



**THE REGIONAL MUNICIPALITY OF NIAGARA  
AUDIT COMMITTEE  
AGENDA**

**AC 2-2021**

**Monday, May 10, 2021**

**1:00 p.m.**

**Meeting will be held by electronic participation only**

**This electronic meeting can be viewed on Niagara Region's Website at:**

**<https://www.niagararegion.ca/government/council/>**

Due to efforts to contain the spread of COVID-19 and to protect all individuals, the Council Chamber at Regional Headquarters will not be open to the public to attend Council meetings until further notice. To view live stream meeting proceedings, please visit: [niagararegion.ca/government](https://www.niagararegion.ca/government)

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	<b>Pages</b>
<b>1. <u>CALL TO ORDER</u></b>	
<b>2. <u>DISCLOSURES OF PECUNIARY INTEREST</u></b>	
<b>3. <u>PRESENTATIONS</u></b>	
<b>4. <u>DELEGATIONS</u></b>	
<b>5. <u>ITEMS FOR CONSIDERATION</u></b>	
5.1. <u>AC-C 3-2021</u> 2020 Audited Consolidated Financial Statements  A presentation will precede consideration of this item.	3 - 90
5.2. <u>AC-C 4-2021</u> Appointment of Auditors	91 - 95
5.3. <u>AC-C 6-2021</u> Audit Committee Terms of Reference Update	96 - 102

## **6. CONSENT ITEMS FOR INFORMATION**

6.1. AC-C 5-2021 103 - 107  
Management Action Plan Update

6.2. JBM-C 6-2021 108 - 118  
Approval of Court Services 2020 Audited Schedule of Revenues,  
Expenses and Funds Available for Distribution  
*This item was forwarded to the Audit committee for information by  
resolution of the Joint Board of Management at its meeting held on April  
8, 2021.*

6.3. PW 5-2021 119 - 127  
Approval of Statement of Contributions and Expenditures for Niagara-on-  
the-Lake Wastewater Treatment Plant  
*This item was forwarded to the Audit Committee for information by  
resolution of the Public Works Committee at its meeting held on April 13,  
2021.*

6.4. AC-C 7-2021 128 - 173  
Niagara Regional Housing 2020 Draft Audited Financial Statements  
*This item was forwarded to the Audit Committee for information by  
resolution of the Niagara Regional Housing Board of Directors at its  
meeting held on April 16, 2021.*

## **7. OTHER BUSINESS**

## **8. NEXT MEETING**

The next meeting will be held on Monday, September 20, 2021 at 1:00 p.m.

## **9. ADJOURNMENT**

If you require any accommodations for a disability in order to attend or participate in meetings or events, please contact the Accessibility Advisor at 905-980-6000 ext. 3252 (office), 289-929-8376 (cellphone) or [accessibility@niagararegion.ca](mailto:accessibility@niagararegion.ca) (email).

# 2020 Consolidated Financial Statement Highlights

Audit Committee  
AC-C 3-2021

May 10, 2021

Melanie Steele, Associate Director Reporting & Analysis

NIAGARA REGION

2020

2020 Consolidated Financial  
Statement Highlights

Audit Committee  
May 10, 2021



# Agenda

Year-end Overview



Consolidated Financial Statement Highlights



Audit Findings Report



Next Steps

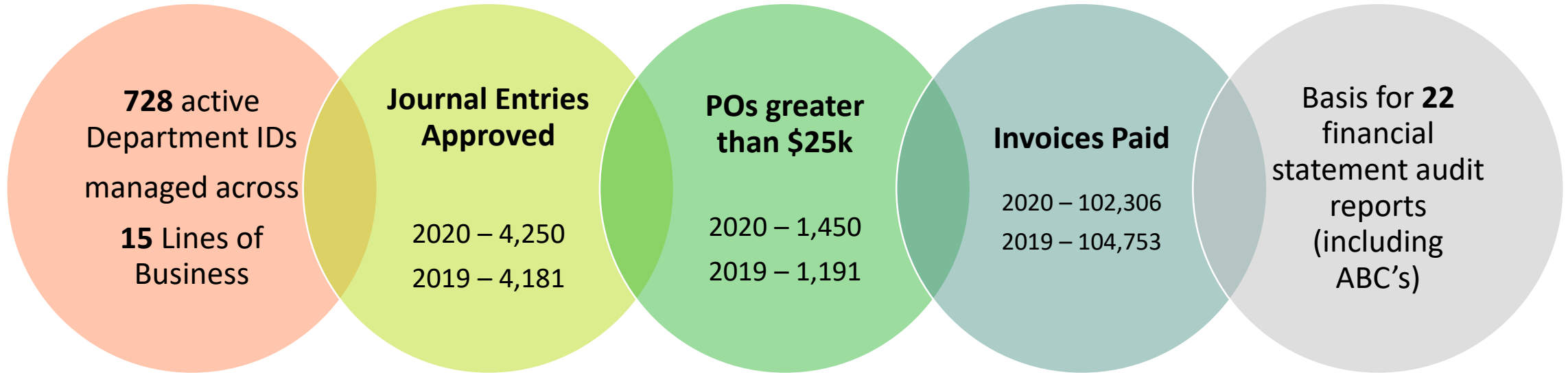
# Year-End Overview

Recap of reports presented during the year

Activity	2020	2019
Audit Planning Report	AC - Sept. 21, 2020	AC - Sept. 9, 2019
Q1 Financial Update	BRC - June 18, 2020 Council - June 25, 2020	BRC - June 20, 2019 Council - July 18, 2019
Q2 Financial Update	CSC - Sept. 9, 2020 Council - Sept. 17, 2020	CSC - Sept. 11, 2019 Council - Sept. 19, 2019
Q3 Financial Update	CSC - Dec. 9, 2020 Council - Dec. 17, 2020	CSC - Dec. 4, 2019 Council - Dec. 12, 2019
Year-End Results and Transfer Report	CSC - Mar. 10, 2021 Council - Apr. 22, 2021	CSC - Mar. 11, 2020 Council - Mar. 19, 2020
Committee Review of Audited Financial Statements	AC - May 10, 2021	CSC - May 13, 2020
Council Approval of Audited Financial Statements	May 20, 2021	May 21, 2020

# Year-End Overview

## 2020 Statistics



# 2020 Audit Plan Highlights

- **Control Reliance Approach**
  - Deloitte tested our controls in order to place reliance on them
- **Risk Based Approach**
  - Significant risks were assessed and resulted in specific audit procedures
- **Materiality**
  - Determined on a basis of total revenues
  - Misstatements greater than 5% of materiality reported to Audit Committee
  - Financial statements are free from material misstatements

# Presentation Reconciliation

Key highlights between what you see in the Budget vs. Audited PSAS\* Financial Statements

Budget Financials (presented quarterly)	Audited Financials (presented annually)
Functional basis - Levy, Rate, Capital	Canadian PSAS
Used for setting tax rates	Used for credit rating, annual report, MBN
Encumbrance accounting	Accrual accounting
Reserve accounting	Excludes reserve transfers
Excludes unfunded liabilities (i.e. employee future benefits, landfill)	Includes all liabilities
Capital is based on funding sources	Capital is expensed through depreciation
Not consolidated	Consolidated
Budget created to manage at program level	Audited statements summarized at overall financial position

\*PSAS – Public Sector Accounting Standards

# Reconciliation of Surplus

Reconciliation of differences between year-end results & audited financial statements

(in thousands)	2020	2019
Water & Wastewater (deficit) surplus	\$ 2,729	\$ (1,684)
Waste Management (deficit) surplus	1,493	(1,156)
Levy surplus	37,306	3,453
Net operating surplus (per Year End Transfer Report CSD 17-2021)	41,528	613
Net capital activity	(53,846)	(45,030)
Net funding activity	121,486	106,307
Change in unfunded liabilities	(12,940)	(4,494)
<b>Annual surplus per PSAS consolidated financial statements</b>	<b>\$ 96,228</b>	<b>\$ 57,396</b>

*\*A detailed surplus reconciliation is found in Appendix 3 of report*

# Statement of Operations

## Revenues

Budget to Actual (in thousands)	Change
Budgeted revenues per financial statements	\$ 1,071,959
<u>Significant changes</u>	
<b>User charges</b> driven mainly by reduced transit fares due to COVID-19 service impacts and reduced ridership, as well as reduced parental fees collected at childcare centres	(12,082)
<b>Government transfers - Ontario</b> driven mainly by funding received to support incremental COVID-related costs, offset by reduced revenue in Community Assistance due to lower client benefit costs	38,821
<b>Development Charges</b> driven by timing of revenue recognition on combined sewer overflow projects	(7,435)
<b>Infraction revenue</b> driven by reduced fines collected in Court Services as a result of COVID-related court closures and delay in the implementation of the Vision Zero program	(5,544)
<b>Investment income</b> driven by lower interest realized on investments	(3,019)
Other/miscellaneous	2,568
<b>Actual revenues</b>	<b>\$ 1,085,268</b>



# Statement of Operations

## Expenses

Budget to Actual (in thousands)	Change
Budgeted expenses per financial statements	\$ 1,038,947
<u>Significant changes</u>	
<b>Transportation Services</b> driven mainly by reduced-labour related costs, utilities, materials, and transit costs as a result of COVID-related service impacts	(18,519)
<b>Environmental Services</b> driven mainly by timing of combined sewer overflow grants and delays in maintenance work as a result of COVID	(20,218)
<b>Social and Family Services</b> driven mainly by incremental COVID-related costs in the long-term care homes, offset by reduced Community Assistance expenditures for clients	5,081
<b>Health Services</b> driven mainly by incremental costs related to COVID, including staffing, supplies and personal protective equipment	6,294
<b>Planning and Development</b> driven mainly by reduced uptake in planning and incentive grants	(12,184)
Miscellaneous/other differences than budget	(10,361)
<b>Actual expenses</b>	<b>\$ 989,040</b>



# Statement of Financial Position

## Employee future benefits (Note 5) and landfill liability (Note 7)

(in thousands)	2020		2019	
	EFB*	Landfill	EFB*	Landfill
Liability	\$ 116,148	\$ 67,872	\$ 109,642	\$ 61,277
Reserves	34,326	10,820	34,589	8,205
<b>Funded Status</b>	<b>30%</b>	<b>16%</b>	<b>32%</b>	<b>13%</b>

\*EFB - Employee Future Benefits

These liabilities are partially unfunded and are only adjusted annually – no adjustments are made for quarterly reporting purposes

# Statement of Financial Position

## Long-term liabilities (Note 9)

(in thousands)	2020	2019	Change
Long-term liabilities			
Long-term liabilities	\$ 758,658	\$ 712,170	\$ 46,488
Less: sinking fund assets	(18,457)	(16,266)	(2,191)
Long-term debt	740,201	695,904	44,297
Less: Debt recoverable from LAMs	(324,254)	(316,419)	(7,835)
<b>Net Region long-term liabilities</b>	<b>\$ 415,947</b>	<b>\$ 379,485</b>	<b>\$ 36,462</b>

(in thousands)	Debt Issued in 2020	Debt Repaid in 2020	Net Change
Region	\$ 69,964	\$ (31,573)	\$ 38,391
LAMs	38,669	(30,572)	8,097
<b>Long-term liabilities</b>	<b>\$ 108,633</b>	<b>\$ (62,145)</b>	<b>\$ 46,488</b>

