23, 2017

TIME: 9:30 A.M. – 10:50 A.M.

LOCATION: WATERSHED CONSERVATION CENTRE
BOARDROOM

AGENDA:		TIME
1.	Approval of Agenda	9:30am
2.	Declaration of Conflicts of Interest	
3.	Confirmation of Payment as Required Through Statutory Obligations	
4.	Minutes of the Previous Meeting: Tuesday April 25, 2017	
5.	Business Arising from the Minutes	
6.	Closed Session – In Camera	9:35am
	(a) Glengowan Update (I.Wilcox) (Verbal)(5 minutes)	
7.	Business for Approval	9:40am
	(a) Friends of Ellice and Gads Hill Swamps Co-Management Agreement – Renewal (A.Shivas/B.Mackie)(Report attached) (Doc # 117490)(10 minutes)	
	(b) Finance & Audit Committee Recommendations (S.Levin/C.Saracino)(15 minutes)	
	i) Chair Appointment	
	ii) Committee Terms of Reference (Report attached)(Doc: Finance #652)	

- iii) 2016 Audited Statements & Audit Findings Report (Reports attached)(Doc: Finance #639)
 - iv) Committee Chair's Comments (Verbal)
8. Business for Information 10:05am
- (a) Administration and Enforcement - Section 28 (M.Snowsell/K.Winfield) (Doc: ENVP #4640) (Report attached)(5 minutes)
 - (b) First Quarter Financial Report (C.Saracino) (Report attached)(Doc: Finance #661)(5 minutes)
 - (c) Harrington EA Update (C.Tasker)(Verbal)(5 minutes)
 - (d) Conservation Ontario E-Bulletin (I.Wilcox)(Attached)(5 minutes)
 - (e) Community Partnerships Presentation (T.Hollingsworth)(15 minutes)
9. May FYI 10:40am
10. Other Business (Including Chair and General Manager's Comments) 10:45am
11. Adjournment 10:50am



Ian Wilcox, General Manager

c.c. Chair and Members of the Board of Directors

I.Wilcox	T.Hollingsworth	J.Howley	C.Ramsey	S. Musclow
C.Saracino	A.Shivas	C.Tasker	B.Mackie	P. Switzer
G.Inglis	B.Glasman	M.Snowsell	K.Winfield	B. Verscheure
T.Annett	M.Viglianti	C.Harrington	J.Skrypyk	

MINUTES
BOARD OF DIRECTORS' MEETING
TUESDAY, MAY 23, 2017

Members Present:	T.Birtch M.Blackie M.Blosh R.Chowen A.Hopkins T.Jackson S.Levin	N.Manning S.McCall-Hanlon A.Murray M.Ryan J.Salter G.Way
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Regrets:	H.McDermid	B. Petrie
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Solicitor:	G.Inglis
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Staff:	C.Harrington B.Mackie C.Saracino A.Shivas M.Snowsell	C.Tasker M.Viglianti I.Wilcox K.Winfield
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1. Approval of Agenda

T.Birtch moved – G.Way seconded:-

“RESOLVED that the UTRCA Board of Directors
approve the agenda as posted on the Members’ web-site.”

CARRIED.

2. Declaration of Conflicts of Interest

The Chair inquired whether the members had any conflicts of interest to declare relating to the agenda. There were none.

3. Confirmation of Payment as Required Through Statutory Obligations

The Chair inquired whether the Authority has met its statutory obligations in the payment of the Accounts Payable. The members were advised the Authority has met its statutory obligations.

4. Minutes of the Previous Meeting
April 25, 2017

T.Jackson moved – G.Way seconded:-

“RESOLVED that the UTRCA Board of Directors approve the Board of Directors’ minutes dated April 25, 2017 as posted on the Members’ web-site.”

CARRIED.

5. Business Arising from the Minutes
There was no business arising.

6. Closed Session – In Camera

There being property and legal matters to discuss,

M.Ryan moved – T.Jackson seconded:-

“RESOLVED that the Board of Directors adjourn to Closed Session – In Camera.”

CARRIED.

Progress Reported

(a) Property and legal matters relating to the Glengowan lands were discussed.

7. Business for Approval

(a) Friends of Ellice and Gads Hill Swamps Co-Management Agreement – Renewal
(Report attached)

B.Mackie stated that there have been no significant changes to the Agreement. I.Wilcox gave credit to T.Jackson for creating and heading this initiative and explained that there was a unique set of circumstances that ultimately led to the creation of this Agreement. Due to the uniqueness of the situation this arrangement would be difficult to replicate in other areas, but there are valuable lessons that could be applied elsewhere.

S.Levin moved – T.Jackson seconded:-

“RESOLVED that the Board of Directors approve the recommendation as presented in the report.”

CARRIED.

(b) Finance & Audit Committee Recommendations

i) Chair Appointment

Sandy Levin was elected the Chair of the Finance & Audit Committee.

ii) Committee Terms of Reference
(Report attached)

S.Levin moved – T.Jackson seconded:-

“RESOLVED that the Board of Directors approve the recommendation as presented in the report.”

CARRIED.

iii) 2016 Audited Statements & Audit Findings Report
(Reports attached)

There was discussion around having Finance staff be included on matters relating to statements of claim and potential statements of claim in order to address one of the areas of control deficiencies described in the Auditors report.

There will be revised budgets as the year goes on to inform the Board better on changes and opportunities.

T.Jackson moved – M.Ryan seconded:-

“RESOLVED that the Board of Directors approve the recommendation as presented in the report.”

CARRIED.

T.Birtch moved – S.Levin seconded:-

“RESOLVED that the Board direct Staff to look through existing Procedures and report back on the best way to integrate the intent that Finance staff be copied on all matters relating to statements of claim and potential statements of claim.”

CARRIED.

iv) Committee Chair’s Comments

S.Levin reported that the Committee met In-Camera with the Auditors without Staff present. The Auditors were very optimistic about the areas of concern they pointed out in their reports. The committee is recommending that we re-appoint KPMG for 2017.

S.Levin moved – T.Jackson seconded:-

“RESOLVED that the Board of Directors re-appoint KPMG as the UTRCA Auditors for fiscal 2017.”

CARRIED.

8. Business for Information

(a) Administration and Enforcement – Section 28
(Report attached)

There was discussion around the violations concerning building in areas designated as Provincially Significant Wetlands. The Policy states that there is no new development permitted in Provincially Significant Wetlands.

S.Levin moved – A.Murray seconded:-

“RESOLVED that the Board of Directors accept the report as presented.”

CARRIED.

(b) First Quarter Financial Report
(Report attached)

S.Levin moved – A.Hopkins seconded:-

“RESOLVED that the Board of Directors accept the report as presented.”

CARRIED.

(c) Harrington EA Update

C. Tasker updated the Board on the current status of the Harrington EA. Final edits have been made to the reports and the link to those reports will be circulated to the Members when they have been posted. On June 20th the Consultants will be presenting to Zorra Council, followed a week later by a presentation at the June 27th UTRCA Board meeting.

C.Tasker informed the Board that it was recently pointed out that there is some potential for misunderstanding from the March 28th meeting minutes regarding the Delegation presentation. While the Minutes suggest that it is the mill that is not stable, it is understood that it is the dam that has stability problems in both the spillway and the embankment.

C.Tasker explained that during the Delegation presentation it was suggested that the Dam has some potential benefit to the Brook Trout. Through past experience Staff have found that is not

the case and that the most productive brook trout habitat is where the brook trout have seasonal access to and from warmer waters downstream which provide diversity of food. Clarification from MNRF has been requested.

C.Tasker clarified that the sheet piling has been fully considered as part of the EA.

- (d) Conservation Ontario E-Bulletin
(Attached)

Board Members now receive the Conservation Ontario E-Bulletin directly. In the future CO E-Bulletins will not be included on the agenda unless there are items to be discussed.

- (e) Community Partnerships Presentation

T.Hollingsworth gave a presentation outlining the programs and projects the Community Partnerships Unit is offering and participating in.

T.Birtch complimented Brad Hertner for his work in Oxford County and asked that he be included in future meetings regarding the Pittock lands.

T.Hollingsworth gave a brief overview of the history and evolution of First Nations involvement and roles in UTRCA related projects, mainly with Source Water Protection and the Clear Water revival.

The Board requested to be informed about UTRCA led events taking place around the Watershed. T.Hollingsworth assured the Board that staff members have been instructed to alert the appropriate Board members if a community event is happening in their area, but staff will be reminded to do this.

There was a suggestion and discussion around the possibility of creating a recognition program. Staff will look into what local recognition programs currently exist and the Managers will discuss and report back to the Board.

A.Hopkins moved – T.Jackson seconded:-

“RESOLVED that the Board direct Staff to investigate developing a recognition program, including staff capacity, and report back to the Board.

CARRIED.

There was a discussion around doing LID projects in rural areas, rural water budgets, and the challenges the intensification of tile drainage is posing.

While the UTRCA is not hosting any Canada 150 events of its own, it is involved in many 150 events.

9. May FYI
(Attached)

The attached report was presented to the members for their information.
Staff will provide the Board with a summary of the distribution of the FYI.

10. Other Business

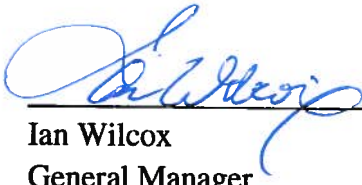
There is disappointment from Conservation Authorities with the lack of recognition for their role during the recent flooding events across Ontario, and it was noted that the Insurance industry was profiled above Conservation Authorities in the aftermath of the flooding.

Board Members were advised that contract negotiations are currently underway with some of the Member Municipalities regarding the delivery of Source Water Protection Risk Management Services.

The Gilmor case is still ongoing; the verdict is expected to be announced soon.

11. Adjournment

There being no further business the meeting was adjourned at 11:30am on a motion by N.Manning.



Ian Wilcox
General Manager
Att.

M.Blackie, Authority Chair

To: UTRCA Board of Directors
From: Alex B. Shivas
Manager, Lands & Facilities

Date: May 10, 2017

Agenda #: 7 (a)

Subject: Friends of Ellice and Gads Hill Swamps
Co-Management Agreement Renewal
– For Approval

Filename: P:\Users\shivasa\Documents\Group
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Recommendation:

That the UTRCA Board of Directors approve the renewal of a Co-Management Agreement between the UTRCA and the Friends of Ellice and Gads Hill Swamps for a five year term from 2017-2022.

Background:

The Ellice and Gads Hill Swamps were acquired by the UTRCA in the 1940s and 1950s as part of a program to secure significant wetlands in the watershed for flood control and water quality purposes. The properties were managed as an Agreement Forest with the UTRCA retaining property title and MNRF providing day-to-day property management.

In 2001, all Agreement Forest documents expired resulting in the UTRCA assuming responsibility for the day-to-day management of the areas. In 2009, a two year pilot Co-Management Agreement was developed between the UTRCA and the newly formed Friends of Ellice & Gads Hills Swamps (Friends). The agreement was an effort to permit sharing of management responsibilities and involve the local community in the management of the swamp areas. The two year pilot venture proved successful and a subsequent four year Co-Management Agreement was signed between the UTRCA and the Friends.

This second agreement was in place from 2013 to 2016 and also proved to be very successful. During the terms of the past two agreements, UTRCA staff and the Friends have worked on numerous projects and are requesting the opportunity to enter into a third Co-Management Agreement with a five year term from 2017 through to 2022.


The purpose of these Co-Management Agreements is to permit and encourage Community assistance in the management of the Ellice and Gads Hill Swamps. While the UTRCA retains ultimate legal, financial and moral accountability for management of these lands, there are elements of these responsibilities that can benefit from Community interest and assistance. The Friends of Ellice and Gads Hill Swamps have offered their assistance in meeting some of these responsibilities.

Recommended by:



Alex B. Shivas
Manager, Lands & Facilities

Prepared by:



Bill Mackie
Lands & Facilities Supervisor

This AGREEMENT made in duplicate this _____ day of _____, 2017

BETWEEN:

UPPER THAMES RIVER CONSERVATION AUTHORITY
Hereinafter called the “Authority”

-and-

THE FRIENDS OF ELLICE AND GADS HILL SWAMPS
Hereinafter called the “The Friends”

Purpose:

The purpose of this Co-Management Agreement is to permit and encourage community assistance in the management of the Ellice and Gads Hill Swamps. While the UTRCA retains ultimate legal, financial and moral accountability for management of these lands, there are elements of these management responsibilities that can benefit from community interest and assistance. The Friends of Ellice and Gads Hill Swamps (The Friends) have offered their assistance in meeting some of these responsibilities which are further defined by this Agreement.

Context

The Ellice and Gads Hill Swamps were acquired by the UTRCA in the 1940s and 1950s as part of a program to secure significant wetlands in the watershed for flood control and water quality improvement purposes. The properties were managed as an Agreement Forest with the UTRCA retaining property title and the Ministry of Natural Resources (MNR) providing day-to-day property management. While the UTRCA was party to several Agreement Forest arrangements across the watershed, it is the opinion of staff that MNR took a ‘hands-off’ and complaint driven approach to Agreement Forest management that offered little in the way of active coordination among recreational users, risk management, enforcement or site enhancement.