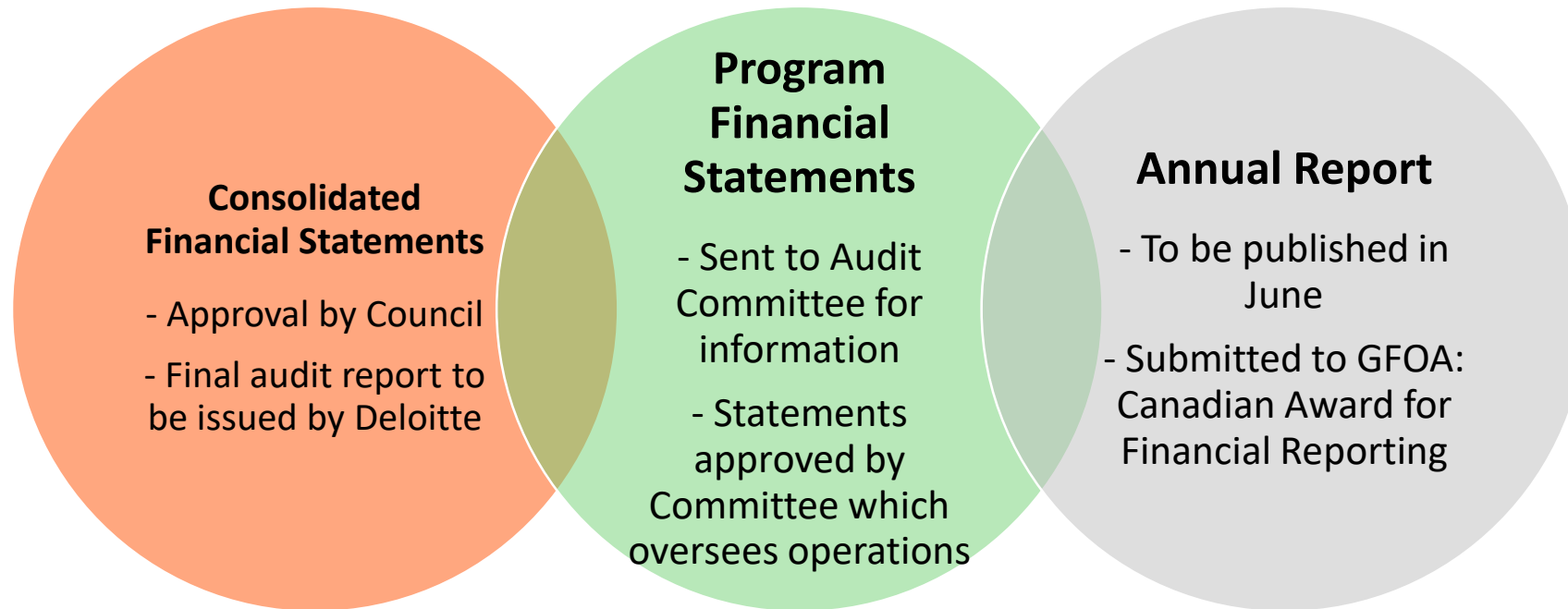
# Audit Findings Report

Presented by: Trevor Ferguson, Partner, Deloitte

- Audit findings report included (Appendix 2)
- Unqualified audit opinion
- No Management Letter to Audit Committee for 2020 year-end

# Next Steps

## Financial Statement Approval and Annual Report



# Questions?

Melanie Steele

Associate Director, Reporting & Analysis

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**Subject:** 2020 Audited Consolidated Financial Statements

**Report to:** Audit Committee

**Report date:** Monday, May 10, 2021

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## Recommendations

1. That the audited consolidated financial statements of the Regional Municipality of Niagara (the “Niagara Region”), including the sinking fund financial statements and the trust fund financial statements, for the year ended December 31, 2020 presented in Appendix 1 **BE APPROVED**;
2. That the audit findings report pertaining to the audited consolidated financial statements of the Niagara Region for the year ended December 31, 2020 presented in Appendix 2 **BE RECEIVED** for information; and
3. That staff **BE DIRECTED** to co-ordinate with the auditors to finalize the statements as presented.

## Key Facts

- The purpose of this report is to comply with the Audit Committee Terms of Reference that the Audit Committee satisfy itself, on behalf of Regional Council, that Niagara Region’s annual consolidated financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to Council whether the annual financial statements should be approved.
- The requirement for an annual audit is established in the Municipal Act, 2001, S.O. 2001, c.25 paragraphs 294.1 through 296.1
- Niagara Region received an unqualified audit opinion and no management letter points for the year ended December 31, 2020.
- Year-end funding surplus results were reported in CSD 17-2021, 2020 Year-End Results and Transfer Report, and are consistent with the results reported in the consolidated financial statements adjusted for accounting presentation required of Public Sector Accounting Standards (PSAS). A reconciliation of the two presentation methodologies is provided in Appendix 3.

## Financial Considerations

The consolidated financial statements have been prepared in compliance with legislation and in accordance with generally accepted accounting principles established

by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

A draft copy of the Niagara Region's financial statements for the year ended December 31, 2020 is attached in Appendix 1. In addition, Deloitte's audit findings report for the year ended December 31, 2020 is also attached in Appendix 2.

The Niagara Region budget to actual results (funding surplus) are prepared and reported on a quarterly basis (used as a tool to manage funding requirements), whereas the consolidated financial statements are prepared using Public Sector Accounting Standards (PSAS). Appendix 3 reconciles the surplus per the audited Consolidated Statement of Operations to the funding surplus based on the budget approach previously presented in CSD 17-2021.

## **Analysis**

The consolidated financial statements of the Niagara Region, including the sinking fund financial statements and the trust fund financial statements, for the year ended December 31, 2020 have been audited.

Niagara Region's external auditor (Deloitte) has indicated that in their opinion, the financial statements present fairly, in all material respects, the financial position of the Region and the results of its operations. The fair presentation as of December 31, 2020 includes:

- Consolidated statement of financial position
- Consolidated statement of operations and accumulated surplus
- Consolidated statement of changes in net debt
- Consolidated statement of cash flows
- Sinking fund financial statements
- Trust fund financial statements

The consolidated financial statements are prepared using PSAS, making them comparable to other municipalities in Canada.

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, as well as the accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the

administration of their financial affairs and resources to Niagara Region and which are owned and controlled by the Region. These entities and organizations include:

- Niagara Regional Housing
- Court Services
- Niagara Regional Police Services

In addition to the consolidated financial statements the following statements are also included in Appendix 1.

#### Sinking Fund Financial Statements

In June 2010, Niagara Region issued sinking fund debentures by way of bylaw 76-2010. The first payment into the sinking fund occurred in June 2011. The Municipal Act, 2001, S.O. 2001, c.25 paragraph 409.6 requires the municipal auditor to certify the balance in the sinking fund each year.

#### Trust Fund Financial Statements

As per Ontario Regulation 79/10, section 241.(10) of the Long Term Care Homes Act, 2007, every licensee of a long-term care home must have each resident account audited annually.

During the course of the audit, Deloitte makes note of any observed internal control weaknesses and makes suggestions for improvements through management letter comments. There are no management letter points for the 2020 consolidated financial statement audit.

In accordance with Canadian Auditing Standards, the consolidated financial statements will be dated on the date in which the recognized authority with respect to the financial statements has approved the financial statements. In the case of Niagara Region, this authority lies with Council, and as such, the signed Auditor's report will be received on the date when the financial statements are approved by Council. Until that approval is received, the consolidated financial statements are marked as draft.

Upon completion of the 2020 Annual Report, which contains the consolidated financial statements, the financial statements will be available to the public on the Niagara Region website:

[Annual Reports](#)



(<https://www.niagararegion.ca/government/budget/finance/default.aspx>)

## **Alternatives Reviewed**

The consolidated financial statements are prepared using PSAS and an annual audit is a requirement of the Municipal Act, therefore no alternatives were reviewed.

## **Relationship to Council Strategic Priorities**

Providing formal financial reporting to Council and the public supports the Council Strategic Priority of Sustainable and Engaging Government.

## **Other Pertinent Reports**

CSD 17-2021      2020 Year End Results and Transfer Report

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### **Prepared by:**

Melanie Steele, MBA CPA CA  
Associate Director, Reporting & Analysis  
Corporate Services

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### **Recommended by:**

Todd Harrison, CPA CMA  
Commissioner/Treasurer  
Corporate Services

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### **Submitted by:**

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

*This report was prepared in consultation with Helen Chamberlain, Director, Financial Management & Planning.*

## **Appendices**

Appendix 1	Draft 2020 Consolidated Financial Statements
Appendix 2	2020 Deloitte Audit Findings Report
Appendix 3	Annual Surplus Reconciliation

## **CONSOLIDATED FINANCIAL STATEMENTS OF THE REGIONAL MUNICIPALITY OF NIAGARA**

**For the year ended December 31, 2020**

# THE REGIONAL MUNICIPALITY OF NIAGARA

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December 31, 2020

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# THE REGIONAL MUNICIPALITY OF NIAGARA

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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The accompanying consolidated financial statements of The Regional Municipality of Niagara (the "Region") are the responsibility of the Region's management and have been prepared in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Region's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Region. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Region's consolidated financial statements.

Todd Harrison,

Commissioner of Corporate Services/Treasurer

May 20, 2021

## Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of  
the Regional Municipality of Niagara

### Opinion

We have audited the consolidated financial statements of Regional Municipality of Niagara (the "Region"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Region as at December 31, 2020, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Region in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Region's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Region to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2021

# THE REGIONAL MUNICIPALITY OF NIAGARA

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 (In thousands of dollars)

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash	\$ 224,114	\$ 135,681
Investments (note 2)	658,015	635,596
Accounts receivable (note 3)	78,204	80,140
Other assets	948	417
Tangible capital assets held for sale (note 4)	850	1,760
Debt recoverable from others (note 9)	324,254	316,419
	<b>1,286,385</b>	<b>1,170,013</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	157,970	129,782
Employee future benefits and post-employment liabilities (note 5)	116,148	109,462
Deferred revenue (note 6)	235,356	219,750
Landfill closure and post-closure liability (note 7)	67,872	61,277
Contaminated sites liability (note 8)	576	-
Long-term liabilities (note 9)	740,201	695,904
Capital lease obligation (note 10)	4,262	4,352
	<b>1,322,385</b>	<b>1,220,527</b>
Net debt	<b>(36,000)</b>	<b>(50,514)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 11)	1,903,743	1,823,929
Inventory	8,485	7,498
Prepaid expenses	19,522	18,609
	<b>1,931,750</b>	<b>1,850,036</b>
Accumulated surplus (note 12)	<b>\$ 1,895,750</b>	<b>\$ 1,799,522</b>

The accompanying notes are an integral part of these consolidated financial statements.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2020 (In thousands of dollars)

	2020 Budget (note 20)	2020 Actual	2019 Actual
<b>REVENUES (Note 19)</b>			
Taxation and user charges:			
Levies on area municipalities	\$ 409,634	\$ 409,551	\$ 383,481
User charges	238,150	226,068	223,723
	647,784	635,619	607,204
Government transfers (note 18):			
Government of Canada	31,591	31,841	26,637
Province of Ontario	315,372	354,193	320,866
Other municipalities	397	640	861
	347,360	386,674	348,364
Other:			
Development charges earned	40,863	33,428	19,814
Investment income	18,362	15,343	18,176
Provincial offences	10,612	5,068	7,025
Miscellaneous	6,978	9,136	8,710
	76,815	62,975	53,725
Total revenues	1,071,959	1,085,268	1,009,293
<b>EXPENSES (Note 19)</b>			
General government	55,245	52,542	42,053
Protection to persons and property	203,445	196,100	192,662
Transportation services	104,538	87,555	72,933
Environmental services	174,209	154,424	150,408
Health services	108,124	114,626	107,966
Social and family services	303,664	308,768	302,631
Social housing	67,220	64,707	63,964
Planning and development	22,502	10,318	19,280
Total expenses	1,038,947	989,040	951,897
Annual surplus	33,012	96,228	57,396
Accumulated surplus, beginning of year	1,799,522	1,799,522	1,742,126
Accumulated surplus, end of year	\$ 1,832,534	\$ 1,895,750	\$ 1,799,522

The accompanying notes are an integral part of these consolidated financial statements.



# THE REGIONAL MUNICIPALITY OF NIAGARA

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended December 31, 2020 (In thousands of dollars)

	2020 Budget (note 20)	2020 Actual	2019 Actual
<b>Annual surplus</b>	<b>\$ 33,012</b>	<b>\$ 96,228</b>	<b>\$ 57,396</b>
Acquisition of tangible capital assets	(172,451)	(172,451)	(158,046)
Contributed tangible capital assets	(951)	(951)	(142)
Transfers (to) from tangible capital assets held for sale	(910)	(910)	1,004
Amortization of tangible capital assets	92,331	92,331	87,189
Loss on sale of tangible capital assets	1,973	1,973	197
Net proceeds on sale of tangible capital assets	194	194	568
Write down on tangible capital assets held for sale	-	-	418
Change in inventory	-	(987)	(138)
Change in prepaid expenses	-	(913)	2,227
Change in net debt	(46,802)	14,514	(9,327)
Net debt, beginning of year	(41,187)	(50,514)	(41,187)
<b>Net debt, end of year</b>	<b>\$ (87,989)</b>	<b>\$ (36,000)</b>	<b>\$ (50,514)</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

# THE REGIONAL MUNICIPALITY OF NIAGARA

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 96,228	\$ 57,396
Items not involving cash:		
Amortization of tangible capital assets	92,331	87,189
Loss on sale of tangible capital assets	1,973	197
Contributed tangible capital assets	(951)	(142)
Write down on tangible capital assets held for sale	-	418
Change in employee future benefits and post-employment liabilities	6,686	5,041
Change in landfill closure and post-closure liability	6,595	(120)
Change in contaminated sites liability	576	-
Change in non-cash assets and liabilities:		
Accounts receivable	1,936	573
Other assets	(531)	(88)
Accounts payable and accrued liabilities	28,188	15,587
Deferred revenue	15,606	41,430
Inventory	(987)	(138)
Prepaid expenses	(913)	2,227
Net change in cash from operating activities	246,737	209,570
<b>CAPITAL ACTIVITIES</b>		
Net proceeds on sale of tangible capital assets	194	568
Acquisition of tangible capital assets	(172,451)	(158,046)
Net change in cash from capital activities	(172,257)	(157,478)
<b>INVESTING ACTIVITIES</b>		
Proceeds on sale of investments	2,589	137,880
Purchase of investments	(25,008)	(188,056)
Net change in cash from investing activities	(22,419)	(50,176)
<b>FINANCING ACTIVITIES</b>		
Capital lease acquired	-	6,379
Capital lease payments	(90)	(2,027)
Proceeds on debt issued and assumed	69,966	58,263
Long-term debt repaid	(31,573)	(33,936)
Increase in sinking fund assets	(1,931)	(1,816)
Net change in cash from financing activities	36,372	26,863
Net change in cash	88,433	28,779
Cash, beginning of year	135,681	106,902
<b>Cash, end of year</b>	<b>\$ 224,134</b>	<b>\$ 135,681</b>
Cash paid for interest	\$ 13,781	\$ 13,380
Cash received from interest	16,920	20,066
Investing and financing activities on behalf of others:		
Debt issued on behalf of others	38,668	39,412
Repayment made on behalf of others	\$ 30,833	\$ 28,677

The accompanying notes are an integral part of these consolidated financial statements.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 1. Significant accounting policies:

The Regional Municipality of Niagara (the "Region") is an upper-tier municipality in the Province of Ontario (the "Province"), Canada. The provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation guide its operations.

The consolidated financial statements of The Regional Municipality of Niagara are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant accounting policies adopted by the Region are as follows:

a) Basis of consolidation:

i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Region and which are owned or controlled by the Region. These entities and organizations include:

Niagara Regional Police Services

Niagara Regional Housing

Court Services Operations

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

ii) Trust funds:

Trust funds and their related operations administered by the Region are not included in these consolidated financial statements.

b) Basis of accounting:

The Region follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

c) Investments:

Investments consist of bonds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 1. Significant accounting policies (continued):

#### (d) Non-financial assets:

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

#### (i) 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 and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Landfill and land improvements	3 – 50
Building and building improvements	3 – 60
Vehicles, machinery and equipment	- Vehicles 3 – 20
	- Machinery and equipment 3 – 60
Water and wastewater infrastructure	25 – 100
Roads infrastructure	- Base 40
	- Bridge and culvert 60
	- Surface 10
	- Other infrastructure 5 - 40

Landfill sites are amortized using the units of production method based upon capacity used during the year.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction (work in progress) are not amortized until the asset is in service.

#### (ii) 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.

#### (iii) Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

#### (iv) Interest capitalization:

The Region's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 1. Significant accounting policies (continued):

#### (e) Non-financial assets (continued):

##### (v) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

##### (vi) Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

#### (f) Reserves and reserve funds:

Certain amounts, as approved by Regional Council are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective reserve when approved. Reserves are presented on the consolidated statement of financial position in accumulated surplus.

#### (g) Government transfers:

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

#### (h) Deferred revenue:

Deferred revenues represent development charges collected under the Development Charges Act (1997), grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts are recognized as revenues in the fiscal year the services are performed.

#### (i) Taxation revenue:

Property tax revenue is recognized on an accrual basis when the tax is authorized by the passing of the tax levy by-law. Taxes are levied on properties listed on the assessment roll at the time the by-law is passed based on approved budget and tax rates. Supplementary taxation is recognized as additional billings are issued for properties that are added to the assessment roll during the year.

At year end, the Region evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognizes the liability if the amount can be reasonably estimated.

#### (j) Investment income:

Investment income earned on surplus current fund, capital fund, reserves and reserve funds (other than obligatory reserve funds which are comprised of development charges and gas tax), are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the applicable fund balance and forms part of the deferred development charge and gas tax balances.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 1. Significant accounting policies (continued):

#### (k) Municipal cost-sharing:

The Region acts as an intermediary to administer capital projects for the acquisition of assets belonging to local area municipalities. Funding received and expenses incurred relating to the local area municipalities share of these projects amounted to \$6,472 (2019 \$4,886) and is not reflected in these consolidated financial statements.

#### (l) Tangible capital assets held for sale:

Tangible capital assets which meet the criteria for financial assets are reclassified as “tangible capital assets held for sale” on the consolidated statement of financial position. Tangible capital assets held for sale are recorded at the lower of cost and net realizable value.

Tangible capital assets held for sale are reasonably anticipated to be sold to a purchaser, external to the Region, within one year of the statement of financial position date.

#### (m) Use of estimates:

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for tax write-offs, accrued liabilities, landfill closure and post-closure liability, contaminated site liability, certain payroll liabilities and in performing actuarial valuations of employee future benefits and post-employment liabilities. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

### 2. Investments:

Investments reported on the consolidated statement of financial position at the lower of cost or market have market values as follows:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Investments	\$ 658,015	\$ 693,687	\$ 635,596	\$ 650,422

The Region has purchased \$3,928 (2019 - \$4,841) of its own debentures issued on behalf of itself and local area municipalities which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The Region's share of the gross outstanding amount of these debentures is \$32,973 (2019 - \$36,627). Coupon rates for these debentures ranged from 3.10% to 3.45%.

### 3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$652 (2019 - \$763).

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 4. Tangible capital assets held for sale:

During the year, the Region wrote down tangible capital assets held for sale to these assets net realizable value in the amount of \$nil (2019 – \$418). The value of write downs related to tangible capital assets held for sale is reported in the consolidated statement of operations.

### 5. Employee future benefits and post-employment liabilities:

The Region provides certain employee benefits which will require funding in future periods. These benefits include benefits under the Workplace Safety and Insurance Board ("WSIB") Act, sick leave, life insurance, extended health and dental benefits for early retirees.

	2020	2019
Workplace Safety & Insurance Board	\$ 51,389	\$ 48,039
Accumulated Sick Leave	10,904	11,818
Retiree benefits	36,416	35,335
Vacation pay	12,545	10,098
Other post-employment liabilities	4,894	4,172
Total employee future benefits and post-employment liabilities	\$ 116,148	\$ 109,462

Employee future benefits and post-employment benefits reported on the consolidated statement of financial position by entity consist of the following:

	2020	2019
Niagara Regional Police Services	\$ 63,335	\$ 61,438
Niagara Regional Housing	1,538	1,648
Niagara Region	51,275	46,376
Total	\$ 116,148	\$ 109,462

The Region has established reserve funds to mitigate the future impact of these obligations. These reserves were created under municipal by-law and do not meet the definition of a plan asset under PSAS PS3250 Retirement Benefits. Therefore, for the purposes of these financial statements, the plans are considered unfunded. These reserve funds are presented in the consolidated statement of financial position within accumulated surplus. Reserves relating to these liabilities are summarized by entity below:

	2020	2019
Niagara Regional Police Services	\$ 8,982	\$ 9,101
Niagara Regional Housing	793	793
Niagara Region	24,551	24,695
Total (Note 12)	\$ 34,326	\$ 34,589

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 5. Employee future benefits and post-employment liabilities (continued):

Information about the Region's benefit plans is as follows:

2020				
	Niagara Regional Police	Niagara Regional Housing	Niagara Region	Total
Accrued benefit obligation:				
Balance, beginning of year	\$ 66,424	\$ 480	\$ 55,361	\$ 122,265
Current benefit cost	3,948	(9)	7,702	11,641
Interest	2,322	5	1,680	4,007
Benefits paid	(5,596)	(15)	(5,157)	(10,768)
Balance, end of year	67,098	461	59,586	127,145
Unamortized actuarial (loss) gain	(3,763)	1,077	(8,311)	(10,997)
Liability	\$ 63,335	\$ 1,538	\$ 51,275	\$ 116,148

2019				
	Niagara Regional Police	Niagara Regional Housing	Niagara Region	Total
Accrued benefit obligation:				
Balance, beginning of year	\$ 65,513	\$ 460	\$ 52,454	\$ 118,427
Current benefit cost	5,075	42	6,367	11,484
Interest	2,302	6	1,610	3,918
Benefits paid	(6,466)	(28)	(5,070)	(11,564)
Balance, end of year	66,424	480	55,361	122,265
Unamortized actuarial (loss) gain	(4,986)	1,168	(8,985)	(12,803)
Liability	\$ 61,438	\$ 1,648	\$ 46,376	\$ 109,462

Included in expenses is \$1,806 (2019 - \$1,202) for amortization of the actuarial gain. The unamortized actuarial gain (loss) is amortized over the expected average remaining service life as listed below:

Accumulated Sick Leave Benefit Plan entitlements	6 - 12 years
Retiree benefits	16 - 21 years
WSIB	11 years

The most recent actuarial valuation was completed as at December 31, 2018 with estimates to December 31, 2021.



# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 5. Employee future benefits and post-employment liabilities (continued):

#### **Workplace Safety and Insurance Board ("WSIB")**

With respect to responsibilities under provisions of the Workplace Safety and Insurance Act the Region has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities of the Region under the provisions of the Workplace Safety and Insurance Act has been completed and forms the basis for the estimated liability reported in these financial statements.

The unamortized actuarial gain on future payments required to WSIB is amortized over the expected period of the liability which is 11 years.

The main actuarial assumptions employed for the valuation are as follows:

#### Discount rate

The obligation of the present value of future liabilities as at December 31, 2020 and the expense for the year ended December 31, 2020, were determined using a discount rate of 3.75% (2019 – 3.75%).

#### Administration costs

Administration costs were assumed to be 32% (2019 – 32%) of the compensation expense.

#### Compensation expense

Compensation costs include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at a rate of 2% per annum (2019 – 2.0%).

#### **Accumulated sick leave**

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Region's employment.

The main actuarial assumptions employed for the valuation are as follows:

#### Discount rate

The obligation as at December 31, 2020, of the present value of future liabilities and the expense for the year ended December 31, 2020, were determined using a discount rate of 3.75% (2019 – 3.75%).

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 5. Employee future benefits and post-employment liabilities (continued):

#### ***Retiree benefits***

The Region pays certain life insurance benefits on behalf of retired employees as well as extended health and dental benefits for early retirees to age 65 and Health Care Spending Accounts for certain retirees until the age of 70 or 75 depending on year of retirement. The Region recognizes these post-retirement costs in the period in which the employees rendered the services.

The unamortized actuarial loss on retiree benefits is amortized over the expected average remaining service life of 10 years.

The main actuarial assumptions employed for the valuations are as follows:

#### Discount rate

The obligation as at December 31, 2020, of the present value of future liabilities and the expense for the year ended December 31, 2020, were determined using a discount rate of 3.75% (2019 - 3.75%).

#### Medical costs

Medical costs were assumed to increase at the rate of 3.42% (2019 – 3.42%) per year, reducing to 2.75% in 2022 and thereafter.