All Agreement Forest agreements expired in 2001 resulting in the UTRCA assuming responsibility for day-to-day management. As such, the UTRCA implemented it’s accepted program of risk management, enforcement and site improvement strategies. Of particular note, the Authority’s program of risk management and enforcement is distinctly more aggressive than that offered by the MNR. This relates in part to the UTRCA’s greater staff capacity to manage these lands. Unfortunately it also is a product of the UTRCA’s vulnerability to litigation, something the Province did not have to consider. The Authority has been involved in several cases of litigation involving recreational users on other Authority owned lands making our risk management and user monitoring activities critical to protecting the interests and financial position of the Authority. This more aggressive approach to management has not necessarily been well received by local users as it requires an adjustment on the part of the user to comply with new restrictions and reporting requirements, as well as the possibility of fees for hunting activities in particular.

An initial Pilot Co-Management Agreement was signed between the UTRCA and The Friends in 2009. A second agreement was entered into in 2012 in an effort continue the sharing of management responsibilities and to modify standard implementation practices transitioning to a more active form of property management. That second Co-Management Agreement was negotiated based on experiences from the original two year Pilot in 2009. The Friends and the UTRCA now propose to enter into a third Co-Management Agreement with the same management practices as the first two agreements. This agreement will be for a five year term.

Principles

1. The Co-Management Agreement is designed to further the resource management objectives that justify public participation in the management of the Ellice and Gads Hill Swamps, regarding water quantity management, water quality improvement and the preservation of significant natural heritage. Recreation opportunities are encouraged as long as they are consistent with these goals, and affordable.
2. The Co-Management Agreement is based on open communications, mutual respect and common objectives between the UTRCA and The Friends.
3. This Co-Management Agreement attempts to balance the legal responsibilities of the UTRCA and the energy and potential of the local community to help manage the Ellice and Gads Hill Swamps, while providing fair and consistent recreational opportunities for the public that support resource management objectives.

Co-Management Agreement Terms and Conditions

The UTRCA Board of Directors endorses the following Co-Management Agreement between the Friends of Ellice and Gads Hill Swamps and the UTRCA, implemented for a period of five years, (May, 2017 to May, 2022) subject to renewal, with the following responsibilities and expectations:

1. The UTRCA will remain responsible for the overall management of Ellice and Gads Hill Swamps including inquiries, risk management, trail management, access signage, access gates, site visits, enforcement, property taxes, insurance, and communications.
 2. The Friends will continue to provide input to the Authority, through regularly scheduled joint Friends of Ellice and Gads Hill Swamps meetings or through regular and direct communications with UTRCA staff.
 3. The Friends will maintain a website with management and user information about the swamps, as well as highlighting the role of The Friends, and encouraging new membership with The Friends. The Friends will strive to maintain a base membership of 40 persons.
 4. The Friends and UTRCA staff will jointly develop an annual education and conservation project fundraising list. The Friends will pursue opportunities for fundraising for these projects within Ellice and Gads Hill Swamps with a target of 50% of required funds to be contributed annually, exclusive of UTRCA staff time.
 5. The Friends in partnership with the UTRCA will host a minimum of two annual clean up days, conservation project days, or site maintenance days per year specific to Ellice and Gads Hill Swamps.
 6. The Friends will work to promote and maintain the Swamp Watch Program through its membership to assist in encouragement of appropriate recreational uses and behavior in the Ellice and Gads Hill Swamps.
 7. The Friends will develop an 'Issues' database for annual consideration by both the Friends and UTRCA.
 8. All users of the Ellice and Gads Hill Swamps will be strongly encouraged to purchase an individual or corporate Friends membership. This includes hunters, hikers, naturalists, snowmobilers, etc. No additional fees for hunting or other user groups will be implemented for The Friends members. Those choosing to decline a The Friends membership will be charged standard UTRCA hunting fees to assist in supporting management activities at Ellice and Gads Hill Swamps. Fifty percent of the revenue from this fee will be directed to an Ellice and Gads Hill Swamp Project Reserve account managed by the UTRCA. These funds will be available to support approved projects in Ellice and Gads Hill Swamps.
- Note: For the period of this Agreement, landowners and agricultural tenants adjacent to the Swamp may apply for up to two free Friends Memberships in recognition of their assistance with the Swamp Watch program and support of local land and habitat stewardship.
9. All hunters will be required to register with the UTRCA through the UTRCA's web site www.utrcahunterregistration.ca. Paper copies will also be made available for local clubs by request in recognition of limited internet access for some individuals.
 10. If at any time either The Friends or the UTRCA wish to dissolve this Co-Management Agreement, a six month notice must be provided with reasons stated and this information shared with the UTRCA Board of Directors.
 11. The Friends members and UTRCA staff will work cooperatively to share information where possible and to develop solutions to ensure the intent of the Ellice and Gads Hill Swamp Guiding Document is supported.

12. The Co-Management Agreement will be reviewed by Authority staff and The Friends at the conclusion of the Agreement term in 2022 and renewed for a further five year term subject to and agreed upon amendments.

IN WITNESS WHEREOF the Authority has affixed its corporate seal duly attested by the hands of its proper signing officers.

DATED at; _____, Ontario this _____ day of May, 2017.

UPPER THAMES RIVER CONSERVATION AUTHORITY

Per: _____

Per: _____

THE FRIENDS OF ELLICE AND GADS HILL SWAMPS

Per: _____

Per: _____

To: UTRCA Board of Directors
From: Finance and Audit Committee
Date: 10 May 2017
Subject: Committee Terms of Reference

Agenda #: 7 b) ii)

Filename: P:\Users\vigliantim\Documents\GroupWise\652-C.doc

Recommendation:

That the Board approves the Finance and Audit Committee Terms of Reference presented.

Background:

The Finance and Audit Committee met for the first time on 26 April 2017 and Sandy Levin agreed to act as Chair of the Committee.

After discussions, a revised draft Terms of Reference for the Committee has been prepared and we are presenting here that document for approval of the Board. The key item of change is the addition of a compliance certificate which was recommended by the auditors.

It was agreed that minutes of committee meetings will be provided to the Board once approved by the Committee.

Recommended by:



Michelle Vapanta
for

Sandy Levin, Chair

Prepared by:



Christine Saracino

Upper Thames River Conservation Authority

Finance and Audit Committee Terms of Reference

Composition of the Finance and Audit Committee:

The Committee shall be reaffirmed annually, at the January Board meeting through a voting process. The Audit Committee will be composed of the Chair of the Authority, and two to four other members elected from among the members of the Board. A Committee Chair will be elected during the first meeting of each year. The terms of reference for the Committee shall be reviewed annually by the Board and attached to the Minutes of the meeting at which they are approved or confirmed.

The Committee shall meet at least twice per year, with the first meeting to take place after the Auditors have prepared the Auditors' Report, at such time and place as the Chair of the Committee shall decide.

The Finance and Audit Committee reports to the Board as a whole. It is understood that the Chair of the Finance and Audit Committee and the external auditor will have direct access to one-another at all times, to discuss matters relevant to the audit.

Members of the Audit Committee must:

1. Be impartial, independent and without conflict of interest, which includes not having a business relationship with UTRCA.
2. Have sufficient knowledge and/or experience to understand and interpret financial statements. This knowledge may be gained through training provided by UTRCA after being accepted to the Committee.

Responsibilities of the Finance and Audit Committee comprise three key activities:

I Audit Oversight

1. To review the audit plan and discuss it with the auditor in advance of each year's audit.
2. To review the audited financial statements of the UTRCA and recommend approval of those statements (or otherwise) to the Board of Directors.
3. To review the results of the external audit and discuss with staff any action required in response to auditor's recommendations.
4. To review the effects of any changes in accounting practices or policies on the financial statements and/or recommend appropriate changes in accounting practices or policies to the Board of Directors. This may include a review of significant accruals, provisions and estimates included in the financial statements.
5. To review the system of Internal Control and the effectiveness of those controls in protecting the assets of the UTRCA and ensuring effective and accurate financial reporting.
6. To review, in consultation with Management and Auditors, any material contingency facing the UTRCA and evaluate the appropriateness of the UTRCA's disclosure of such items.

7. To review any other matter that in its judgement should be taken into account in reaching its recommendation to the remaining Board members concerning the approval of the audited financial statements.
8. To recommend the appointment of Auditors and approval of the audit fee for the upcoming year.
9. To review services provided by the auditor outside of the audit, to ensure that such services are appropriately provided by the firm also acting as auditor.

II Investment Advisor Oversight

1. Select and recommend to the board an investment advisor or firm to assist in managing the long-term portion of the Authority's investment portfolio.
2. Determine the level of risk acceptable and the selection of investments held.
3. Establish a long-term investment strategy for UTRCA which will help meet budgetary needs.
4. Review the performance of such portfolio annually and confirm with the advisor any desired changes or amendments to objectives and constraints.
5. Report to the Board the results of investment management decisions.

III Compliance Oversight

1. Following review, the Committee shall provide a factual certificate of compliance with statutory obligations, remittances and filings to the board at least once each year.

To: UTRCA Board of Directors
From: Finance and Audit Committee
Date: 10 May 2017 **Agenda #:** 7 b) iii)
Subject: 2016 Audited Financial Statements and Audit Findings Report **Filename:** P:\Users\vigilantim\Documents\GroupWise\639-C.doc

Recommendation:

That the Board accepts the Audit Findings Report and Audited Financial Statements prepared by KPMG for the year ended 31 December 2016.

Background:

While 2016 produced a startling surplus of more than \$2.5 Million, two thirds of that value arose through significant unbudgeted provincial WECI funding for flood control capital projects which resulted in increased flood control reserves for the year, and the remainder through the Cade property donation recognized as revenue during 2016. The surplus in 2016 is not levy-related.

The change in construction in progress balance in note 6 of the statements describes a 'catch up' of completed projects in a similar vein to the large adjustment made in 2015. The Statement of Cash Flows also identifies that fact along with certain other items which have swung from 2015 values; namely prepaid expenses and accounts payable which may not have seen full accrued accounting treatment in past years.

The auditor's findings report describes 3 areas of control deficiencies:

1. The worksheets used to prepare amortization amounts contained errors. This was an issue our Finance Supervisor identified earlier in the year, but was unable to rework in time at year end. A longer-term plan to record asset acquisitions in a Fixed Asset Management software will eliminate this issue, but for 2017, the finance unit will revise carefully how amortization is calculated and review with managers the items on those schedules.
2. Lack of understanding of litigation and outstanding claims. This area of concern may or may not be resolved. Currently litigation discussions are conducted in closed sessions and the finance unit is not deeply involved in insurance issues. Further discussions of how or if changes to this process are desired can be conducted over the coming year.

3. Lack of clarity over adjustments to reserves. Without doubt, this was the most difficult part of completing the year-end process due to lack of understanding in how transfer reserve accounts affected closing balances. While the design of the old database may have been unique, in 2017 we now have a more standardized approach to closing at year end so this issue will not recur.

Recommended by:

Prepared by:

Michelle Vajkanti
for

Sandy Levin, Chair

Christine Saracino

Christine Saracino

DRAFT Financial Statements of

**UPPER THAMES RIVER
CONSERVATION AUTHORITY**

Year ended December 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of Upper Thames River Conservation Authority

We have audited the accompanying financial statements of Upper Thames River Conservation Authority, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated net revenue, change in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including schedules.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Upper Thames River Conservation Authority as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Month DD, YYYY

London, Canada

UPPER THAMES RIVER CONSERVATION AUTHORITY

Statement of Financial Position

DRAFT

December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash	\$ 2,905,478	\$ 923,364
Restricted cash (note 2)	480,144	607,291
Accounts receivable	1,850,676	1,328,140
Programs in progress	-	38,609
Investments (note 3)	4,018,900	5,000,000
	<u>9,255,198</u>	<u>7,897,404</u>
Financial Liabilities		
Accounts payable and accrued liabilities	1,251,054	1,020,553
Deferred revenue	1,918,841	1,431,653
Term loan (note 4)	423,954	478,402
Other liabilities (note 5)	243,458	297,383
	<u>3,837,307</u>	<u>3,227,991</u>
Net financial assets	5,417,891	4,669,413
Non-Financial Assets		
Tangible capital assets (note 6)	37,954,383	36,438,229
Prepaid expenses and deposits	120,852	-
Contingencies (note 11)		
Accumulated surplus (note 7)	<u>\$ 43,493,126</u>	<u>\$ 41,107,642</u>

See accompanying notes to financial statements.