#### Dental costs

Dental costs were assumed to increase at the rate of 2.75% (2019 – 2.75%) per year.

#### Inflation

Inflation was assumed to be 1.75% (2019 – 1.75%) per year.

#### **Other pension plans**

The Region makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Region accounts for its participation in OMERS as a defined contribution plan. The OMERS Plan ended 2020 with a funding deficit of \$3.2 billion (2019 - \$3.4 billion). The funded ratio remained unchanged at 97% in 2020, and has either stayed the same or increased for the eighth consecutive year.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 5. Employee future benefits and post-employment liabilities (continued):

#### Other pension plans (continued)

The amount contributed to OMERS for 2020 was \$32,270 (2019 - \$31,292) for current service and is included as an expense on the consolidated statement of operations. Employees' contribution to OMERS in 2020 were \$32,226 (2019 - \$31,259).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2019 – 9.0%) for earnings up to the yearly maximum pensionable earnings of \$58.70 (2019 - \$57.40) and at a rate of 14.6% (2019 – 14.6%) for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.2% (2019 - 9.2%) and 15.8% (2019 - 15.8%) respectively.

### 6. Deferred revenue:

In accordance with PSAS, obligatory reserve funds are reported as deferred revenue. The Region treats development charges and gas tax as obligatory reserve funds. The Region has obligatory reserve funds in the amount of \$205,339 (2019 - \$198,142). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

Amounts related to development charges collected are recognized as revenue when the Region has approved and incurred the expenses for the capital works for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act (1997), to defray the cost of growth related capital projects associated with new development.

In 2008, Investing in Ontario approved a total funding of \$20,157 for capital infrastructure. Revenue is recognized as expenses are incurred. The remaining balance of \$10,617 has been set aside for the construction of the South Niagara East-West Corridor.

The deferred revenues, reported on the consolidated statement of financial position, are comprised of the following:

	2020	2019
Development charges	\$ 176,297	\$ 163,141
Gas tax	29,042	35,001
Obligatory reserve funds	205,339	198,142
Investing in Ontario Grant	10,617	10,617
Other deferred revenue	19,400	10,991
Balance, end of year	\$ 235,356	\$ 219,750

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 6. Deferred revenue (continued):

The continuity of obligatory reserve funds are summarized below:

Development charges:

	2020	2019
Balance, beginning of year	\$ 163,141	\$ 134,530
Externally restricted inflows	42,126	45,478
Revenue earned	(33,428)	(19,814)
Investment income	4,458	2,947
Balance, end of year	\$ 176,297	\$ 163,141

Gas tax:

	2020	2019
Balance, beginning of year	\$ 35,001	\$ 20,232
Externally restricted inflows	14,443	28,344
Revenue earned	(21,243)	(14,121)
Investment income	841	546
Balance, end of year	\$ 29,042	\$ 35,001

### 7. Landfill closure and post-closure liability:

The Region owns and monitors 14 landfill sites, two of which are open and operating. The liability for closure of operational sites and post-closure care has been recognized based upon the usage of the site's capacity during the year. Landfill closure and post-closure care are activities that are expected to occur in perpetuity and requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance.

The costs were based upon the 2020 budget and inflation adjusted at a rate of 1.75% per annum (2019 – 1.75%) until the end of contamination. These costs were then discounted to December 31, 2020 using a discount rate of 3.40% (2019 – 3.75%). Post-closure care is estimated to be required for the contaminating lifespan of landfill sites up to 40 years (2019 – 40 years). The liability for closure and post-closure care as at December 31, 2020 is \$67,872 (2019 - \$61,277). Estimated total expenditures for closure and post-closure care are \$77,776 (2019 - \$71,419). The liability remaining to be recognized is \$9,904 (2019 - \$10,142). It is estimated that the life of open landfill sites range from 30 to 45 years with an estimated total remaining capacity of 3,220 thousand cubic meters (2019 - 3,285 thousand cubic meters).

The Region has a landfill reserve which is dedicated for costs relating to settling closure and post-closure care liabilities. As of December 31, 2020 the reserve balance is \$10,820 (2019 - \$8,205).

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 8. Contaminated site liability:

A liability for the remediation of contaminated sites is recognized as the best estimate of the amount required to remediate the contaminated sites when the following criteria are met: contamination exceeding an environmental standard exists, the Region is either directly responsible or accepts responsibility for the remediation, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the Region's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

As at December 31, 2020 the Region has recognized a liability for contaminated sites of \$576 (2019 - \$nil) in the consolidated financial statements. The liability was estimated by management based on the estimated costs required to remediate the contamination. These estimated costs include consultant fees, lab analyses costs, excavation costs, and disposal costs. The remediation is planned to occur in 2024 and is subject to Council approval.

### 9. Net long-term liabilities:

- (a) As well as incurring long-term liabilities for regional purposes, the Region also incurs long-term liabilities on behalf of the area municipalities. The responsibility for raising the amounts required to service this debt lies with the respective area municipalities.

The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2020	2019
Long-term liabilities incurred by the Region	\$ 758,658	\$ 712,170
Less: Sinking fund assets	(18,457)	(16,266)
Long-term debt	\$ 740,201	\$ 695,904
Debt recoverable from others net of sinking fund assets (long-term liabilities incurred by the Region for which other entities have assumed responsibility)	(324,254)	(316,419)
Net long-term debt, end of year	\$ 415,947	\$ 379,485

- (b) The long-term liabilities in (a) issued in the name of the Region have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.
- (c) The Region issued sinking fund debentures of \$78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. The sinking fund debentures are included in long-term liabilities in (a) and include \$9,333 borrowed on behalf of the City of St. Catharines and shown as debt recoverable from others. The City of St. Catharines share of the sinking fund assets have been removed from the debt recoverable from others in (a). Annual principal payments into the sinking fund of \$1,512 are due June 30 of each year. These payments are reflected as principal repayments in (e).

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 9. Net long-term liabilities (continued):

- (d) The Region is contingently liable for long-term liabilities with respect to debt issued for area municipalities, school boards, tile drainage and shoreline property assistance. The total amount outstanding as at December 31, 2020 is \$324,254 (2019 - \$316,419) and is reported on the consolidated statement of financial position as debt recoverable from others.
- (e) Principal payments to be funded by the Region, including sinking fund payments, due in each of the next five years are as follows:

	2020
2021	\$ 30,863
2022	30,621
2023	30,251
2024	27,539
2025	25,389
Thereafter	271,284
	<b>\$ 415,947</b>

Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to \$13,571 in 2020 (2019 - \$13,336). The long-term liabilities bear interest at rates ranging from 0.55% to 4.65%. The interest on long-term liabilities assumed by the municipalities or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these consolidated financial statements.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 10. Capital lease obligation:

In 2017, the Region entered into a lease agreement for the construction of land and building in Niagara Falls to be used for Public Health. Upon completion of the construction in 2019, the Region has accounted for the obligation as a capital lease. The amount of the obligation is calculated as the present value of payments required under the terms of the agreement. The discount rate used by the Region in determining the present value of the lease payments is 3.75%.

The payments under the lease agreement began in 2019 and the agreement requires monthly lease payments over a period of 30 years until 2049 in addition to balloon payment required in 2029.

Future annual lease payments under the agreement are as follows:

	2020
2021	\$ 216
2022	216
2023	216
2024	216
2025	216
Thereafter	6,010
Total minimum lease payments	\$ 7,090
Less: amount representing implicit interest at 3.75%	(2,828)
Capital lease obligation	\$ 4,262

In 2020, interest of \$126 (2019 - \$95) relating to the capital lease obligation has been reported in the consolidated statement of operations.

The cost of the leased tangible capital assets at December 31, 2020 is \$6,379 (Land - \$800, Building - \$5,579) and accumulated amortization of leased tangible capital assets at December 31, 2020 is \$209 (2019 - \$69). Amortization of the building is calculated using the straight line method for a period of 40 years.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 11. Tangible capital assets:

	2020							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
<b>Cost</b>								
Balance, beginning of year	\$ 223,666	\$ 104,590	\$ 807,799	\$ 639,171	\$ 372,599	\$ 824,241	\$ 179,385	\$ 3,151,451
Additions/transfers	6,106	6,178	31,722	64,363	26,266	60,323	(21,556)	173,402
Reclassification of assets previously held for sale	1,323	-	103	-	-	-	-	1,426
Disposals	(498)	(1,854)	(4,026)	(19,939)	(29)	(9,399)	-	(35,745)
<b>Balance, end of year</b>	<b>230,597</b>	<b>108,914</b>	<b>835,598</b>	<b>683,595</b>	<b>398,836</b>	<b>875,165</b>	<b>157,829</b>	<b>3,290,534</b>
<b>Accumulated Amortization</b>								
Balance, beginning of year	-	55,627	383,442	428,923	87,654	371,876	-	1,327,522
Disposals	-	(1,782)	(3,755)	(19,680)	(22)	(7,823)	-	(33,062)
Amortization expense	-	3,826	24,796	31,568	5,607	26,534	-	92,331
<b>Balance, end of year</b>	<b>-</b>	<b>57,671</b>	<b>404,483</b>	<b>440,811</b>	<b>93,239</b>	<b>390,587</b>	<b>-</b>	<b>1,386,791</b>
<b>Net Book Value, end of year</b>	<b>\$ 230,597</b>	<b>\$ 51,243</b>	<b>\$ 431,115</b>	<b>\$ 242,784</b>	<b>\$ 305,597</b>	<b>\$ 484,578</b>	<b>\$ 157,829</b>	<b>\$ 1,903,743</b>



# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 11. Tangible capital assets (continued):

	2019							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
<b>Cost</b>								
Balance, beginning of year	\$ 223,572	\$ 101,046	\$ 773,995	\$ 627,622	\$ 355,448	\$ 781,767	\$ 148,601	\$ 3,012,051
Additions/transfers	1,526	5,300	38,050	18,441	17,151	46,936	30,784	158,188
Disposals	(1,432)	(1,756)	(4,246)	(6,892)	-	(4,462)	-	(18,788)
<b>Balance, end of year</b>	<b>223,666</b>	<b>104,590</b>	<b>807,799</b>	<b>639,171</b>	<b>372,599</b>	<b>824,241</b>	<b>179,385</b>	<b>3,151,451</b>
<b>Accumulated Amortization</b>								
Balance, beginning of year	-	53,869	363,510	403,820	82,372	353,363	-	1,256,934
Disposals	-	(1,747)	(4,073)	(5,438)	-	(5,343)	-	(16,601)
Amortization expense	-	3,505	24,005	30,541	5,282	23,856	-	87,189
<b>Balance, end of year</b>	<b>-</b>	<b>55,627</b>	<b>383,442</b>	<b>428,923</b>	<b>87,654</b>	<b>371,876</b>	<b>-</b>	<b>1,327,522</b>
<b>Net Book Value, end of year</b>	<b>\$ 223,666</b>	<b>\$ 48,963</b>	<b>\$ 424,357</b>	<b>\$ 210,248</b>	<b>\$ 284,945</b>	<b>\$ 452,365</b>	<b>\$ 179,385</b>	<b>\$ 1,823,929</b>

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 11. Tangible capital assets (continued):

#### (a) Work in progress

Work in progress of \$157,829 (2019 - \$179,385) has not been amortized. Amortization of these assets will commence when the asset is put into service. Included in work in progress at December 31, 2020 is \$13,687 (2019 - \$13,687) related to the Region's contribution toward the construction of the 2022 Canada Summer Games infrastructure. The Region also has an additional commitment of \$6,350 to this project and plans to fund 68% of the total contribution with federal gas tax revenue.

#### (b) Contributed tangible capital assets

Contributed capital assets are recognized at fair market value at the date of contribution. Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned. The value of contributed assets transferred to the Region during the year is \$951 (2019 - \$142).

#### (c) Works of art and historical treasures

No works of art or historical treasures are held by the Region.

#### (d) Write-downs of tangible capital assets

The Region had \$nil write-downs (2019 - \$nil) of tangible capital assets during the year.