Approved by:

_____ Chair _____ General Manager
_____ Supervisor of Finance

DRAFT - April 26, 2017, 3:30 PM

UPPER THAMES RIVER CONSERVATION AUTHORITY

Statement of Operations and Accumulated Net Revenue

DRAFT

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
Revenue:			
Municipal general levy	\$ 2,683,266	\$ 2,683,266	\$ 2,637,270
Dam and flood control levy	1,324,909	1,566,470	1,532,323
Conservation areas	3,249,433	3,437,554	3,199,081
Direct:			
Land and asset management	987,862	928,794	948,383
Fees for service	2,235,790	4,222,948	2,258,896
Provincial transfer payments:			
MNR Section 39 grants	351,425	351,020	351,020
Other provincial grants	926,740	3,717,316	1,989,773
Donations	250,244	1,028,811	545,290
Special project funding	105,000	305,723	302,323
Federal program funding	121,536	210,127	506,542
Interest income	40,000	71,485	71,741
	12,276,205	18,523,514	14,342,642
Expenditures:			
Recreation	3,947,630	3,973,024	3,921,151
Flood control centre	1,724,962	5,076,565	2,570,385
Property program	1,095,724	1,151,559	1,312,894
Research and planning	983,949	1,273,976	988,372
Community partnerships program	866,438	966,152	1,338,213
Forestry programs	865,432	810,924	866,177
Source water protection	767,493	835,733	682,017
Environmental planning	664,213	726,140	714,253
Soil conservation program	1,074,451	812,822	638,103
Environmental significant areas	387,711	543,830	536,363
Service cost centres (Schedule)	-	(32,695)	78,333
Miscellaneous	-	-	19,433
	12,378,003	16,138,030	13,665,694
Annual (deficit) surplus	(101,798)	2,385,484	676,948
Accumulated surplus, beginning of year	41,107,642	41,107,642	40,430,694
Accumulated surplus, end of year	\$ 41,005,844	\$ 43,493,126	\$ 41,107,642

See accompanying notes to financial statements.

UPPER THAMES RIVER CONSERVATION AUTHORITY

Statement of Change in Net Financial Assets

DRAFT

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	\$ 2,385,484	\$ 676,948
Acquisition of tangible capital assets	(2,315,608)	(1,446,854)
Amortization of tangible capital assets	799,454	789,406
Change in prepaid expenses	(120,852)	-
Change in net financial assets	748,478	19,500
Net financial assets, beginning of year	4,669,413	4,649,913
Net financial assets, end of year	\$ 5,417,891	\$ 4,669,413

See accompanying notes to financial statements.

UPPER THAMES RIVER CONSERVATION AUTHORITY

Statement of Cash Flows

DRAFT

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,385,484	\$ 676,948
Adjustment for:		
Amortization of capital assets	799,454	789,406
Changes in non-cash operating working capital:		
Accounts receivable	(522,536)	(697,962)
Programs in progress	38,609	105,169
Prepaid expenses and deposits	(120,852)	-
Accounts payable and accrued liabilities	230,501	23,641
Deferred revenue	487,188	430,706
Other liabilities	(53,925)	18,490
	<u>3,243,923</u>	<u>1,346,398</u>
Financing activities:		
Restricted cash	127,147	(18,489)
Term loan	(54,448)	(53,282)
	<u>72,699</u>	<u>(71,771)</u>
Investing activities:		
Acquisition of tangible capital assets	(2,315,608)	(1,446,854)
Change in investments, net	981,100	-
	<u>(1,334,508)</u>	<u>(1,446,854)</u>
Increase (decrease) in cash	1,982,114	(172,227)
Cash, beginning of year	923,364	1,095,591
Cash, end of year	<u>\$ 2,905,478</u>	<u>\$ 923,364</u>

See accompanying notes to financial statements.

UPPER THAMES RIVER CONSERVATION AUTHORITY

Notes to Financial Statements

DRAFT

Year ended December 31, 2016

The Upper Thames River Conservation Authority (the "Authority") is established under the Conservation Authority Act of Ontario to further the conservation, restoration, development and management of natural resources, other than gas, oil, coal and minerals for the watersheds within its area of jurisdiction.

1. Significant accounting policies:

The financial statements of the Authority are prepared by management in accordance with generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Significant aspects of the accounting policies adopted by the Authority are as follows:

(a) Reserves:

Appropriations are made to reserves for future expenditures and contingencies for such amounts as required by various cost sharing arrangements, provincial restrictions and are deemed appropriate, and upon approval of the Board of Directors.

(b) Government transfers:

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Deferred revenue:

Certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

UPPER THAMES RIVER CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life, years
Land improvements	10-25
Buildings	15-50
Infrastructure	20-50
Furniture and fixtures	7
Vehicles	5-10
Flood control structures	50-80
Computers and communication	3-7

Amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(ii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

UPPER THAMES RIVER CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2016

1. Significant accounting policies (continued):

(e) Impairment of long-lived assets:

Long-lived assets, including equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(f) Contaminated sites:

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

UPPER THAMES RIVER CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2016

2. Restricted cash:

Restricted cash consists of funding received from the Ministry of Natural Resources that has been restricted in its use by the funding Agency.

	2016	2015
Glengowan land disposition reserve fund	\$ 236,686	\$ 309,908
Source water protection trust (note 5)	243,458	297,383
Restricted cash	\$ 480,144	\$ 607,291

3. Investments:

Investments consist of guaranteed investment certificates with short-term maturities and interest rates ranging from 1.04% to 1.15%.

4. Term loan:

	2016	2015
Term loan payable, bearing interest at 2.6%, repayable in blended monthly instalments of \$5,467, due January 7, 2022	\$ 423,954	\$ 478,402

Interest paid on this loan during 2016 was \$10,370 (2015 - \$11,587).

Subsequent to year-end, the Authority renewed the existing term loan with a revised maturity date of January 7, 2022.

As a result of the renewal, future principal payments required for the next five years and therefore are due as follows:

2017	\$	55,359
2018		56,815
2019		58,310
2020		59,844
2021		61,419
Thereafter		132,207
	\$	423,954

UPPER THAMES RIVER CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2016

5. Other liabilities:

The Authority is the lead Agency in the three party arrangement whereby funds are received for the other parties to the arrangement. Each party is entitled to its pro-rata share of funding which is for the purpose of source water protection.

Funds received by the Authority for the other parties to the arrangement which have not been dispersed at December 31, 2016 amount to \$243,458 (2015 - \$297,383). These amounts have been included in restricted cash.

6. Tangible capital assets:

The historical cost of intangible assets employed by the Authority at December 31 is as follows:

Cost	Balance 2015	Additions	Disposals	Balance 2016
Land	\$ 15,536,067	\$ 822,767	\$ -	\$ 16,358,834
Land improvements	709,912	40,440	-	750,352
Buildings	14,658,331	27,150	-	14,685,481
Infrastructure	7,590,420	-	-	7,590,420
Furniture and fixtures	634,310	-	-	634,310
Vehicles	1,857,647	153,945	75,778	1,935,814
Flood control structures	14,186,317	2,892,429	-	17,078,746
Computers and communication	1,205,909	48,576	-	1,254,485
Construction in progress	1,777,348	1,222,730	2,892,429	107,649
	\$ 58,156,261	\$ 5,208,037	\$ 2,968,207	\$ 60,396,091

Accumulated amortization	Balance 2015	Amortization	Disposals	Balance 2016
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	451,451	31,829	-	483,280
Buildings	3,042,030	284,483	-	3,326,513
Infrastructure	6,794,867	19,835	-	6,814,702
Furniture and fixtures	243,884	61,073	-	304,957
Vehicles	1,372,825	116,098	75,778	1,413,145
Flood control structures	8,721,153	237,846	-	8,958,999
Computers and communication	1,091,822	48,290	-	1,140,112
	\$ 21,718,032	\$ 799,454	\$ 75,778	\$ 22,441,708

UPPER THAMES RIVER CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2016

6. Tangible capital assets (continued):

	Balance 2015	Balance 2016
Net book value		
Land	\$ 15,536,067	\$ 16,358,834
Land improvements	258,461	267,072
Buildings	11,616,301	11,358,968
Infrastructure	795,553	775,718
Furniture and fixtures	390,426	329,353
Vehicles	484,822	522,669
Flood control structures	5,465,164	8,119,747
Computers and communications	114,087	114,373
Construction in progress	1,777,348	107,649
	\$ 36,438,229	\$ 37,954,383

7. Accumulated surplus:

	2016	2015
Surplus:		
Invested in tangible capital assets	\$ 37,954,383	\$ 36,438,229
Other:	(684,931)	(79,188)
Unfunded:		
Term loan	(423,954)	(478,402)
Total surplus	36,845,498	35,880,639
Reserve set aside for specific purposes of the Authority:		
Reserves (Schedule)	1,694,860	1,511,934
Reserve funds set aside for specific purposes by the Authority:		
Reserve Funds (Schedule)	4,952,768	3,715,069
	\$ 43,493,126	\$ 41,107,642

UPPER THAMES RIVER CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2016

8. Pension agreements:

The Authority makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of certain 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.

Contributions made by the Authority to OMERS for 2016 were \$1,053,188 (2015 - \$968,204).

9. Financial instruments:

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Authority's financial instruments include cash, restricted cash, accounts receivable, programs in progress, investments, accounts payable and accrued liabilities, deferred revenue and other liabilities. The fair values of these financial instruments approximate their carrying value due to the expected short-term maturity of these instruments.

The term loan approximates fair value as interest is equivalent to market rates available to the Authority.

10. Budget data:

The budget data presented in these financial statements is based upon the 2016 operating and capital budgets approved by the Board on February 25, 2016. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Revenues:	
Operating budget	\$ 12,276,205
Expenses:	
Operating budget	12,378,003
Annual deficit as budgeted	\$ (101,798)
Amortization	\$ (799,454)
Capital expenditures	2,315,608
Budgeted surplus as revised	\$ 1,414,356

UPPER THAMES RIVER CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

DRAFT

Year ended December 31, 2016

11. Contingencies:

There are certain claims pending against the Authority as at December 31, 2016. The final outcome of these claims cannot be determined at this time. In management's opinion, insurance coverage is sufficient to offset the costs of unfavourable settlements, if any, which may result from such claims.

UPPER THAMES RIVER CONSERVATION AUTHORITY

DRAFT Schedule - Service Cost Centres

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016 Actual	2015 Actual
Recoveries from mission cost centres	\$ 3,518,970	\$ 3,370,520	\$ 3,315,482
Expenditures:			
Occupancy	260,887	217,035	297,749
Information systems	767,419	625,915	700,154
Administration	763,238	743,262	716,147
Finance	575,671	605,279	544,597
Marketing and communications	567,019	562,228	548,269
Vehicles and equipment	584,736	584,106	586,899
	3,518,970	3,337,825	3,393,815
Surplus (deficit) in service cost centres	\$ -	\$ 32,695	\$ (78,333)

UPPER THAMES RIVER CONSERVATION AUTHORITY

DRAFT Schedule - Reserves and Reserve Funds

Year ended December 31, 2016, with comparative information for 2015

	2015	Appropriations to (from) reserves	2016
Restricted and/or capital:			
Capital surcharge	\$ 210,048	\$ 108,417	\$ 318,465
Weekly indemnity self insurance	38,026	(2,213)	35,813
Flood control, dam maintenance	2,388,837	1,126,331	3,515,168
Memorial forests/arboretum	(44,389)	71,866	27,477
Properties/assets:			
Glengowan land disposition	235,055	1,720	236,775
Property management	208,798	-	208,798
Golspie swamp	16,275	-	16,275
Aggregate	134,259	-	134,259
Pittock land disposition II	528,160	(68,422)	459,738
	3,715,069	1,237,699	4,952,768
Operating reserves:			
Service cost centre	261,414	(3,822)	257,592
Information management	81,459	-	81,459
Mission Centre reserve	13,585	32,399	45,984
Vehicle and equipment	50,763	68,008	118,771
Soil conservation and services	312,836	(76,893)	235,943
Environmental plan	54,891	(19,155)	35,736
Community partners	1,505	9,590	11,095
Administrative building	60,000	-	60,000
Motor pool/ESA's building maintenance	(4,263)	4,263	-
Research	59,912	(59,912)	-
Small hydro project	(139,417)	(35,696)	(175,113)
Land and facilities	284,995	46,608	331,603
Harrington Grist Mill	54,536	-	54,536
Conservation areas, ESA's	419,718	217,536	637,254
	1,511,934	182,926	1,694,860
	\$ 5,227,003	\$ 1,420,625	\$ 6,647,628



Upper Thames River Conservation Authority

Audit Findings Report
For the year ended December 31, 2016

KPMG LLP

Licensed Public Accountants

April 26, 2017

kpmg.ca/audit



The contacts at KPMG in connection with this report are:

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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 Finance and Audit Committee, in your review of the results of our audit of the financial statements of Upper Thames River Conservation Authority as at and for the year ended December 31, 2016.

Audit risks and results

A significant financial reporting risk has been identified relating to the presumed fraud risk over management override of controls. This risk has been addressed in our audit.

We also identified some other areas of audit focus to discuss with you.

See pages 5 - 8

Adjustments and differences

We identified differences that were communicated to management and subsequent corrected in the financial statements, as well as an uncorrected difference.