The value of write-downs related to tangible capital assets is reported in the consolidated statement of operations.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 12. Accumulated Surplus:

Accumulated surplus consists of balances as follows:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 1,483,534	\$ 1,440,091
Capital fund – unexpended capital financing	322,541	271,407
Operating fund	(10,987)	(10,886)
Unfunded		
Landfill closure and post-closure liability	(67,872)	(61,277)
Contaminated sites	(576)	-
Employee future benefits and post-employment liabilities	(114,339)	(108,148)
Total surplus	1,612,301	1,531,187
Reserves set aside by Council:		
Ambulance communication	-	37
Circle route initiatives	1,383	1,383
Hospital contribution	6,600	-
Employee benefits	34,326	34,589
Encumbrances	16,275	16,377
General capital levy	19,941	15,680
Niagara Regional Housing	12,226	14,482
Court Services facilities renewal	3,210	2,876
Public liability self-insurance	2,270	2,270
Smart growth	201	201
Taxpayer relief reserve	53,509	23,757
Waste management	17,534	21,813
Wastewater	28,409	43,424
Water	75,384	81,798
Landfill liability	10,820	8,205
Other reserves	1,361	1,443
Total reserves	283,449	268,335
Total accumulated surplus	\$ 1,895,750	\$ 1,799,522

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 13. Trust funds:

Trust funds administered by the Region amounting to \$985 (2019 - \$962) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations. The financial position and activities of the trust funds are reported separately in the trust fund financial statements.

### 14. Commitments:

- (a) The Region has outstanding contractual obligations of approximately \$164,838 (2019 - \$184,243) for capital projects. These costs include holdbacks. The holdbacks related to work completed as of December 31, 2020 have been accrued. Regional council has authorized the financing of these obligations.
- (b) The Region is committed to paying principal and interest payments on provincial debentures issued to finance the properties transferred to Niagara Regional Housing from Ontario Housing Corporation. The debentures are outstanding in the amount of \$5,488 (2019 - \$7,124). Annual payments of \$1,695 (2019 - \$2,063) have been charged to current operations.
- (c) The Region enters into various service contracts and other agreements in the normal course of business, which have been approved by the appropriate level of management or by Council but which have not been reported as commitments.
- (d) Minimum annual operating lease payments:

The Region has commitments under various building, land and equipment lease agreements with minimum annual operating lease payments as follows:

	2020
2021	\$ 1,910
2022	1,464
2023	925
2024	774
2025	248
Thereafter	254
	<b>\$ 5,575</b>

### 15. Contingent liabilities:

At December 31, 2020, the Region has been named defendant or co-defendant in a number of outstanding legal actions. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 16. Public Liability Insurance:

The Region has undertaken a portion of the risk for public liability as a means of achieving efficient and cost effective risk management. The Region is self-insured for public liability claims up to \$1,000 for any individual claim and \$1,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these amounts up to \$25,000 per occurrence for all Public Health Units, EMS and all health operations including; care homes, seniors services, community services, homeless shelters, and police services, and \$50,000 per occurrence for all other claims.

The Region has a reserve fund for allocated self-insurance claims which as at December 31, 2020 amount to \$2,270 (2019 - \$2,270) and is reported on the consolidated statement of financial position under accumulated surplus. An amount of \$nil (2019- \$nil) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to \$4,326 (2019 - \$6,091).

### 17. Self-funded employee benefit plans:

The Region provides a group health and dental plan for certain employees and has assumed the full liability for payment of benefits under this plan.

Payments charged against operations in the current year amounted to \$18,507 (2019 - \$17,886).

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 18. Government transfers:

The government transfers reported on the consolidated statement of operations are as follows:

	Budget	2020	2019
Revenue:			
Government of Canada:			
Transportation services	\$ 18,067	\$ 18,067	\$ 10,668
Environmental services	4,470	4,470	6,164
Social and family services	1,204	1,584	1,125
Social housing	7,720	7,720	8,599
Planning and development	130	-	81
	31,591	31,841	26,637
Province of Ontario:			
General government	1,902	20,829	1,952
Protection to persons and property	9,737	9,642	9,652
Transportation services	15	70	2,031
Environmental services	693	693	1,626
Health services	66,867	72,819	64,974
Social and family services	227,189	242,099	230,206
Social housing	8,969	8,041	10,425
	315,372	354,193	320,866
Other municipalities:			
General government	69	172	542
Protection to persons and property	325	319	319
Transportation services	3	3	-
Environmental services	-	146	-
	397	640	861
Total revenues	\$ 347,360	\$ 386,674	\$ 348,364

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 19. Segmented information:

Segmented information has been identified based upon functional areas by the Region.

The functional areas have been separately disclosed in the segmented information as follows:

(i) General government:

General government consists of the general management of the Region, including adopting by-laws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

(ii) Protection to persons and property:

Protection to persons and property is comprised of Police Services and Court Services. The mandate of Police Services is to ensure the safety of the lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders and enforce the law. Court Services is responsible for administering and prosecuting Provincial Offences including those committed under the Highway Traffic Act, the Compulsory Automobile Insurance Act, the Trespass to Property Act, the Liquor License Act and other provincial legislation, municipal by-laws and minor federal offences. Court Services governs all aspects of the legal prosecution process, from serving an offence notice to an accused person to conducting trials including sentencing and appeals.

(iii) Transportation services:

Transportation services is responsible for the planning, design, operation and maintenance of the roadway system, the maintenance of parks and open space, and street lights.

(iv) Environmental services:

Environmental services is responsible for the engineering and operation of the water and wastewater systems and waste management. Waste management encompasses solid waste collection and disposal and Niagara Recycling.

(v) Health services:

The Public Health Department offers a range of programs related to health services that includes protection and promotion, disease and injury prevention and also oversees the Emergency Services Division ("ESD") that encompasses both Land Ambulance ("Paramedic") Services and Land Ambulance Communications ("Dispatch") Services.

(vi) Social and family services:

The Community Services department is responsible for providing public services that sustains and supports individuals, families and communities. Programs and services are delivered through Senior Services, Children's Services, Social Assistance and Employment Opportunities and Homelessness Services and Community Engagement.

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 19. Segmented information (continued):

(vii) Social housing:

Social housing is responsible for providing and advocating for secure, affordable housing in the Region.

(viii) Planning and development:

The Planning and Development department provides information to Council and the community through working with partners and community groups to support planning initiatives in the region, providing information to residents about Region programs and services. The planning and development department also supports the Region special initiatives.

Certain allocation methodologies are employed in the preparation of segmented information. Taxation and payments-in-lieu of taxes are not allocated and reported in general government and environmental services. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received are allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.



# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 19. Segmented information (continued):

	2020								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
<b>Revenues:</b>									
Levies on area municipalities	\$ 370,730	\$ -	\$ -	\$ 38,821	\$ -	\$ -	\$ -	\$ -	\$ 409,551
User charges	436	3,880	5,222	173,494	602	25,528	15,839	1,067	226,068
Government transfers	21,001	9,961	18,140	5,309	72,819	243,683	15,761	-	386,674
Development charges earned	1,109	470	10,790	15,427	158	-	5,048	426	33,428
Investment income	15,118	-	-	-	-	-	225	-	15,343
Provincial offenses	-	5,068	-	-	-	-	-	-	5,068
Miscellaneous	855	482	968	5,639	114	545	272	261	9,136
<b>Total revenues</b>	<b>409,249</b>	<b>19,861</b>	<b>35,120</b>	<b>238,690</b>	<b>73,693</b>	<b>269,756</b>	<b>37,145</b>	<b>1,754</b>	<b>1,085,268</b>
<b>Expenses:</b>									
Salaries, wages and employee benefits	5,272	161,542	16,193	32,765	96,165	120,210	6,187	5,687	444,021
Operating expenses	24,900	17,609	23,822	86,535	14,712	80,096	19,611	1,453	268,738
External transfers	1,955	6,992	16,360	5,441	-	104,386	29,841	3,178	168,153
Debt services	13,427	-	21	-	126	-	-	-	13,574
Amortization	6,919	10,003	29,623	29,250	3,415	4,053	9,068	-	92,331
Miscellaneous	69	(46)	1,536	433	208	23	-	-	2,223
<b>Total expenses:</b>	<b>52,542</b>	<b>196,100</b>	<b>87,555</b>	<b>154,424</b>	<b>114,626</b>	<b>308,768</b>	<b>64,707</b>	<b>10,318</b>	<b>989,040</b>
<b>Annual surplus (deficit)</b>	<b>\$ 356,707</b>	<b>\$ (176,239)</b>	<b>\$ (52,435)</b>	<b>\$ 84,266</b>	<b>\$ (40,933)</b>	<b>\$ (39,012)</b>	<b>\$ (27,562)</b>	<b>\$ (8,564)</b>	<b>\$ 96,228</b>

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 19. Segmented information (continued):

	2019								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
<b>Revenues:</b>									
Levies on area municipalities	\$ 348,152	-	-	\$ 35,329	-	-	-	-	\$ 383,481
User charges	746	8,119	6,680	163,353	735	27,908	15,293	889	223,723
Government transfers	2,494	9,971	12,699	7,790	64,974	231,331	19,024	81	348,364
Development charges earned	-	(4)	12,556	6,570	14	-	272	406	19,814
Investment income	17,842	-	-	-	-	-	334	-	18,176
Provincial offenses	-	7,025	-	-	-	-	-	-	7,025
Miscellaneous	1,815	835	61	4,691	74	842	388	4	8,710
<b>Total revenues</b>	<b>371,049</b>	<b>25,946</b>	<b>31,996</b>	<b>217,733</b>	<b>65,797</b>	<b>260,081</b>	<b>35,311</b>	<b>1,380</b>	<b>1,009,293</b>
<b>Expenses:</b>									
Salaries, wages and employee benefits	6,061	156,665	15,648	32,249	90,134	110,197	6,042	5,506	422,502
Operating expenses	13,784	17,728	25,133	86,358	14,793	78,421	19,876	1,849	257,942
External transfers	1,797	7,895	5,490	4,263	-	110,122	29,516	11,925	171,008
Debt services	13,230	-	26	-	-	-	-	-	13,256
Amortization	7,181	10,374	26,636	27,538	3,039	3,891	8,530	-	87,189
<b>Total expenses:</b>	<b>42,053</b>	<b>192,662</b>	<b>72,933</b>	<b>150,408</b>	<b>107,966</b>	<b>302,631</b>	<b>63,964</b>	<b>19,280</b>	<b>951,897</b>
<b>Annual surplus (deficit)</b>	<b>\$ 328,996</b>	<b>\$ (166,716)</b>	<b>\$ (40,937)</b>	<b>\$ 67,325</b>	<b>\$ (42,169)</b>	<b>\$ (42,550)</b>	<b>\$ (28,653)</b>	<b>\$ (17,900)</b>	<b>\$ 57,396</b>

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

### 20. Budget data:

The budget amounts presented in these consolidated financial statements are based upon the 2020 operating and capital budgets approved by Council on December 12, 2019. The chart below reconciles the approved budget to the budget amounts reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted on a project-oriented basis, the budget amounts used are based on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

	Budget Amount
<b>REVENUES</b>	
Operating	
Approved budget	\$ 1,015,216
Budget Adjustments	23,900
Expenses classified as revenue	(172)
Capital:	
Development charges	31,128
Grants and subsidies	26,119
Other contributions	935
Loss on sale of tangible capital assets	(1,973)
Less:	
Transfers from reserves	(22,984)
Proceeds on sale of tangible capital assets	(210)
Total revenue	1,071,959
<b>EXPENSES</b>	
Operating	
Approved budget	\$ 1,015,216
Budget Adjustments	23,900
Expenses classified as revenue	(172)
Add:	
Capital project cost resulting in operating expenses	20,125
Amortization	92,331
Employee future benefits	6,192
Landfill liability	6,595
Contaminated sites	576
Less:	
Operating expenses resulting in tangible capital assets	(2,757)
Transfers to reserves, including capital	(75,761)
Debt principal payments	(47,298)
Total expenses	1,038,947
Annual surplus	\$ 33,012

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 21. Significant Event:

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Region in future periods.

The Region's 2020 operating budget was approved prior to the pandemic. As a response to the COVID-19 pandemic, the Region adjusted service levels and work plans and received additional government funding relating to these costs.

### 22. Contingent Liabilities:

Subsequent to December 31, 2020, on April 8, 2021, the Region executed a guarantee of the Region's portion of Southwestern Internet Fibre Technology ("SWIFT")'s revolving credit facility with TD Bank in an amount of \$2,439. The purpose of the credit facility is to fund SWIFT's obligation to pay the internet service providers who will undertake the project to expand digital infrastructure within the Region until the receipt of the funding for the project is received from the Ontario Ministry of Agriculture and Food.

### 23. Comparative figures:

Certain prior year figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year.

## Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the  
Regional Municipality of Niagara

### Opinion

We have audited the financial statements of the Sinking Funds of the Regional Municipality of Niagara (the "Region"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the sinking funds of the Region as at December 31, 2020, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Region in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Region's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2021



# THE REGIONAL MUNICIPALITY OF NIAGARA

## SINKING FUND STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 (In thousands of dollars)

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash	\$ 2,180	\$ 228
Interest receivable	75	96
Due from operating fund	16	48
Investments (note 2)	16,202	15,941
	<b>18,473</b>	<b>16,313</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	4	4
Sinking fund requirements		
City of St. Catharines	2,158	1,907
The Regional Municipality of Niagara	15,896	14,049
	<b>18,058</b>	<b>15,960</b>
Accumulated surplus and net financial assets	\$ 415	\$ 353

*The accompanying notes are an integral part of these financial statements.*

# THE REGIONAL MUNICIPALITY OF NIAGARA

## SINKING FUND STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
<b>REVENUES</b>		
Contributions	\$ 1,512	\$ 1,512
Investment Income	652	606
Total revenues	2,164	2,118
<b>EXPENSES</b>		
Professional fees and dues	4	3
Provision for sinking fund requirements	2,098	2,027
Total expenses	2,102	2,030
Annual Surplus	62	88
Accumulated surplus and net financial assets, beginning of year	353	265
Accumulated surplus and net financial assets, end of year	\$ 415	\$ 353

*The accompanying notes are an integral part of these financial statements.*



# THE REGIONAL MUNICIPALITY OF NIAGARA

## SINKING FUND STATEMENT OF CASH FLOWS

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 62	\$ 88
Change in non-cash assets and liabilities:		
Interest receivable	21	(31)
Due from operating fund	32	(43)
Net change in cash from operating activities	115	14
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(2,061)	(1,981)
Proceeds from the sale of investments	1,800	-
Net change in cash from investing activities	(261)	(1,981)
<b>FINANCING ACTIVITY</b>		
Increase in sinking fund requirements	2,098	2,026
Net change in cash from financing activity	2,098	2,026
Net change in cash	1,952	59
Cash, beginning of year	228	169
Cash, end of year	\$ 2,180	\$ 228

The accompanying notes are an integral part of these financial statements

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO SINKING FUND FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 1. Significant accounting policies:

The financial statements of sinking funds of The Regional Municipality of Niagara (the "Region") are the representation of management prepared in accordance with Canadian public sector accounting standards.

The sinking fund is a separate fund maintained for the purpose of providing for the repayment of all sinking fund debt when it becomes due. The Region issued sinking fund debentures of \$78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. Included in the sinking fund debenture is \$9,333 borrowed on behalf of the City of St. Catharines, representing a proportionate share of 11.95%. Annual interest payments on the sinking fund debt are \$4,060.

Significant accounting policies adopted by the Region for the sinking funds are as follows:

(a) Basis of accounting:

The Region's sinking fund follows the accrual method of accounting for revenues and expenses.

(b) Sinking fund requirements:

The requirements of the sinking fund represent the amounts required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. The requirements were calculated using a rate of 3.5% per annum.

(d) Investment income:

Investment income is reported as revenue in the period earned.

### 2. Investments:

The investments consist of municipal bonds and are carried at cost. At December 31, 2020 the investments have a market value of \$19,691 (2019 - \$17,751)

## Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of  
the Regional Municipality of Niagara

### Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Niagara (the "Region"), which comprise the statement of financial position as at December 31, 2020, and the statements of financial activities and change in fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Region as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Region in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Region's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2021



# THE REGIONAL MUNICIPALITY OF NIAGARA

## TRUST FUNDS STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 (In thousands of dollars)

	2020	2019
<b>ASSETS</b>		
Cash	\$ 251	\$ 244
Due from Regional Municipality of Niagara	734	718
Fund balance	\$ 985	\$ 962

*The accompanying notes are an integral part of these financial statements.*

# THE REGIONAL MUNICIPALITY OF NIAGARA

## TRUST FUNDS STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
<b>REVENUE</b>		
Deposits from residents	\$ 245	\$ 468
Donations	201	261
	<b>446</b>	<b>729</b>
<b>EXPENSES</b>		
Expenditures for the benefit of residents	<b>423</b>	<b>725</b>
	<b>423</b>	<b>725</b>
Excess of revenues over expenses	<b>23</b>	<b>4</b>
Fund balance, beginning of year	<b>962</b>	<b>958</b>
Fund balance, end of year	<b>\$ 985</b>	<b>\$ 962</b>

*The accompanying notes are an integral part of these financial statements.*

# THE REGIONAL MUNICIPALITY OF NIAGARA

## TRUST FUNDS STATEMENT OF CASH FLOWS

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses	\$ 23	\$ 4
Change in non-cash assets and liabilities		
Due from Regional Municipality of Niagara	(16)	(9)
Net change in cash from operating activities	7	(5)
Cash, beginning of year	244	249
Cash, end of year	\$ 251	\$ 244

*The accompanying notes are an integral part of these financial statements.*

# THE REGIONAL MUNICIPALITY OF NIAGARA

## NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

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### 1. Significant accounting policies:

These financial statements reflect the financial position, financial operations, and cash flows of funds held in trust by The Regional Municipality of Niagara ("the Region") for residents of the eight long-term care homes:

- Gilmore Lodge
- Upper Canada Lodge
- Deer Park Villa
- Woodlands of Sunset
- Linhaven
- Rapelje Lodge
- Northland Point
- Meadows of Dorchester

These financial statements are the representation of management and are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following policies:

#### (a) Basis of Accounting:

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenses are recorded in the period the goods and services are acquired and a liability is incurred, or transfers are due.

#### (b) Uses of Estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 amount of revenues and expenses during the period. Actual results could differ from these estimates.





**Regional Municipality of Niagara**  
Report to the Audit Committee on the  
2020 audit

April 17, 2021

Members of the Audit Committee  
Regional Municipality of Niagara  
1815 Sir Isaac Brock Way  
Thorold ON L2V 4T7

## **Report on audited annual financial statements**

Dear Audit Committee Members:

We are pleased to submit this report on the status of our audit of the consolidated financial statements of the Regional Municipality of Niagara (the "Region") for the 2020 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our Master Services Agreement dated November 8, 2016, and our confirmation of changes letters dated January 30, 2019 and November 12, 2020, we have performed audit of the following, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"):

- Consolidated financial statements of the Region prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS")
- Financial statements of Niagara Regional Housing ("NRH") prepared in accordance with PSAS
- Financial statements of the Regional Municipality of Niagara Trust Funds (the "Trust Funds") prepared in accordance with Canadian accounting standards for not-for-profit organizations, and
- Financial statements of the Regional Municipality of Niagara Sinking Funds (the "Sinking Funds") prepared in accordance with PSAS.

Herein after, collectively referred to as the "Financial Statements".

We expect to issue our Independent Auditor's Reports on the financial statements of the Region, the Trust Funds, and the Sinking Funds upon approval of the financial statements by the Treasurer.

Our audit has been conducted in accordance with the audit plan dated August 26, 2020 that was presented to the Audit Committee.

This report is intended solely for the information and use of the Regional Council through the Audit Committee, management and others within the Region, and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

"Original signed by Deloitte LLP"

Chartered Professional Accountants  
Licensed Public Accountants

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# Executive summary



## Audit scope and terms of engagement

We have been asked to perform audit of the financial statements of the Region, NRH, the Trust Funds and the Sinking Funds (collectively, the "Region") in accordance with the applicable accounting frameworks as at and for the year ended December 31, 2020. Our audit were conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the Master Services Agreement dated November 8, 2016, and our confirmation of changes letters dated January 30, 2019 and November 12, 2020. We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.



## Audit risks

- 1 Revenue and deferred revenue amounts (Region)
- 2 Year-end cut-off (Region)
- 3 Tangible capital assets (Region)  
Year-end accruals and other estimates (including salaries, employee future benefits, landfill closure and post-closure liability, contaminated sites, and allowance for doubtful accounts) (Region)
- 4 Management override of controls (Region/NRH)
- 5 Tenant and other receivables/revenue (NRH)
- 6 Long-term debt (NRH)
- 7 Financial statement disclosures (NRH)



## Uncorrected misstatements

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels were determined on the basis of total revenue.

We have informed the Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.



## Outstanding Matters & Next Steps

**Completion** of our subsequent events procedures

**Receipt** of outstanding legal responses

**Receipt** of signed Management's representation letter



## Going Concern

Management has completed its assessment of the ability of the Region to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Region's ability to continue as a going concern. We agree with management's assessment.



## Results

No restrictions have been placed on the scope of our audit. We intend to issue an unmodified audit report on the financial statements of the Region and NRH for the year ended December 31, 2020 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved.

# Audit risks

The audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

## Region of Niagara

### Revenue and deferred revenue amounts\*

#### Audit risk

Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition.

#### Our audit response

- Substantive testing to determine if restricted contributions (i.e., development charges, conditional grants, COVID-19 funding, etc.) have been recognized as revenue in the appropriate period.

#### Audit results

No significant issues were noted as a result of this testing.

### Year-end cut-off

#### Audit risk

Determine if cut-off of revenues and expenses is appropriate.

#### Our audit response

- Substantive testing on accounts payable, accrued liabilities, deferred revenue and accounts receivable, and
- Test disbursements subsequent to year-end.

#### Audit results

No significant issues were noted as a result of this testing.

### Tangible capital assets

#### Risk identified

Appropriate accounting and disclosure.

#### Our audit response

- Test assumptions used in determining completeness, valuation, recording and cut-off of additions and disposals, and
- Testing of calculations of amortization.

#### Audit results

No significant issues were noted as a result of this testing.

**Year-end accruals and other estimates (including salaries, employee future benefits, landfill closure and post-closure liability, contaminated sites, and allowance for doubtful accounts)**

**Audit risk**

Estimates requiring management judgments and assumptions.

**Our audit response**

- Obtain documentation on management's control over accounting estimates and assess risk
- Review and assess the consistency of major assumptions used to develop significant accounting estimates
- Compare actual historical experience to models employed in such calculations
- Obtain calculations from experts for accruals such as employee future benefit liability and landfill liability, and assess assumptions and data used to prepare the report, and
- Review actual outcome of prior year estimates.

**Audit results**

No significant issues were noted as a result of this testing.

**Management override of controls\* (Region/NRH)**

**Audit risk**

Management override of controls is a presumed area of risk in a financial statement audit due to management's ability to override controls that otherwise appear to be operating effectively.

**Our audit response**

- Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements
- We will obtain an understanding of the business rationale for significant transactions that we become aware of that are outside of the normal course of business, or that otherwise appear to be unusual given our understanding of the Region and its environment
- We will review accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement
- In addition, experienced Deloitte personnel will be assigned to the testing and review of journal entries and areas of estimates, and
- Professional skepticism will be maintained throughout the audit.

**Audit results**

Management has represented to us that they have not identified any fraud or illegal items and our audit procedures support this assessment.

## Niagara Regional Housing

### Tenant and other receivables/revenue\*

#### Audit risk

Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition. Valuation of tenant and other receivables.

#### Our audit response

- Review aging reports and estimate allowance for doubtful tenant receivables for reasonableness
- Confirm subsidies received from the Service Manager, and
- Perform detail testing of tenant and other receivables and related revenue.

#### Audit results

No significant issues were noted as a result of this testing.

### Long-term debt

#### Audit risk

Appropriate accounting and disclosure.