See pages 9 – 10

This Audit Findings Report should not be used for any other purpose or by anyone other than the Finance and 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 April 7, 2017, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- obtaining an updated legal letter;
- obtaining the signed management representation letter;
- completing our discussions with the Board
- obtaining evidence of the Board's approval of the financial statements.

We will update the Finance and Audit Committee on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR; however, we have identified control deficiencies to bring to your attention.

See page 11

Significant accounting estimates

Overall, we are satisfied with the reasonability of significant accounting estimates.

- Management identifies all accounting estimates and establishes processes for making accounting estimates.
- There are no indicators of management bias as a result of our audit over estimates.
- Disclosure of estimation uncertainty in the financial statements is included in Note 1(g), Use of estimates. This note provides information on areas in the financial statements that include estimates.
- Management evaluates these estimates on a regular basis to ensure they are appropriate.

Independence

We are independent with respect to the Authority within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

See Appendix 2.

Significant accounting policies and practices

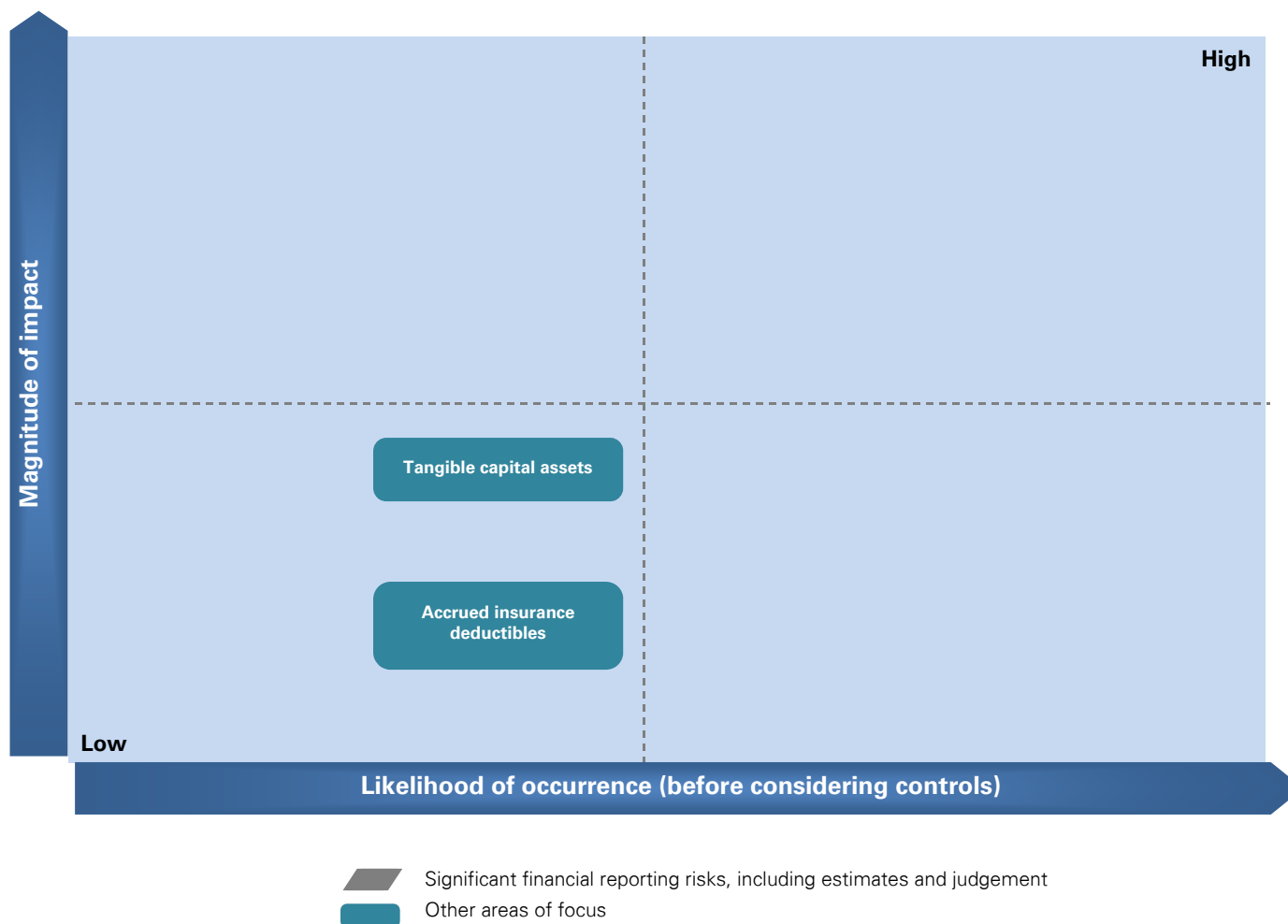
There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Authority's relevant financial reporting framework. The form, arrangement, and content of the financial statements is considered to be appropriate.

Audit risks and results

This diagram is our top-down view of the financial reporting risks and their potential misstatement impact mapped against the likelihood of a misstatement occurring (before controls).



Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

We highlight our significant findings in respect of significant financial reporting risks.

Significant financial reporting risks	Why	Our response and significant findings
Fraud risk from revenue recognition	<p>This is a presumed fraud risk.</p> <p>There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.</p>	<p>We have rebutted this fraud risk as it is not applicable to the Authority where performance is not measured based on earnings.</p>
Fraud risk from management override of controls	<p>This is a presumed fraud risk.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>As this risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures included testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.</p> <p><i>Findings</i></p> <p>No significant findings noted.</p>

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Why	Our response and significant findings
Tangible capital assets	This represents a significant balance on the financial statements.	<p>Management maintains a continuity schedule by asset class, outlining additions, disposals and amortization taken during the year.</p> <p>KPMG performed the following procedures over this account:</p> <ul style="list-style-type: none"> Selected significant additions from the listing prepared by management to ensure the additions were appropriately recorded. Performed substantive analytical procedures over the amortization expense balance to assess the reasonability of amortization taken during the year. Verified the mathematical accuracy of the continuity schedule to track tangible capital asset cost and accumulated amortization balances. <p><i>Findings:</i></p> <ul style="list-style-type: none"> During the year, management identified that 2015 capital additions relating to the painting of the Fanshawe Dam had been incorrectly expensed in the prior year. This resulted in an understatement of capital assets and overstatement of expenses of \$310,058 as at December 31, 2015. This amount was corrected through the current year Statement of Operations in order to correct the Statement of Financial Position as at December 31, 2016. This results in expenses being understated in the current year by \$310,058 due to the out of period adjustment. The impact on current year amortization expense is considered not significant as these costs were part of construction-in-progress for most of 2016. During our testing over amortization expense, it was identified that current year vehicle amortization had been understated in the continuity schedule as a result of a keying error. This resulted in an overstatement of tangible capital assets and an understatement of amortization expense of \$80,978. This misstatement has been corrected within the financial statements. <p>As a result of the misstatements identified, KPMG noted a control deficiency relating to a lack of detailed review over the calculation of amortization expense.</p>

Accrued insurance deductibles	The Authority is involved in various outstanding claims which could result in future liabilities.	<p>The Authority is involved in various outstanding claims that could result in potential liabilities to the Authority. These outstanding claims are insured and are therefore subject to a deductible.</p> <p>KPMG obtained a confirmation from the appropriate insurance companies summarizing all outstanding claims, including the required deductible and costs incurred to date by the insurer.</p> <p><i>Findings:</i></p> <ul style="list-style-type: none">• KPMG noted that as at December 31, 2016 the insurer had incurred costs in excess of the Authority's deductible for multiple outstanding claims. Management had not accrued for these deductibles which resulted in an understatement of accrued liabilities and an understatement of expenses of \$65,000. This misstatement has been corrected within the financial statements. <p>As a result of this misstatement, KPMG noted a control deficiency relating to a lack of review of outstanding claims and litigation as part of the year-end closing process.</p>
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Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements. *See Appendix 3.*

Uncorrected differences

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

Differences

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

As at and year ended December 31, 2016	Income effect	Financial position		
		Assets	Liabilities	Equity
Description of uncorrected differences greater than \$21,500 individually	(Decrease) Increase	(Decrease) Increase	(Decrease) Increase	(Decrease) Increase
Understatement of expenses to correct tangible capital asset balances as at the end of the current year.	(\$310,058)	-	-	-
Total differences	(\$310,058)	-	-	-

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.

Control observations

In accordance with professional standards, we are required to communicate to the Finance and Audit Committee any control deficiencies that we identified during the audit and have determined to be significant deficiencies in ICFR.

Other control deficiencies may be identified during the audit that do not rise to the level of significant deficiency.

Significant deficiencies

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

Other control deficiencies

Description	Potential effect
Lack of review of formulas in an end user spreadsheet.	During our testing over amortization expense, KPMG noted a control deficiency due to the use of an end user spreadsheet that contained an error in a formula used to determine amortization expense. This resulted in a misstatement as previously noted. KPMG recommends that a review be done of all formulas in end user spreadsheets to mitigate this risk.
Lack of recognition of outstanding litigation and claims	During our testing over potential claims and litigation, KPMG noted a control deficiency due to a lack of review over outstanding claims and litigation, including insurance deductibles payable at year-end. This resulted in a misstatement as previously noted. KPMG recommends that management confirm all outstanding deductibles payable at year-end in order to properly accrue for this amounts in the financial statements.
Lack of clarity over adjustments through reserve accounts	During our testing over accumulated surplus, KPMG noted a control deficiency due to a lack of clarity over the process from prior years for making adjustments through reserve accounts. This resulted in misstatements whereby the financial statements did not balance. Through the current year audit and financial statement closing process, management has obtained a better understanding of these accounts and will adjust the process going forward.

Appendices

Appendix 1: Required communications

Appendix 2: Independence

Appendix 3: Management representation letter

Appendix 4: Audit Quality and Risk Management

Appendix 5: Background and professional standards

Appendix 6: Current developments

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 Finance and Audit Committee. The management representation letter is attached.

Appendix 2: Independence

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.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

The following summarizes the professional services rendered by us to the Authority:

Description of professional services

Audit of the financial statements for the year ended December 31, 2016

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards related to the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions
- We obtained pre-approval of non-audit services, and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services, and we have not made any management decisions or assumed responsibility for such decisions

Appendix 3: Management representation letter

KPMG LLP
1400-140 Fullarton Street
London, ON N6A 5P2

Date

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Upper Thames River Conservation Authority ("the Entity") as at and for the period ended December 31, 2016.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

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

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated November 15, 2013, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
 - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

Subsequent events:

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

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

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

Misstatements:

- 9) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.

- 10) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

Non-SEC registrants or non-reporting issuers:

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

Yours very truly,

Christine Saracino, Supervisor Accounting and Finance

Ian Wilcox, General Manager

Attachment I – Definitions

Materiality

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

Fraud & error

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

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

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

Related parties

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

- *When one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.*

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

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

Attachment II – Summary of Audit Misstatements Schedule(s)

2015 Summary of Uncorrected Audit Misstatements, including disclosures

Description	Income effect	Financial Position		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Equity (Decrease) Increase
Understatement of expenses to correct tangible capital asset balances as at the end of the current year.	(181,408)	-	-	-
Overstatement of expenses for items not appropriately capitalized.	310,058	310,058	-	310,058
Total uncorrected misstatements	128,650	310,058	-	310,058

2016 Summary of Uncorrected Audit Misstatements, including disclosures

	Income effect	Financial Position		
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Equity (Decrease) Increase
Understatement of expenses to correct tangible capital asset balances as at the end of the current year.	(310,058)	-	-	-
Total uncorrected misstatements	(310,058)	-	-	-

2016 Summary of Corrected Audit Misstatements, including disclosures

	Income effect	Financial Position		
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Equity (Decrease) Increase
To adjust accumulated surplus to actual.	54,626	-	-	54,626 (54,626)
To correct for departmental close-outs originally recorded to the Statement of Operations rather than Accumulated Surplus.	(500,851)	-	-	(500,851) 500,851
To accrue for insurance deductibles relating to outstanding claims.	(65,000)	-	65,000	(65,000)
To correct vehicle amortization expense.	(80,978)	(80,978)	-	(80,978)
To correctly reflect out of period adjustment relating to capital items expensed in 2015 originally recorded to accumulated surplus in the current period.	310,058	-	-	310,058 (310,058)
Total corrected misstatements	(282,145)	(80,978)	65,000	(145,978)

Appendix 4: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

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

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



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

Appendix 5: 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 6: Current developments

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes regulatory and governance matters impacting charities and not-for-profit organizations today, or expected to impact over the next few years. We provide this information to help not-for-profit organizations understand upcoming changes and challenges they may face in their industry. We attach this summary to every audit plan and audit findings report that we provide to our public sector and not-for-profit clients. Some of these developments may not impact your organization directly but we believe it is important for audit committee members of charities and not-for-profit organizations to understand what is happening in the sector.