#### Our audit response

- Confirm long-term debt balances
- Recalculate interest

#### Audit results

No significant issues were noted as a result of this testing.

### Financial statement disclosures

#### Audit risk

Appropriate disclosure of proposed future operational changes.

#### Our audit response

- Ensure changes to future operations are appropriately disclosed as subsequent events in the financial statements.

#### Audit results

No significant issues were noted as a result of this testing.

\*These areas have been identified as areas of significant risk.

### Significant events including subsequent events

The design of our audit plan began with a reassessment of risk areas from last year's audit. We have identified a few significant developments or factors that changed since our prior year risk assessment. This is an overview of how these additional developments impacted our audit plan and the results of the audit work we performed.

### COVID-19

#### Impact on our 2020 audit

Due to the ongoing COVID-19 pandemic, the audit work was performed remotely, and the risk assessment and analytical procedures were considered with the potential impact of the pandemic in mind. Despite the audit taking place in a remote work environment, we were able to obtain sufficient evidence for our audit and controls testing. There were no significant changes to the nature of our audit procedures as a result.

# Significant accounting policies, judgments and estimates

The accounting policies described below are those that are most important and representative of the Region's financial condition and financial performance.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

The significant accounting policies of the Region are disclosed in Note 1 to the financial statements.

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under the applicable accounting frameworks and are appropriate to the particular circumstances of the Region.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2020, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of the Region.



# Appendix 1 – Communication requirements and other reportable matters

Required communication	Reference	Refer to this report or document described below
<b>Audit Service Plan</b>		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS <sup>1</sup> 260.14	Refer to our master service agreement dated November 8, 2016, and our confirmation of changes letters dated January 30, 2019 and November 12, 2020.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> </ul>	CAS 260.15	Refer to our 2020 Audit service plan presented August 26, 2020.
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	Nothing to report.
<b>Enquiries of those charged with governance</b>		
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.21	We are not aware of any fraudulent events.
5. Any known suspected or alleged fraud affecting the Region	CAS 240.22	None noted.
6. Whether the Region is in compliance with laws and regulations	CAS 250.15	No concerns noted.
<b>Year End Communication</b>		
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	We are not aware of any fraudulent events.
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	Significant accounting policies, judgments and estimates section. No unusual transactions noted.

<sup>1</sup> CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	Significant accounting policies, judgments and estimates section.
10. Matters related to going concern	CAS 570.25	We concluded that there was no substantial doubt about the Region's ability to continue as a going concern.
11. Consultation with other accountants		None
12. Management judgments and accounting estimates	CAS 260.16 a.	Significant accounting policies, judgments and estimates section.
13. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	No significant difficulties to report.
14. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Management representation letter.
15. Circumstances that affect the form and the content of the auditor's report	CAS 260.16.d.	None
16. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16e.	No other matters to report.
17. Modifications to our opinion(s)	CAS 260.A21	None
18. Other significant matters discussed with management	CAS 260.A.22	None
19. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including Illegal or possibly illegal acts that come to our attention	CAS 250.23	We are not aware of any illegal acts or matters involving non-compliance with laws and regulations.
20. Litigation		No litigation matters to report.
21. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	No deficiencies to report.
22. Uncorrected misstatements and disclosure items	CAS 450.12-13	In accordance with Canadian GAAS, we request that all misstatements be corrected. See Appendix 3 for corrected misstatement. No uncorrected misstatements and uncorrected disclosure to report.
<b>Other reportable matters</b>		
23. Changes to the audit plan	CAS 260.A26	None
24. Concerns regarding management competence and integrity		We did not note any concerns regarding management competence and integrity.
25. Disagreements with management		None

Required communication	Reference	Refer to this report or document described below
26. Post-balance sheet events		None
27. Other significant matters arising from the audit		None

# Appendix 2 – Independence letter

April 17, 2021

**Private and confidential**

The Members of the Audit Committee  
Regional Municipality of Niagara  
1815 Sir Isaac Brock Way  
Thorold ON L2V 4T7

Dear Audit Committee Members,

We have been engaged to audit the consolidated financial statements of Regional Municipality of Niagara (the "Region") for the year ended December 31, 2020.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Region, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a. Holding a financial interest, either directly or indirectly, in a client
- b. Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
- c. Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
- d. Economic dependence on a client, and
- e. Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 8, 2020, date of our last letter.

We are not aware of any relationships between the Deloitte entities (defined as the Member Firms of Deloitte Touche Tohmatsu Limited and their respective affiliates) and the Region, its affiliates, or persons in financial reporting oversight roles at the Region and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from April 8, 2020 to April 17, 2021.

We hereby confirm that we are independent with respect to the Region in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of April 17, 2021.

This letter is intended solely for the use of the Committee, management, and others within the Region.

Yours truly,



Chartered Professional Accountants  
Licensed Public Accountants

# Appendix 3 – Summary of misstatements

Corrected misstatement

	Debit \$ (000's)	Credit \$ (000's)
Accounts payable and accrued liabilities	2,030	
Cash		2,030
To adjust Cash and Accounts payable and accrued liabilities for amounts related to interest payments made, but not previously recorded, during the year.		

## Appendix 4 – Draft management representation letter

Draft

# [Region letterhead]

\_\_\_\_\_, 2021

## **Private and confidential**

Trevor Ferguson  
Deloitte LLP  
400 Applewood Crescent, Suite 500  
Vaughan ON L4K 0C3

## **Re: Consolidated Financial statements of Regional Municipality of Niagara for the year ended December 31, 2020**

Dear Mr. Ferguson:

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of Regional Municipality of Niagara (the "Region" or "we" or "us") for the year ended December 31, 2020, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Region in accordance with Canadian Public Sector Accounting Standards ("PSAS").

Certain representations in this letter are described as being limited to matters that are material. Items 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.

We 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:

### **Financial statements**

1. We have fulfilled our responsibilities as set out in the terms of the Master Services Agreement between the Region and Deloitte dated November 8, 2016, and amended January 30, 2019 and November 12, 2020 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Region as at December 31, 2020 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Region has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2020 that require adjustment to the estimates and disclosures included in the Financial Statements.



There are no changes in management's method of determining significant estimates in the current year.

3. The Region has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
4. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2020 and up to the date of this letter.
6. The Financial Statements are free of material errors and omissions.

#### **Internal controls**

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

#### **Information provided**

9. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
  - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
11. We have no knowledge of any information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the Financial Statements.
12. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Region.
13. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices. There are also no known or possible instances of non-compliance with the requirements of regulatory or governmental authorities.
14. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.

### **Independence matters**

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

15. Prior to the Region having any substantive employment conversations with a former or current Deloitte engagement team member, the Region has held discussions with Deloitte and obtained approval from the Audit Committee.
16. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

### **Other matters**

Except where otherwise stated below, immaterial matters less than \$1,500,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

17. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
18. The Region has identified all related parties in accordance with Section PS 2200, Related Party Disclosures ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200.
19. There are no instances of identified or suspected noncompliance with laws and regulations.
20. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.
21. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
22. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
23. We have disclosed to you, and the Region has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
24. The Region has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

### **Selection of accounting policies and recording of transactions**

25. The Region's accounting policies and their method of application have been applied on a basis consistent with that of the audited consolidated financial statements as at and for the year ended December 31, 2019.

### **Work of management's experts**

26. We agree with the work of management's experts in evaluating the landfill liability and employee future benefits liability, and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

### **Plans or intentions affecting carrying value/classification of assets and liabilities**

27. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

### **Loans and receivables**

28. The Region is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
29. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

### **Investments**

30. With regard to the Region's investments, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would indicate any other than temporary impairment of the investment's value.

### **Employee future benefits**

31. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.
32. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
33. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
34. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.

### **Liabilities for contaminated sites**

35. We have evaluated all of our tangible capital assets that we own or accept responsibility, and have not identified any sites in which contamination exceeds an environmental standard.

### **Various matters**

36. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. Economic dependence on another party;
  - b. Losses arising from sale and purchase commitments;

- c. Agreements to buy back assets previously sold;
- d. Provisions for future removal and site restoration costs;
- e. Sales with recourse provisions
- f. Sales incentives, including cash consideration provided to customers and vendor rebates
- g. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.
- h. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
- i. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
- j. All impaired loans receivable.

Yours truly,

**Regional Municipality of Niagara**

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Ron Tripp  
Acting Chief Administration Officer

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Todd Harrison  
Commissioner, Corporate Services/Treasurer

# Appendix 5 – New and Revised Accounting Standards

The following is a summary of certain new standards, amendments and proposals that will become effective in 2022 and beyond.

To review all recent amendments that will impact your organization in the foreseeable future, we invite you to review our revamped [Standard-setting Activities Digest](http://www.cfr.deloitte.ca), included in our Centre for Financial Reporting ([www.cfr.deloitte.ca](http://www.cfr.deloitte.ca)).

## Public Sector Accounting Standards

Topic	Description	Effective Date
<b>Section PS 1201 - Financial statement presentation</b>	This Section establishes general reporting principles and standards for the disclosure of information in government financial statements.	This Section applies in the period Section PS 2601 Foreign currency translation, and Section PS 3450 - Financial instruments, are adopted. Earlier adoption is permitted.
<b>Section PS 2601 Foreign currency translation.</b>	This Section establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.	This Section is effective for (i) Government organizations - April 1, 2012; and (ii) Governments - April 1, 2022. Earlier adoption is permitted.
<b>Section PS 3280 - Asset retirement obligations</b>	This Section establishes standards on how to account for and report a liability for asset retirement obligations.	Effective April 1, 2022, earlier application is permitted.
<b>Section PS 3041 - Portfolio investments</b>	This Section establishes standards on how to account for and report portfolio investments in government financial statements.	This Section applies in the period Section PS 1201 - Financial statement presentation, Section PS 2601 Foreign currency translation, and Section PS 3450 - Financial instruments, earlier application is permitted.
<b>Section PS 3400 - Revenue</b>	This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.	Effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted. The Section may be applied retroactively or prospectively.
<b>Section PS 3450 - Financial instruments</b>	This Section establishes standards on how to account for and report all types of financial instruments including derivatives.	This section is effective for: (i) Government organizations - April 1, 2012 (ii) Governments - April 1, 2022. Governments and government organizations would also adopt Section PS 2601 Foreign currency translation, at the same time. Earlier adoption is permitted.

### Appendix 3: Annual Surplus Reconciliation

AC-C 3-2021  
May 10, 2021

<i>(in thousands)</i>	<u>Approved Budget</u>	<u>2020</u>	<u>2019</u>
<b>Based on budget approach</b>			
Water & Wastewater surplus (deficit)	\$ -	\$ 2,729	\$ (1,684)
Waste Management surplus (deficit)	-	1,493	(1,156)
Levy surplus surplus	-	37,306	3,453
<b>Operating Surplus based on CSD 17-2021</b>	<b>-</b>	<b>41,528</b>	<b>613</b>
<b>PSAS Presentation Adjustments:</b>			
<b>Capital</b>			
Recognize amortization	(92,331)	(92,331)	(87,189)
Recognize in-year capital program revenues	58,182	58,025	45,375
Recognize capital fund expenditures resulting in operating expenses	(20,125)	(20,066)	(10,681)
Recognize operating fund expenditures resulting in capital assets	2,757	2,757	2,040
Recognize proceeds & loss on disposal of assets	(2,183)	(2,231)	(765)
Recognize operating funding transferred to capital program	-	-	6,190
<b>Capital Subtotal</b>	<b>(53,700)</b>	<b>(53,846)</b>	<b>(45,030)</b>
<b>Funded</b>			
Remove principal debt repayments	47,298	31,573	33,936
Remove net transfers to reserves (including interest allocation)	52,777	89,528	72,026
Remove sinking fund activity	-	385	345
<b>Funded Subtotal</b>	<b>100,075</b>	<b>121,486</b>	<b>106,307</b>
<b>Unfunded</b>			
Recognize change in landfill liability	(6,595)	(6,595)	120
Recognize power dams liability	-	422	422
Recognize change in unfunded employee future benefits liability	(6,192)	(6,191)	(5,036)
Recognize change in contaminated sites liability	(576)	(576)	-
<b>Unfunded Subtotal</b>	<b>(13,363)</b>	<b>(12,940)</b>	<b>(4,494)</b>
<b>Annual surplus per PSAS consolidated financial statements</b>	<b>\$ 33,012</b>	<b>\$ 96,228</b>	<b>\$ 57,396</b>

A balanced operating budget, developed for the purposes of setting tax rates and user fees, was approved by Council on December 12, 2019. The operating surplus presented at the top of the chart represents the actual financial results of the Region compared to the operating budget. Since the Region is required to report its annual surplus using Public Sector Accounting standards (PSAS), a number of adjustments are required in order for the financial results to conform with PSAS. For example, in the operating budget, capital projects are recognized when funding is allocated; however, in order to conform with PSAS, an adjustment is required as capital projects should be expensed over time through amortization rather than immediately.