Tax-Exempt Status of Not-for-Profit Organizations

Over the past few years, the income tax-exempt status of not-for-profit organizations and the activities that should be eligible for this exemption have been the subject of significant political and public debate.

This debate intensified with the CRA's Non-Profit Organization Risk Identification Project (the "NPORIP") looking at entities claiming the exemption from income tax under Paragraph 149(1)(l) of the Income Tax Act of Canada, and the release of their report in 2014. The report emphasized three main risk areas which in the eyes of CRA would disqualify a not-for-profit organization from claiming the income tax exemption:

- having individual activities not related to their not-for-profit objectives; or earning non-incidental profits from individual activities
- using income to provide personal benefits to members
- maintaining excessive accumulated reserves, surpluses or net assets

In 2014, the Government announced its intention to hold public consultations with not-for-profit organizations on these issues, led by the Department of Finance. It was anticipated that this public consultation process would ultimately result in changes to the Income Tax Act and other legislation and regulations governing the activities of not-for-profit organizations, most likely in the 2017 Federal Budget.

The election of a new Government in fall 2015 appears to have delayed progress on this issue. While the official mandate letter of the new Minister of Finance includes providing clarity on the activities of not-for-profit organizations and charities, the Department of Finance has provided no indication as to when, or if, it expects to begin public consultations with the not-for-profit community on the issues surrounding the tax-exempt status of not-for-profit organizations. However, in fall 2016, the Government did announce the formation of Consultation Panels on two related issues in the charity/NPO sector: Political Activities of Registered Charities; and Social Enterprise/Social Impact Financing. As such, the general expectation is that any significant changes in income tax legislation impacting the operations of not-for-profit organizations, will not be introduced until Budget 2018 at the earliest.

In the interim, CRA has not performed specific audits of the income tax-exemption status of not-for-profit organizations to our knowledge. However, CRA continues to perform regular HST and payroll compliance audits of not-for-profit organizations and charities. As part of these audits, CRA has included questions relating to the accumulated surplus/net assets/reserves of the audited organization, and is seeking documented evidence of purpose, future plans and governance oversight related to these balances.

KPMG encourages the Boards and management of not-for-profit organizations, and of charities, to continue to prepare their organizations for the anticipated changes to tax legislation and regulations. Organizations should review and consider their not-for-profit or charitable objectives, strategic plans, risk assessments, financial results and operational practices in the context of the aforementioned risk areas identified by CRA. In particular, organizations should develop a written, approved Board policy relating to their net assets, accumulated surpluses and/or reserves explicitly documenting the reasons for maintaining these balances, how the amounts were calculated and quantified, and how the amounts will ultimately be used. Boards should also demonstrate and document their oversight of this policy on an annual basis.

KPMG continues to monitor this situation closely and will continue to update you and all of our audit clients.

The COSO Framework: Demonstrating Sound Management Practices and Internal Controls

Charities and not-for-profit organizations are facing increasing pressures and challenges from various internal and external stakeholders, who are demanding greater transparency and accountability. Chief among these is a heightened level of scrutiny and higher expectations on charities and NPOs to demonstrate sound stewardship, accountability, and achievement of results. This includes being able to demonstrate that resources are managed in a cost-effective manner and that funding received is used to maximize the achievement of the organization's mandate.

A charity's or not-for-profit organization's ability to clearly demonstrate sound management and use of funding and the achievement of objectives are of direct interest to donors, funders, partners, stakeholders and beneficiaries, and increasingly to the Canadian general public. This, combined with a general increase in competition for scarce resources, can compound the challenges experienced by charities and not-for-profit organizations.

In this environment, your organization will be asked to demonstrate that it is using and managing funds in an economical and efficient way and that it maintains a solid control environment supporting management decisions made by the organization. National charities and not-for-profit organizations are beginning to formally adopt the "COSO Framework" of management practices and internal controls to respond to their stakeholder demands. The COSO Framework is an internationally recognized framework for the assessment of management practices and internal controls in all types of entities.

The main reason that the COSO Framework is gaining acceptance in the charity and not-for-profit sector is that it considers internal controls from the perspective of achieving organizational objectives categorized into three areas:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

In the current environment of transparency and accountability, charities and not-for-profit organizations must not only achieve, but also explicitly demonstrate, their performance in these three areas. COSO provides a methodology to develop and maintain an effective system of internal control that reduces, to an acceptable level, the risk of not achieving these objectives.

The COSO Framework identifies five core components (Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring Activities) and seventeen key principles within these five components that are required for an effective system of internal control. The Framework is fully scalable to an organization's size, structure, funding sources, or mandate.

The Framework provides a recognized baseline against which existing management practices can be documented and assessed to confirm existing sound practices and identify areas for improvement to strengthen an organization's internal control structure and prioritize efforts and resources to the areas of most significance. As a recognized management control framework, an assessment of internal controls against COSO will also serve to provide both internal and external stakeholders with additional confidence in the stewardship, accountability and overall control environment of the organization.

Fraud Risk in Charities and Not-for-Profit Organizations

You only have to read the local and national news to understand the significant, adverse impact that a fraudulent or illegal act can have on an entity's financial position, on-going operations and public reputation. For charities and not-for-profit organizations, a fraudulent or illegal act can be absolutely devastating not only because of their reliance on public financial support but also their need to maintain public confidence and trust in their activities. With social media, and the 24-hour continuous news cycle, the financial, operational and reputational risk of a fraud on a charity or not-for-profit organization has never been higher.

Therefore, fraud risk management is now a very important element of an organization's overall governance and risk management. To protect against the risk of fraud, Boards and management need to have a heightened awareness of fraud including an understanding of the profile of a fraudster and what may drive otherwise good people to do bad things. As a result, Boards and management of charities and not-for-profit organizations are beginning to incorporate fraud awareness in their training programs to increase their personal individual fraud awareness, and to develop a greater understanding of the key organizational elements of a robust anti-fraud program, designed to address the core objectives of prevention, detection and response.

Cyber Security - It's more than just Technology

Organizations are subject to increasing amounts of legislative and public pressures to show they are managing and protecting their information appropriately. Simultaneously, the threats from cyber criminals and hacktivists are growing in scale and sophistication. Organizations are also increasingly vulnerable as a result of technological advances and changing working practices including remote access, cloud computing, mobile technology and services on demand. The financial and reputational costs of not being prepared against a cyber-attack could be significant.

Cyber Security is not solely about Information Technology; it is fundamentally an operational and governance issue. Not-for-profit organizations should develop an operations-wide understanding of their threats, safeguards, and responses. Preparing this summary diagnostic will require the involvement of individuals in all areas of the organization, including those involved in hiring, procurement, customer relations and management. Key elements to consider include:

- Assessing the likelihood and intensity of a cyber-attack, based on the value of your information and your public profile
- Assessing your vulnerabilities to a cyber-attack
- Preparing your people, processes, infrastructure and technology to resist a cyber-attack, and to minimize its impact
- Detecting a cyber-attack and initiating your response
- Containing and investigating the cyber-attack
- Recovering from a cyber-attack and resuming business operations
- Reporting on and improving security

Not-for-profit organizations are at particular risk due to the information they maintain, including research data, member or student data, and health information. The reputational risk of this information not being adequately protected can often outweigh the financial consequences of a breach.

Not-for-profit organizations need to review their operations and consider cyber risks, then assess the organization's cyber maturity in addressing those risks. Structured models for completing this exercise exist for organizations of all sizes, as no one is immune to the risk of a cyber-attack.

KPMG in Canada, in collaboration with Imagine Canada, presented a webinar called "Cyber Security: The new threat for Not-for-Profit Organizations". We encourage you to view this webinar on Imagine Canada's website at: <http://sectorsource.ca/resource/video/cyber-security-not-profit-organizations-presented-kpmg>

Commodity Tax Considerations

The GST/HST is constantly evolving. The kinds and pace of the changes affecting your organization will depend on your status and activities, and may result from new legislative and regulatory rules, court cases, and changes in the CRA's administrative policies. In addition, major organization changes, such as reorganizations, cessation of activities, major capital projects, new relationships (e.g., shared service arrangements), and new revenue generating activities may have significant GST/HST implications.

The Canada Revenue Agency (CRA) continues to increase its focus on public service bodies (e.g., municipalities, universities, colleges, hospitals, schools, associations, charities, non-profits etc.) for purposes of conducting GST/HST audits. These audits may be undertaken by GST/HST audit teams dedicated to the public sector or by auditors attached to the CRA's GST/HST Refund Integrity Unit. Many organizations have undergone audits over the past couple of years. Based on our work with audited organization, we offer the following general observations on the impact of the CRA's ongoing focus on the public sector:

- The CRA has been focusing on documentation, cost sharing and buying group arrangements, grants and sponsorships, as well as the allocation of inputs between taxable and exempt activities for input tax credit purposes (e.g. the filing of a Section 211 election and claiming of input tax credits on the use of real property).

- The CRA has not consistently been applying audit offsets (e.g., allowing unclaimed input tax credits or rebates) that would help minimize the impact of any assessments.
- Proposed assessments based on sampling and alternative valuation or allocation methodologies conducted by CRA auditors should be reviewed as fair and reasonable alternatives may be available that could significantly reduce an GST/HST assessment.
- The CRA is required to communicate the amount and basis for a proposed to the registrant, and should allow the registrant a reasonable amount of time to review and respond to the assessment (i.e., generally 30-days). It is entirely appropriate to carefully review and question a proposed assessment. Our experience is that proposed assessments can often be significantly reduced at the audit stage. If a Notice of Assessment is issued, you will have 90 days to file a Notice of Objection with the CRA.
- It is important that you have a plan in place for a GST/HST audit, including having a fixed point of contact for the auditor. Planning and managing the audit is as important as having the appropriate policies and procedures.
- Organizations that have undergone significant changes in operations are more likely to be selected for an audit. Many of these organizations are completing compliance reviews by indirect tax professionals in advance of a potential GST/HST audit to verify that the GST/HST is being appropriately handled.

Our experience with GST/HST auditors has varied from audit to audit. However, in each case, the taxpayer has the burden of proof. The best approach is to be prepared in advance of receiving that audit notification from CRA.

Income Tax Considerations

The funding landscape for charities and not-for-profit organizations has changed dramatically over the last number of years. Gone are the days when government or public funding agencies had the ability to fully support public purpose organizations that were established legally as either Registered Charities (Charities) or Not-for-Profit Organizations (NPO's) for tax purposes. This includes not only specific public purpose organizations, but those organizations that are recognized as Public Institutions for tax purposes, such as Universities and Hospitals.

In order to fill the funding gap that has been created by reduced public financial support, many of these organizations have looked to non-traditional means of operating and capital funding to make up the shortfall. In many cases this involves the use of certain of the assets and resources that are available to the organizations to raise funds that has the look and feel of operating a business. Charities and NPOs have very specific (and different) guidelines that are spelled out in various pieces of governing legislation, including but not limited to, on a Federal basis the Income Tax Act and the Excise Tax Act. The expansion of the activities to raise funds by these organizations has in some cases begun to stretch the limits of what was contemplated by either a standalone Charity or NPO. As a result, certain unique planning structures have been utilized in an attempt to protect the allowable activities of either a Charity or NPO, yet manage on a tax efficient basis certain potentially non-allowable activities that are being operated by the organization.

This change in landscape has also attracted the attention of the Canada Revenue Agency which has established audit teams focused on auditing specifically within the charity and not-for-profit sectors. This includes auditing for GST/HST, payroll taxes as well as Income Tax to determine if compliance within the various pieces of legislation is being

adhered to. Many Charities and Not-for-Profit Organizations have completed comprehensive tax reviews designed to assess whether the ongoing operations of the organization are organized to maximize tax savings opportunities and minimize compliance risk, while continue to support the goals and objectives of the organization.

Charity Tax Returns

The Federal Court of Appeal (FCA) recently upheld CRA's proposals to revoke the status of two registered charities. The decisions in *Jaamiah Al Uloom Al Islamiyyah Ontario v. Minister of National Revenue* (2016 FCA 49) and *Opportunities for the Disabled Foundation v. Minister of National Revenue* (2016 FCA 94), both written by Justice Michael Ryer, may lead to troubling results for registered charities who make errors when filing their information returns.

In *Opportunities*, the FCA concluded that the CRA can issue a notice of intention to revoke a registered charity's status, in certain circumstances, if there are inaccuracies in the charity's T3010 Registered Charity Information Return. In *Jaamiah*, the CRA argued that it may issue a notice of intention to revoke a registered charity's status where the charity has not prepared T4 and T4A statements of remuneration paid. Although the FCA upheld the notice to revoke on other grounds, this case gives insight into the CRA's possible position on what constitutes grounds for revocation. Both cases are available to read online.

Legislative background

The CRA may issue a notice of intention to revoke a registered charity's status under subsection 168(1) of the Act if a registered charity:

- Applies to the CRA in writing for revocation of its registration (paragraph 168(1)(a))
- Ceases to comply with the requirements of the Act for its registration (paragraph 168(1)(b))
- In the case of a registered charity or registered Canadian amateur athletic association, fails to file an information return as and when required (paragraph 168(1)(c))
- Issues a receipt for a gift that does not comply with the rules (paragraph 168(1)(d))
- Fails to comply with or contravenes any of sections 230 to 231.5 (paragraph 168(1)(e)), or
- In the case of a registered Canadian amateur athletic association, accepts a gift the granting of which was expressly or implicitly conditional on the association making a gift to another person, club, society or association (paragraph 168(1)(f)).

With respect to the condition in paragraph 168(1)(e) for failing to comply with sections 230 to 231.5, subsection 230(2) of the Act requires that a registered charity keep records and books of account containing:

- Information in such form as will enable the CRA to determine whether there are any grounds for revoking its registration under the Act
- A duplicate of each receipt containing prescribed information for a donation received by it, and
- Other information in such form as will enable the CRA to verify the donations to it for which a deduction or tax credit is available under the Act.

KPMG's observations

The FCA's decision in *Opportunities* is troubling since it states that inaccuracies in a T3010 return can, in certain circumstances, justify revoking a charity's status under paragraph 168(1)(c). This may result in situations where a disagreement between a charity and the CRA auditor about a filing position could lead to revocation (as a filing position that is different than the auditor's position could result in numerous "inaccuracies").

The CRA position that an incomplete T3010 return was grounds for revocation is interesting given that subsection 188.2(2.1) (added by the 2012 federal budget) provides that a charity that files an incomplete T3010 return can have its receipting privileges suspended. Since *Opportunities* dealt with a T3010 return filed for a 2010 taxation year, it is unclear whether a case with similar facts, post 2012 federal budget, would have yielded a temporary suspension of receipting privileges instead of a revocation.

The troubling aspect of *Jaamiah* was not the decision of the FCA itself, but rather the insight into the CRA's asserted grounds for revocation. Many practitioners understood that the revocation provision in paragraph 168(1)(c) would only apply where a charity failed to file a T3010 return. The CRA's grounds for revocation here, however, included the "failure to file an information return as and when required" by not preparing and issuing proper T4 and T4A statements.

The Act has separate penalties relating to T4 and T4A filings that are applicable to employers (including charities). These filings arguably have nothing to do with a charity's compliance with the requirements in subsection 168(1) and should therefore not be grounds for revocation. Unfortunately, the FCA did not offer any guidance in this regard, with the result that charities may face increasing risks with respect to general compliance requirements that are not specific to charities.

As a result of these decisions, charities and their advisors should be very cautious when preparing their T3010 and other information returns.

Public Sector Accounting Board: Accounting Standards for Government Not-for-Profit Organizations

The Public Sector Accounting Board of Canada is responsible for setting the accounting standards that your organization is required to apply in preparing the general purpose financial statements. **The following new or revised accounting standards approved by the Board may have an impact on your financial statements over the next two years as described below.** We encourage Management to review these standards and determine whether the impact, if any, on your organization's financial statements.

In addition, we provide a summary of the status of the Board's deliberations on the future of accounting standards for government not-for-profit organizations. KPMG will continue to update you as these deliberations progress.

Summary of New and Revised Accounting Standards

Assets

PSAB issued Section PS3210 Assets which provides a definition of assets. Assets are defined as follows:

- Assets embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows.
- The public sector entity can control the economic resource and access to the future economic benefits.
- The transaction or event giving rise to the public sector entity's control has already occurred.

The standard also includes 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. This standard is effective for fiscal periods beginning on or after April 1, 2017.

Contingent Assets

PSAB issued Section PS3320 Contingent Assets which defines and establishes disclosure standards for contingent assets. Contingent assets have two basis characteristics:

- 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.

The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely. This standard is effective for fiscal periods beginning on or after April 1, 2017.

Contractual Rights

PSAB issued Section PS3380 Contractual Rights which defines contractual rights to future assets and revenue and establishes disclosure requirements. 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 expected timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed.

Factors to consider include, but are not limited to:

- (a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and
- (b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future.

This standard is effective for fiscal periods beginning on or after April 1, 2017.

Related Party Transactions

PSAB issued Section PS2200 Related Party Transactions which defines related party and provides disclosures requirements. 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.

This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized.

This standard is effective for fiscal periods beginning on or after April 1, 2017. In conjunction with the approval of this standard, PSAB approved the withdrawal of Section PS 4260, Disclosure of Related Party Transactions by Not-for-Profit Organizations, effective for fiscal periods beginning on or after April 1, 2018. Government not-for-profit organizations currently applying Section PS 4260, will therefore only be required to adopt the new standard in their fiscal period beginning on or after April 1, 2018.

Inter-entity Transactions

PSAB issued Section PS3420 Inter-entity Transactions that specifies how to account for transactions between public sector entities within the government reporting entity. This standard relates to the measurement of related party transactions for both the provider and the recipient and includes a decision tree to support the standard. Transactions are recorded a carrying amounts with the exception of the following:

- Transactions in the normal course of business are recorded at exchange amount
- Transactions with fair value consideration are recorded at exchange amount
- Transfer of an asset or liability at nominal or no consideration is recorded by the provider at carrying amount and the recipient has the choice of either carrying amount or fair value.
- Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis.
- Unallocated costs for the provision of goods or services may be recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice

This standard is effective for fiscal periods beginning on or after April 1, 2017. In conjunction with the approval of this standard, PSAB approved the withdrawal of *Section PS 4260, Disclosure of Related Party Transactions by Not-for-Profit Organizations*, effective for fiscal periods beginning on or after April 1, 2018. Government not-for-profit organizations currently applying Section PS 4260 will therefore only be required to adopt the new standard in their fiscal period beginning on or after April 1, 2018.

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

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

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

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To: Chair and Members of the UTRCA Board of Directors
From: Tracy Annett, Manager – Environmental Planning and Regulations
Date: May 11, 2017 **Agenda #:** 8 (a)
Subject: Administration and Enforcement – Sect. 28 Status Report – **Filename:** Document
Development, Interference of Wetlands and Alteration to **ENVP 4650**
Shorelines and Watercourses Regulation

This report is provided to the Board as a summary of staff activity related to the Conservation Authority's *Development, Interference of Wetlands and Alterations to Shorelines and Watercourses Regulation* (Ont. Reg. 157/06 made pursuant to Section 28 of the Conservation Authorities Act). The summary covers the period from April 12 to May 10, 2017.

Application #99/16

City of London

3493 Colonel Talbot Road – City of London

- project tied to development of Silverleaf Subdivision where separate Section 28 approval was required for Dingman Creek tributary channel reconstruction
- drawings prepared by Ecosystems Recovery Inc.
- staff approved and permit issued April 13, 2017

Application #40/17

Bell Canada

Lot 4, Concessions 10 & 11 – City of Woodstock/Township of East Zorra-Tavistock

- proposed fibre optic cable/conduit installation undercrossing Sally Creek.
- plans prepared by Bell Canada and Aecon Group Inc. including hydro-fracture contingency plans as installation will be via high pressure directional drilling.
- staff approved and permit issued April 18, 2017.

Application #41/17

City of London

1 Adelaide Street South – City of London

- permit requested for installation of playground equipment and new pathway construction within Chelsea Park
- staff approved and permit issued May 2, 2017

Application #43/17

Ivy Homes Ltd.

132 Empress Avenue – City of London

- house addition within West London proposed Special Policy Area (SPA)
- drawings prepared by D.C. Buck Engineering
- staff approved and permit issued April 24, 2017

Application #44/17

City of London

Trowbridge Avenue – City of London

- permit required for sewer replacement and new outfall construction in regulated area
- plans prepared by Dillon Consulting
- staff approved and permit issued May 2, 2017

Application #50/17

Ashley Winder

41 Mayfair Drive – City of London

- approval required for construction of house addition
- floodproofing design elements prepared by Strik Baldinelli Moniz
- staff approved and permit issued April 13, 2017

Application #53/17

Rotary Club of Mitchell

5949 Frank Street – Municipality of West Perth

- proposed wildlife viewing platform with roof and wheelchair access overlooking the Mitchell Wetlands.
- plans prepared by MTE Consultants Inc.
- staff approved and permit issued April 18, 2017.

Application #54/17

J.P.B. Developments Inc.

Part Lots 21 & 22, Concession 6 and Part Lot 22, Concession 5 – Township of East Zorra-Tavistock

- proposed residential subdivision development including site grading, road works, stormwater management pond construction and related outlet associated with Phase III of 'The Ponds' subdivision in Tavistock.
- plans prepared by GM BluePlan Engineering Limited and Aboud & Associates.
- staff approved and permit issued April 20, 2017.

Application #58/17

John Toller and Erika Simpson

10 Cummings Avenue – City of London

- approval required for construction of small house addition within West London proposed SPA
- floodproofing design components prepared by Strik Baldinelli Moniz
- staff approved and permit issued May 5, 2017

Application #65/17

City of London

Exeter Road – City of London

- permit required for sewer upgrade work on a section of Exeter Road between Breck Avenue and Meadowbrook Drive, with crossing of small Dingman Creek tributary within the project limits
- plans prepared by AECOM
- staff approved and permit issued May 5, 2017

Application #66/17

2400806 Ontario Inc.

222 Rathnally Street – City of London

- approval required for construction of house addition in West London proposed SPA
- plans prepared by D.C. Buck Engineering
- staff approved and permit issued May 5, 2017

Application #67/17

Shaun Stevens

9385 Elviage Drive – City of London

- UTRCA approval required for deck construction in regulated area, outside flood and erosion hazard limits
- drawings prepared by EngPlus
- staff approved and permit issued May 5, 2017

Status Report – Unauthorized Fill Placement and Site Grading on Erosion Hazard and Valleyland Adjacent North Branch Creek/Middle Thames River

Part Lots 9 & 10, Concession 5

Township of Zorra

UTRCA staff have observed the removal of trees and the placement of a fill material on and over the slope in an area identified as erosion hazard land and valleyland associated with North Branch Creek/Middle Thames River. UTRCA staff have had discussions with the landowner who has agreed to removal of the recently placed material and reinstatement of the slope once the ground is dry enough to undertake the restoration work. UTRCA staff will continue to monitor this project.

Status Report – Unauthorized Fill Placement and Site Grading Adjacent a Watercourse

Part Lot 12, Concession 12

Township of East Zorra-Tavistock

UTRCA staff have observed the placement of a large amount of fill material adjacent a watercourse in an area identified as floodplain. Landowner had previously requested enclosure of the adjacent watercourse on the property and staff responded to the request advising of our policies related to watercourse alterations and suggesting a meeting to discuss details. While we offered potential dates, no meeting date was ever finalized from the landowners. A violation letter has since been issued to the landowners (May 1, 2017). Their legal representative has subsequently contacted us to arrange a meeting to discuss. UTRCA staff will continue to monitor this project.

Status Report – Unauthorized Site Alteration/Grading, Unauthorized Development (Cabin/House), Unauthorized Pond Excavation and Unauthorized Watercourse Enclosure

Part Lot 18, Concession 10

Township of Perth East

Board was last updated on this issue in August of 2016. Following a complaint that a cabin/house was being built in a wetland/woodland regulated by the Conservation Authority, UTRCA staff notified the Township Building Official and County Woodlands Conservation By-Law Enforcement Officer. UTRCA staff were advised that building permits had not been obtained for the construction and further that current zoning for the wetland/woodland portion of the property would not permit a new structure of this nature. A violation letter was issued to the landowner (August 4, 2016). Prosecution subsequently

commenced (via the County) against the landowner under the Woodlands Conservation By-Law. As a result of prosecution discussions there are now agreements (between the landowner and the County) to remove the structure and restore the wetland/woodland by the end of June. UTRCA staff met on site (April 18, 2017) with the landowner, his legal representative and Township staff as a follow-up to that agreement to discuss details related to the cabin/house removal. UTRCA staff will continue to monitor this project.

Status Report – Unauthorized Development, Fill Placement, Site Grading, Road and Parking Lot Construction, Dam Creation (2) and Alteration to a Watercourse

Part Lot 21, Concession 1

Township of Perth East (Ellice)

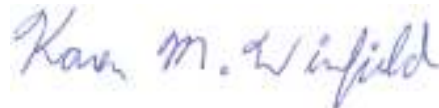
Following complaints of recent works causing blockages on a municipal drain, Township staff undertook a site visit along the watercourse and noted two new dams recently installed on the property with some adjacent bank work and construction of other associated structures. UTRCA staff have also observed the creation of a new road and parking lot within the floodplain on the same property. A violation letter has since been issued to the landowner (May 1, 2017). We note this property is also the site of another (3rd) dam which has been in place for a number of years and for which UTRCA staff have historically received complaints relating to water level concerns from both upstream and downstream landowners. Township and UTRCA staff are hoping to undertake a joint site visit with the landowner and have since contacted him with potential dates. At this time, we are waiting to hear back from the landowner and/or his legal representative. UTRCA staff will continue to monitor this project.

Reviewed by:



Tracy Annett, MCIP, RPP, Manager
Environmental Planning and Regulations

Prepared by:



Karen Winfield
Land Use Regulations Officer



Mark Snowsell
Land Use Regulations Officer



Cari Ramsey
Env. Regulations Technician

To: UTRCA Board of Directors

From: Ian Wilcox

Date: 12 May 2017

Subject: April Finance update

Agenda #: 8 (b)

Filename: C:\Users\saracino\Documents\GroupWise\661-1.doc

Recommendation:

The Board receives the 2017 April Income Summary Report attached.

Commentary:

This report, while respecting the approved budget bottom line, describes all the activities of the organization under the new accounting system. Some of the totals by category have changed and continue to be refined as we develop the means to distinctly see the results of both operating and capital transactions. An example of this is revenue associated with education programs; it may have appeared as a school board contract in the original budget but may more rightly be considered user fees or even 'other'.

The levy funding revenue section reflects the full billing of 2017 levy to municipalities except for the remaining flood control levy for London related to matching WECEI funding. It will be billed as work is completed throughout the year and before the year end.

All Other Revenues contains deferred revenues which were not easily projected in making budget estimates late last year. The cash for these revenues was received in 2016, but the revenues are only recognized in 2017 when the funding will be used.

Actual expenses to date stand at 32.6% of the entire operating budget, but as a third of the year is now complete, we anticipate that expenses will remain largely on track. There are no extraordinary transactions which stand out in any particular unit.

The management team is preparing a budget update for June which will more accurately forecast expected results for the current year.

Recommended by:

Ian Wilcox

Prepared by:



Christine Saracino

Upper Thames River Conservation Authority

Summary Statement of Operations For The Period Ending April 30, 2017

	2017 YTD Actual	2017 Total Budget	\$ Variance
Revenues:			
Levy Funding			
Municipal General Levy	3,271,214	3,271,214	-
Dam and Flood Control Levy	1,324,926	1,324,926	-
Capital Maintenance and Operating Reserve Levy	200,723	200,723	-
Flood Control Capital Levy	246,768	1,301,310	1,054,542
	<u>5,043,631</u>	<u>6,098,173</u>	<u>1,054,542</u>
Government Transfer Payments	-	354,129	354,129
Contracts			
Municipal within Watershed	255,919	1,109,048	853,129
Municipal without Watershed	26,800	50,000	23,200
Provincial	233,100	2,294,238	2,061,138
Federal	192,968	1,377,917	1,184,949
All other	882,206	1,633,044	750,838
	<u>1,590,993</u>	<u>6,464,247</u>	<u>4,873,254</u>
User Fees			
Conservation Areas	1,842,443	3,231,949	1,389,506
Planning and Permit Fees	55,860	172,000	116,140
	<u>1,898,303</u>	<u>3,403,949</u>	<u>1,505,646</u>
All Other Revenues	1,924,289	1,055,957	(868,332)
Funding from reserves	-	580,582	580,582
Total Revenues	<u>10,457,216</u>	<u>17,957,037</u>	<u>7,499,821</u>
Mission Cost Centres			
Community Partnerships	346,900	967,552	620,652
Water and Information Management	660,705	2,035,399	1,374,694
Environmental Planning and Regulations	520,154	1,758,364	1,238,210
Conservation Services	628,407	1,479,830	851,423
Watershed Planning, Research and Monitoring	348,471	1,067,611	719,140
Conservation Areas	1,011,914	4,096,642	3,084,728
Lands and Facilities Management	499,362	1,632,001	1,132,639
Service Cost Centres	151,022	(265,282)	(416,304)
Total Operating Expenditures	<u>4,166,935</u>	<u>12,772,117</u>	<u>8,605,182</u>
Surplus (deficit) in Operations	6,290,280	5,184,920	(1,105,360)
Anticipated transfers to reserves	-	607,018	607,018
Capital Expenditures:			
Flood Control Capital Projects	1,323,730	3,645,244	2,321,514
All other Capital Expenditures	261,121	873,118	611,997
Total Capital Expenditures	<u>1,584,852</u>	<u>4,518,362</u>	<u>2,933,510</u>
Net Surplus (Deficit)	<u>4,705,429</u>	<u>59,540</u>	<u>(4,645,889)</u>



In This Issue

Conservation Ontario Elects New Board of Directors

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Naturally Resilient: MNR's Natural Resource Climate Adaptation Strategy (2017-2021)

Request for Bids for the Development of Draft Guidance for Watershed

This e-bulletin provides updates on key issues, primarily from Conservation Ontario (CO) Council meetings, and contains weblinks to specific CO reports, letters and presentations for your reference.

Conservation Ontario Elects New Board of Directors

Elections were held at Council for the 2017 positions of Chair, Vice Chairs and Directors for Conservation Ontario. Dick Hibma (Grey Sauble) was declared the Chair of Conservation Ontario. Lin Gibson (Conservation Sudbury) and Don MacIver (Credit Valley) were elected the Vice Chairs of Conservation Ontario. Cliff Evanitski (Long Point), Linda Laliberte (Ganaraska Region) and Doug Thompson (South Nation) are the new Directors of Conservation Ontario.

CO staff contact: [Kim Gavine](#)

CO Council Theme: The Great Lakes

Conservation Ontario's Annual General Meeting showcased a number of presentations to highlight the Great Lakes. Bonnie Fox (CO) introduced [CO & CA Connections to the Great Lakes and St. Lawrence River](#). Sandra George (ECCC) provided a presentation on the [Lake Erie Action Plan to Reduce Phosphorus Loads to Lake Erie](#), and Dawn Walsh (MOECC) provided an overview on [Ontario's Canada-Ontario Agreement \(COA\) and Great Lakes Strategy Work Plan](#). A regional presentation on [Lake Erie Conservation Authorities](#) was presented by Richard Wyma (Essex Region CA).

CO staff contact: [Bonnie Fox](#)

CO Representatives and CA Program Discussion Groups &

Planning

CO Training and Professional Development Strategy Advisory Committee Representatives

MOECC Low Impact Development Guidelines for Ontario

Case for Investment in Ontario's Flood Management programs, services and infrastructure

Source Water Protection

Endorsement of a Carolinian Canada Coalition (CCC) Representative

Let's Chat!



[Join Our Mailing List!](#)

Conservation Ontario provides an annual list of CO Representatives and CA Discussion Groups to recognize the significant, volunteer contributions provided through Conservation Authority staff to collective strategic priorities. The full [Council Report](#) includes an Annual Report and tables of Committees that were active and the committee members present during the time period of April 2016 - March 2017, and the highlights of the initiation of the 2017 Committee Review. **CO staff contact:** [Bonnie Fox](#)

Excess Soil/Large Scale Fill and Proposed Amendments to

On November 16, 2016 the Minister of Municipal Affairs introduced Bill 68, Modernizing Ontario's *Municipal Legislation Act, 2017*. The Bill proposes a strict repeal of Subsection 142(8) which currently causes a Municipal site alteration by-law to have no effect in a Conservation Authority regulated area. Since the introduction of the Bill, Conservation Ontario staff have been working with Provincial employees to voice concerns related to the lack of integration between future approvals under Municipal Site Alteration by-laws and permissions issued under Section 28 of the *Conservation Authorities Act*. To learn more, read the full [Council Report](#).

CO staff contact: [Leslie Rich](#)

Permit To Take Water Moratorium

Conservation Ontario Council endorsed CO's letters of comment to the Ministry of the Environment and Climate Change (MOECC) on the "*Proposed Technical Guidance for Bottled Water Permit Renewals*" (EBR#012-9151) and the "*Regulation Establishing a New Water Bottling Charge*" (EBR#012-9574). CO provided specific comments to strengthen the proposed procedural and technical documents scientifically, and to ensure that only persons with relevant experience can conduct the required technical studies. Read the full [Council Report](#) for more details.

CO staff contact: [Chitra Gowda](#)

Cap and Trade: Offsets Credits Regulatory Proposal

CO Council endorsed CO's submitted [letter of comment](#) to MOECC on the "*Ontario Cap and Trade Program: Offsets Credits Regulatory Proposal*". Conservation Ontario and Conservation Authorities have also engaged in discussions with other partners on the subjects of carbon offsetting to understand the potential CA/CO role as Ontario finalizes and implements regulatory and voluntary offset initiatives. Webinars on the adaptation of protocols for Ontario and Quebec were held on March 30, 2017 on the topics of: "[Forest \(avoided conversion and improved forest management\)](#)", "[Afforestation and Reforestation](#)", and "[Urban Forest Project](#)".

CO staff contact: [Jo-Anne Rzdcki](#)

Naturally Resilient: MNRF's Natural Resource Climate Adaptation Strategy (2017-2021)

Conservation Ontario Council endorsed CO's submitted [letter of comment](#) on "*Naturally Resilient: MNRF's Natural Resource Climate Adaptation Strategy (2017-2021)*". Emphasis was placed on the importance of specifically acknowledging the role of the Ministry of Natural Resources and Forestry (MNRF) and Conservation Authorities as partners in the delivery of policy and program areas which address climate change in Ontario. Conservation Ontario will continue to engage with MNRF, MOECC and other ministries for integration of MNRF's strategy, and consideration and

incorporation of CO comments during the upcoming renewal and update of Ontario's Climate Adaptation Plan (Climate Ready) in 2017.

CO staff contact: [Jo-Anne Rzadki](#)

Request for Bids for the Development of Draft Guidance for Watershed Planning

The Province released a Request for Bids (RFB) seeking a vendor for the Development of Draft Guidance for Watershed Planning. Bonnie Fox (CO) contacted the CAOs within the Co-ordinated Land Use Planning Review area with a request to nominate potential members for the Collaborators Group (identified in the RFB) and to participate in a working group to proactively identify any technical concerns, improvements or recommendations to share with the Province on the document. The group met to discuss the Province's RFB and determined that Conservation Ontario should send a **letter** outlining some areas for improvement in the development of the guidance materials.

CO staff contact: [Bonnie Fox](#)

CO Training and Professional Development Strategy Advisory Committee Representatives

An Advisory Committee for a CO Training/Professional Development Strategy (Strategy) has been formed to provide advice on the overall approach to the development of the Strategy and to provide advice in 2017 on the scope of the research/consultation phase. Based on the advice received from the Advisory Committee, CO staff has been working on Phase 1a: a scoped review of current CO training/professional development deliverables and costs. Over the next month, CO staff will continue to work with the Advisory Committee to complete Phase 1a, and to obtain advice on Phase 1b: Identifying CA Program Training priorities and needs. To learn more view the full **Council Report**.

CO staff contact: [Jessica Chan](#)

MOECC Low Impact Development Guidelines for Ontario

Conservation Ontario and Conservation Authority staff have been engaged as members of the provincial Stakeholder Review Group (SRG) in the development of the MOECC Low Impact Development Guidelines for Ontario. On February 15, 2017, Conservation Ontario staff convened a meeting of the CA SRG members and CO Council endorsed members of a CA advisory. As a result of the meeting, a **letter** was submitted to MOECC staff providing input on the draft MOECC LID Guide chapters produced to date and recommendations regarding the release of the draft Guidelines and future implementation.

CO staff contact: [Jo-Anne Rzadki](#)

Case for Investment in Ontario's Flood Management programs, services and infrastructure

Conservation Ontario's "Flood Business Case" continues to be an area of focus for CO and members of the Flood Business Case working group and subcommittees. Read the full **Council Report** for details on activities on this file since the December 2016 CO Council meeting, including the collaboration between the MNRF, Grand River and Ganaraska Region CAs, and Canadian Water Resources Association in the delivery of the **Floodplain Mapping Knowledge Transfer Workshop** which was held on March 8th and 9th, 2017.

CO staff contact: [Jo-Anne Rzadki](#)

Source Water Protection

Implementation of all 22 Source Protection Plans under the *Clean Water Act* is well underway across the province. The MOECC has negotiated workplans with lead source protection authorities for local program delivery for 2017-18. MOECC will continue local program review visits in 2017. A stewardship rationale summary was presented to MOECC in March 2017, and the Joint Advisory Committee (JAC) has been asked to provide more information into 2017 from implementing bodies. An overhead working group is established, and a knowledge management working group will be

established to provide recommendations to MOECC in 2017. An international source water protection conference is planned for spring/summer 2018. For more details, read the full [Council Report](#).

CO staff contact: [Chitra Gowda](#)

Endorsement of a Carolinian Canada Coalition (CCC) Representative

The Carolinian Canada Coalition (CCC) mission is to advance a collaborative conservation strategy for the region. The current strategic plan (that is up for renewal) focuses on partnerships, engagement and collective monitoring. Conservation Authorities are key partners for CCC programs that connect environmental enhancement efforts across the Carolinian Zone. CO's former Carolinian Canada Representative, Caroline Biribauer, recently left Essex Region Conservation Authority and resigned from the CCC Board. Conservation Ontario Council has endorsed a new representative, Mari Veliz (ABCA), who will continue to develop ongoing opportunities for collaboration between CCC and Conservation Authorities in the Carolinian Zone. For more information, view the full [Council Report](#).

CO staff contact: [Jo-Anne Rzdaki](#)

Feedback

If you have any comments, concerns, or suggestions for improving this bulletin please contact info@conservationontario.ca.

www.conservationontario.ca

Conservation Ontario, 120 Bayview Parkway, Newmarket, Ontario L3Y 3W3 Canada

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Springbank Drive, London, April 1937

The Flood of '37: A Watershed Event

Flooding is on everyone's radar now, after the devastating flooding in eastern Ontario and Quebec. The Thames watershed recently marked the 80th anniversary of the largest flood ever recorded on the Thames River, the Flood of April 1937. That event saw flooding in communities across the watershed, including London, where the Thames rose 23 feet, as well as Woodstock, Ingersoll, Stratford and St. Marys. The Flood of '37 took a deadly toll, claiming five lives, destroying more than 1,100 homes, and causing an estimated \$3,000,000 (1937 dollars) in damage.

(See photos from the Flood of '37 at www.thamesriver.on.ca.)

Flooding along the Thames has been an issue since European settlement. Building in areas susceptible to flooding, and removing trees and wetlands contributed to this problem. The Flood of '37 demonstrated all too clearly the need to protect people and property from flooding. It was a watershed event both literally and figuratively, providing impetus to the movement that gave rise to the *Conservation Authorities Act* in 1946.



West London along Blackfriars at Napier, looking west, April 1937

Today, Ontario's 36 Conservation Authorities (CAs) play a key role in protecting people and properties from floods where 90% of Ontarians live. At the foundation of this program are CA floodplain maps, which identify flood prone areas. Under the *Conservation Authorities Act*, CAs regulate development in these areas. They provide flood risk information to municipal planners and the general public to promote proper land use planning and regulation of new and existing development, in order to protect lives and homes.

Last year, the UTRCA's land use planners reviewed more than 750 development applications circulated by our watershed municipalities, and land use regulations officers reviewed close to 250 permit requests, as well as responding to numerous inquiries from the public, real estate agents and lawyers. Prevention is the first step to successful flood management and that means not allowing development in flood prone and other hazardous areas.



Front Street, London, April 1937

Province-wide, CAs maintain \$2.7 billion worth of protective flood infrastructure such as dams and dykes or purchased lands located in hazardous areas. Locally, the UTRCA has three major dams (Fanshawe, Pittock and Wildwood), a series of dykes, flood walls, and channels throughout the watershed for flood management, and a network of more than 30 stream gauges for flood forecasting and warning.

Conservation Authorities are responsible for monitoring and predicting flood flows and water levels within their watersheds, operating flood control structures such as dams, and disseminating flood messages to local municipalities and agencies. This information is used to support flood forecast, safety and warning messages to the public and many partners including emergency management officials to help keep people out of harm's way in advance of potential flood events.

In addition to floodplain regulations and structures, CAs help to protect and enhance wetlands, forests and other natural features and systems that capture and store floodwaters.

The current flooding in eastern Canada has many people talking about how to best prevent these tragedies in the future. Following are links to a few thought provoking articles.

- *“Flood. Rinse. Repeat: The costly cycle that must end.”* Glenn McGillivray, Managing Director, Institute for Catastrophic Loss Reduction. Special to The Globe and Mail, May 7, 2017. www.theglobeandmail.com/opinion/flood-rinse-repeat-the-costly-cycle-that-must-end/article34914333/
- *“In Canada, flooding happens because governments let it happen.”* Editorial, The Globe and Mail, May 8, 2017. www.theglobeandmail.com/opinion/editorials/in-canada-flooding-happens-because-governments-let-it-happen/article34925831/
- *“One way to battle future flooding: stop building on flood plains, say experts.”* CBC News, May 9, 2017. www.cbc.ca/news/politics/building-on-flood-plains-goodale-1.4107474
- *“It’s time we stopped paying for your river view: Flooding is predictable and increasingly common, and the government needs to halt its huge bailouts of oblivious homeowners.”* Scott Gilmore, Macleans, May 10, 2017. www.macleans.ca/news/canada/its-time-we-stopped-paying-for-your-river-view/

Thanks to Conservation Ontario for providing some of the information in this article.

Upper Medway Project

The Upper Medway Priority Subwatershed Project continues to provide cost-share incentives for landowners to implement practices that reduce phosphorus losses from agriculture. One landowner recently made two modifications to his corn-planter. First, he added a hydraulic down-force pressure system, which allows the planter to maintain consistent seed depth when planting into plant residue in a no-till operation. A second row of discs was also added to the planter to allow more fertilizer to be placed in the soil with the seed, rather than broadcast on the soil surface.



Planter equipment modifications will help the landowner manage crop residue and fertilizer more effectively.

These modifications will help the landowner continue to produce high-yielding crops, while reducing the soil and nutrient loss from the farm through fertilizer placement and increased residue cover.

The project has garnered interest from organizations on many levels. On May 1, UTRCA staff presented an update on the Upper Medway Project to the Lucan-Biddulph Township Council. The council members were very interested in the local efforts taking place to address water quality issues and UTRCA staff were invited back in early 2018 to present the project’s final results. On June 6, Ontario Soil & Crop Improvement Association (OSCIA) staff will tour the Upper Medway to see some of the actions implemented through the Priority Subwatershed Project. The OSCIA is responsible for delivering the project and is always interested in seeing work on the ground.

Contact: Michael Funk, Agricultural Soil & Water Quality Technician



Participants in The Lorax Project play the “Planet Earth Game.”

The Lorax Project

Every year, the Upper Thames River Conservation Authority, Stratford Civic Beautification and Environmental Awareness Committee, and City of Stratford partner to offer an Earth Day program during Stratford Green Week. The Huron Perth Catholic District School Board joined this year’s partnership, through a grant from the Ministry of Education’s Community Connected Experiential Learning Projects.

This year’s event was called “The Lorax Project.” The event featured a full day of activities related to environmental awareness and stewardship based on the messages of the Dr. Suess story, “The Lorax,” as well as planting native trees and shrubs as part of a naturalization project. More than 100 students from all four elementary and one secondary Catholic school in Stratford participated. As a thank you, each school received a sugar maple seedling to plant at their school with the understanding that they will nurture it with care and share the messages of “The Lorax” through environmental initiatives with their school communities.

Contact: Maranda McKean, Community Education Specialist



One of the teams testing their knowledge at the wildlife station at the regional Envirothon competition.

2017 Envirothon Competition

What's more exciting and mentally stimulating than bingeing on shows during a Netflix Marathon? Bingeing on different environmental topics during Envirothon, of course! Envirothon is a team-based competition for high school students, in which they build environmental awareness and leadership by participating in practical educational experiences. Since the program was created by Forests Ontario in 1994, 10,000 students have taken part, from more than 200 schools and 24 regions across Ontario.

On April 19, seven teams from the Huron-Perth region descended upon Wildwood Conservation Area for the "Envirothon Workshop," a day to help the students prepare for the regional competition. Natural resource professionals from Ausable Bayfield, Maitland Valley, and Upper Thames River Conservation Authorities led hands-on sessions in the four core Envirothon topics: aquatics, soils, forestry, and wildlife. The teams of five students split up, with at least one member attending each of the sessions, thus ensuring each team has a "specialist" for each topic.

In addition to the core topics, a special topic is also explored that focuses on a current environmental issue. This year's special topic was "Sustainable Farming." Dennis Aarts, a local farmer and owner of McCully's Hill Farm, came to Wildwood and gave an informative and engaging talk on his experiences of having an economically viable farm while also considering the environment and social issues.

The Huron-Perth region Envirothon competition was held on May 2 at Maitland Woods in Goderich. Though the day was rainy, the seven regional teams were in good spirits as they tested their knowledge, problem solving and critical thinking skills, and team work, while completing the four core topic tests at different stations in the woods. The teams also gave an oral presentation related to sustainable agriculture that had them evaluate and analyze a scenario while linking it to the Envirothon core topics.

It was a close competition, but in the end the team from Central Huron Secondary School in Clinton came out on top, and will be off to the provincial competition at the end of the month in Lindsay. The winning team from that competition will go on to the North American Envirothon Championship.

The knowledge and leadership skills the students gain during this unique competition set them on a path to making informed decisions that will benefit the environment and society. Congratulations to all the students who participated in Envirothon! The three Conservation Authorities involved in the Huron-Perth Region Envirothon competition would like to thank the partners who made the 2017 competition a success: Huron County, Huron Stewardship Council, Goderich Lions Club, Perth Stewardship Network, and the Stratford Civic Beautification & Environmental Awareness Committee.

Contact: Mia King, Community Education Technician



"Eau Canada!" Celebrates our Canadian Heritage River

On May 9, several enthusiastic UTRCA staff dressed in red and assembled on the shores of the Thames River to sing part of O Canada! We were recorded and video taped singing the fourth line of the anthem – both the official version ("In all thy sons command") and the alternative version ("In all of us command").

The footage is our contribution to "Eau Canada," organized by the Canadian Heritage Rivers System to celebrate Canada 150. The video team that captured our voices and images is traveling across Canada, filming groups that represent each of the Canadian Heritage Rivers singing different lines of the anthem. All the footage will be edited into one video, to be released on YouTube on June 11 (Canadian Heritage Rivers Day). The video will also be played on a big screen at Parliament Hill in Ottawa as part of the Canada 150 celebrations!

Touring Maitland Valley CA's Garvey-Glenn Subwatershed

Staff participated in a tour of the Garvey-Glenn Subwatershed, hosted by the Maitland Valley Conservation Authority. This subwatershed is targeted as part of the Healthy Lake Huron Initiative and Great Lakes Agricultural Stewardship Initiative (GLASI).

The projects viewed on the tour included water and sediment control structures, cover crop demonstration plots, and an edge-of-field surface runoff *versus* tile drainage phosphorus monitoring



Circular flume for monitoring surface runoff in the Garvey-Glenn Subwatershed

project. These best management practices are part of an effort to reduce erosion and nutrient loss in the Great Lakes basin.

Collaborative work between Conservation Authorities shares knowledge of best management practices and builds better stewardship opportunities.

Contact: Tatianna Lozier, Agricultural Soil & Water Quality Technician

Species of the Month: Eastern White Cedar

Eastern White Cedar (*Thuja occidentalis*) is a very recognizable tree, commonly planted as a windbreak, hedge and visual barrier. The species' natural range stretches across Ontario eastward to parts of Nova Scotia and much of the north, central and upper northeastern U.S. It is not native to extreme southwestern Ontario or the southern/Carolinian deciduous forest.



The distinctive scaly foliage of the Eastern White Cedar.

This small, coniferous (cone-bearing) tree usually reaches 15 m in height and 30 cm in diameter. In good soil, it is a relatively fast grower, living for about 200 years. It occurs in cool swamps or wet areas underlain by limestone. It also grows on very shallow, dry soils such as retired gravel pits where there is little tree competition. Astonishingly, small, stunted trees over 700 years old have been found on the limestone cliffs of the Niagara Escarpment, a testament to the species' hardiness.

Eastern White Cedar does not tolerate road salt or deep shade. In open grown conditions, the tree has a dense, conical or columnar shape, neat and trim in appearance. Within forests, the crown is irregular and the lower dead branches can create a tangled mosaic, difficult to walk through.

Small, green, scaly leaves cover the tree's fan-shaped twigs. They are a favourite food of White-tailed Deer during the winter. In areas of high deer concentration, it is not uncommon to see cedar trees bare from the ground to 2 metres up, the reach of the deer. The seed cones are 7-12 mm long and ripen in late summer, eaten by songbirds such as sparrows as well as Red Squirrels. Cedar stands provide shelter and food for deer, small mammals and many species of birds. Pileated Woodpeckers create cavities in mature cedars to feed on carpenter ants.

The wood is very light, soft and has that pleasant cedar odour. Its resistance to decay makes it a popular choice for fencing, shingles and ribbing in wooden canoes. In traditional Ojibwe culture, E. White Cedar is one of the four plants on the medicine wheel, associated with the north. The foliage is rich in Vitamin C.

Eastern White Cedar is one of the best tree species for protecting soil from erosion and stabilizing stream banks and lake shores. Its shallow roots do not search for or clog field tiles. The UTRCA used to plant a lot of E. White Cedars in windbreaks and in mixed block plantings but, due to heavy browse pressure by overabundant deer, it is used less and less.

Contact: Cathy Quinlan, Terrestrial Biologist

On the Agenda

The next UTRCA Board of Directors meeting will be May 23, 2017. Approved board meeting minutes are posted on the publications page at www.thamesriver.on.ca.

- Friends of Ellice and Gads Hill Swamps Co-Management Agreement - Renewal
- Finance & Audit Committee Recommendations
- First Quarter Financial Report
- Administration and Enforcement - Section 28
- Harrington EA Update
- Community Partnerships Presentation

Contact: Michelle Viglianti, Administrative Assistant



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