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**Subject:** Appointment of Auditors

**Report to:** Audit Committee

**Report date:** Monday, May 10, 2021

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## **Recommendations**

1. That Deloitte **BE APPOINTED** as the Niagara Region's (the Region) external auditor for an additional two-year term starting with the calendar year ending December 31, 2021 until the fiscal year ending March 31, 2023.

## **Key Facts**

- The purpose of this report is to seek Audit Committee and Council's approval to extend the external audit services contract with Deloitte for an additional two-year term.
- With the ongoing pandemic resulting in significant impacts to the financial results of the Region and to staff availability to potentially transition auditors, staff believe there is value in retaining Deloitte as the audit firm familiar with our current business and processes.
- Per the audit committee terms of reference, it is the responsibility of the committee to approve the replacement, reappointment and/or appointment of the external auditors to Corporate Services Committee and Council.
- The current five-year contract with Deloitte, which was competitively procured via RFP in 2016, expires with the fiscal year ending March 31, 2021.
- Of the proposals evaluated in 2016 that met the benchmark set out in the evaluation criteria, Deloitte had the lowest five-year cost with only inflationary increases in years three to five.
- The requirement for an annual audit of the Region's consolidated financial statements is established in section 294 of the Municipal Act. The Municipal Act Section 296 requires a municipality to appoint an auditor for a term not exceeding five years; however, this does not impact the ability to reappoint the same auditors for a subsequent period of up to five years.

## **Financial Considerations**

The Region has signed a master services agreement with Deloitte that can be leveraged to cover the extended term and external audit service costs included in the

approved Council budget. Deloitte have agreed to maintain their audit fees with a 2% inflationary increase over their 2020/2021 fees for the two-year extension term. Actual fees and proposed fees for the extension term, based on known audits required, are in the table below.

*Table 1: Audit fee summary (excluding HST) Actual Audit fees*

2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020	2020 / 2021	Total	Proposed Audit Fees (inclusive of 2% increase) 2021/2022	Proposed Audit Fees (inclusive of 2% increase) 2022/2023	Total
173,900	153,100	146,450	152,950	155,600*	\$782,000	154,000	154,000	\$308,000

\* Includes \$5,000 one-time audit of a capital project not required in 2021 thru 2023.

In 2020/2021, the Region engaged Deloitte to provide 24 audits of various programs and projects (see Appendix 1). Audit services provided by Deloitte and included in the fees above include the financial statement audits for Court Services and Niagara Regional Housing. The NRPS does not currently have a financial statement audit but has engaged Deloitte to perform specified procedures on their police special bank account in the past. In 2021 and beyond, NRPS would hire an auditor separate from this contract to perform any audit work required.

## Analysis

The Region is currently focusing efforts on supporting the COVID-19 pandemic, including significant supports required from the financial management and planning (FMP) division. In addition to playing an active role in supporting the Region's emergency response through the emergency operations centres, FMP staff are supporting various new reporting requirements associated with numerous new funding agreements. These requirements are expected to continue into 2022, as many of them will require final reporting once the 2021 year is complete.

As a result of the new funding available from the COVID-19 pandemic and the Region adjusting service levels to address the needs of the community, the financial results in



2021 are expected to vary from a normal operating year. This may lead to additional variance reporting to fully understand the impacts to our lines of business.

Staff believe the Region would be well served by allowing FMP staff to continue to focus efforts on supporting the pandemic instead of prioritizing planning and evaluating an RFP and potentially transitioning to a new audit services provider, which requires a significant investment of staff time. Additionally, new accounting standards for asset retirement obligations, financial instruments and revenue recognition are coming into effect in 2021 and 2022, which will require staff time.

Deloitte has strong leadership presence in the municipal/public sector. Deloitte's municipal expertise in conjunction with the Region-specific knowledge obtained over the past five years give FMP staff confidence that Deloitte is best suited to most efficiently and effectively navigate any financial variances as a result of the Region's pandemic response. Additionally, with COVID-19 restrictions in 2020 and 2021, the Region and Deloitte have already established an efficient process allowing all audit work to be done remotely.

The two-year contract extension would be considered a negotiation under the Region's procurement by-law section 19 (a) (vi) & (x) outlined below.

19. (a) Notwithstanding that Negotiation may be a component of another procurement process, Negotiation may be used for Purchases of Goods and/or Services when any of the following criteria apply:

- (vi) the extension of an existing Contract would be more effective;
- (x) there is Council authorization to do so.

## **Alternatives Reviewed**

Audit committee could direct staff to complete a competitive procurement process to select an auditor; however, this is not recommended for the reasons described in the report.

Audit committee could recommend only a one-year extension and request staff complete a competitive procurement process in 2022 to select an auditor. This could alleviate some of the current resource concerns; however, given the uncertainty of the duration of the pandemic, this is not recommended.

## **Relationship to Council Strategic Priorities**

Ensuring audited financial statements are provided to Council and the public supports the Council Strategic Priority of Sustainable and Engaging Environment.

## **Other Pertinent Reports**

AC-C 16-2016      Appointment of Auditors (September 19, 2016)

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### **Prepared by:**

Melanie Steele, MBA CPA CA  
Associate Director, Reporting & Analysis  
Corporate Services

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### **Recommended by:**

Todd Harrison, CPA CMA  
Commissioner/Treasurer  
Corporate Services

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### **Submitted by:**

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

*This report was prepared in consultation with Jeffrey Mulligan, Procurement Manager and reviewed by Helen Chamberlain, Director, Financial Management and Planning/Deputy Treasurer.*

## **Appendices**

Appendix 1      2020-2021 Audit Report List

**2020/2021 AUDIT REPORT LIST**

Consolidated Regional Municipality of Niagara  
Sinking Funds  
Trust Funds  
Court Services  
Niagara Regional Housing  
Ambulance Dispatch  
General Health Programs (Schedule of Revenues and Expenses)  
General Health Programs (Annual Reconciliation Return)  
Healthy Babies  
Infant and Child Development Program  
Mental Health (Schedule of Revenues and Expenses)  
Mental Health (Annual Reconciliation Return)  
Children's Services (Schedule of Revenues and Expenses)  
Community Support Services (Annual Reconciliation Return)  
Long-Term Care Facilities (8 separate homes – Annual Reconciliation Returns)  
Homeless Partnership Strategy Program  
NOTL Water/Wastewater Treatment Plant Capital Project

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**Subject:** Update to Audit Committee Terms of Reference

**Report to:** Audit Committee

**Report date:** Monday, May 10, 2021

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## Recommendations

1. That the updated Audit Committee Terms of Reference, Appendix 1 to Report AC-C 6-2021, **BE APPROVED**.

## Key Facts

- At the Audit Committee meeting of February 8, 2021 members requested that staff review the current Terms of Reference and provide updates as necessary, including considering the merits of having non-Regional councillors participate as members.
- The previous update to the Audit Committee Terms of Reference was approved by Council on June 29, 2017.
- This update is provided following a scan and discussions with several comparable jurisdictions to ensure best practices are considered and Niagara Region's Audit Committee remains accountable and progressive in its oversight capacity and role.

## Financial Considerations

There are no financial impacts related to the recommendations within this report. If Council proceeds with either area of analysis below there could be a financial impact based on potential remuneration and staffing impact.

## Analysis

The only change to the Audit Committee Terms of Reference was removing reference to the former Internal Control and Organizational Performance (ICOP) office. All other changes are minor in nature to ensure the document reflect current operating procedures.

## Audit Committee Composition Considerations:

- The current Terms of Reference calls for, at a minimum, three councillors, in addition to the Regional Chair. The four members, as is stated, should have

financial literacy and familiarity with the Region's accounting, operating and financial reporting structure.

- Several municipalities, including Peel Region, Cities of Burlington, Vaughan, Thunder Bay, Brampton and London allow for non-councillors to be active and full members of their Audit Committee.
- Niagara Region does not provide any remuneration for non-elected committee members which is consistent with all other municipalities scanned.
- External members' participation could provide a specific skill set or certification that may not exist within the current Audit Committee members, such as CPA, CIA or Forensic Auditing designation.
- Majority of reports are available for public review, however non-council members would be required to sign an oath of confidentiality to fully participate in in-camera sessions.
- Non-council membership should be capped such that the majority of voting members at all Audit Committee meetings should still be elected representatives
- All Audit Committee reports and recommendations are still approved and ratified by Regional Council.

### **Alternatives Reviewed**

Due to the potential confidentiality of reports, the time commitment to implement a process of advertising, interviewing, educating potential new audit committee members and in light of the limited remaining term of Council, staff are not recommending the addition of external committee members at this time.

### **Relationship to Council Strategic Priorities**

Effective internal and external audit reporting and processes align with current Council's Strategic Priority – Sustainable and Engaging Government. The goal of this strategic initiative is a commitment to high quality, efficient, fiscally sustainable and coordinated core services through enhanced communication, partnerships and collaborations with the community.

### **Other Pertinent Reports**

AC-C 9-2017 Audit Committee Terms of Reference

AC-C 32-2018 – Audit Committee Terms of Reference

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**Prepared by:**

Helen Chamberlain, CPA, CA  
Director, Financial Management and Planning, and  
Frank Marcella, MPA, CRMA  
Manager, Internal Audit

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**Recommended by:**

Todd Harrison, CPA, CMA  
Commissioner, Corporate Services/Treasurer

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**Submitted by:**

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

**Appendices**

Appendix 1 – AC-C 6-2021 - Audit Committee Terms of Reference

## **Audit Committee Terms of Reference**

The Audit Committee Terms of Reference outlines the Committee's composition, authority, meetings, reporting, mandate, and procedure.

### **Composition:**

The Audit Committee is an advisory committee of Regional Council and will be comprised of the Regional Chair, and at least three other Councillors.

Members of the Audit Committee should be financially literate which includes:

- understanding of the Region's internal and external reporting, accounting policies and process;
- a general understanding of the Region's major economic, operating, and financial risks;
- a broad awareness of the interrelationship of the Region's operations and its financial reporting; and
- understanding the difference between the oversight function of the Committee and the decision-making function of management

Audit Committee deliberations will normally be supported by staff including the CAO, Internal Auditors, Commissioner of Corporate Services/Treasurer, Director, Financial Management & Planning and other appropriate staff as required.

The length of term to be served by members on the Committee is concurrent with the term of Regional Council, giving consideration to the benefits of periodic rotation of committee membership.

The Audit Committee Chair and Vice Chair will be elected from the Committee members for a two year term at the first meeting of the year and two years subsequent to that date.

### **Authority:**

Regional Council may authorize the Audit Committee to investigate any activity of the Region. All employees are to co-operate as requested by the Committee. In addition, any Standing Committees may request that any activity be considered for an audit with requests submitted directly to Audit Committee.

With approval of Regional Council, the Audit Committee may assign staff (e.g. Internal Audit) or retain persons or a third party having special expertise to assist the Committee in fulfilling its responsibilities.

### **Meetings:**

The Audit Committee shall meet at least four times per year or at the call of the chair as required.

The meetings will be scheduled to permit timely review of internal and external financial reporting and special purpose audit reports. Additional meetings may be held as deemed necessary by the Regional Chair, Audit Committee Chair or as requested by any Committee member or the external auditors.

At the beginning of each year a meeting schedule will be proposed that meets the above criteria and proposes the subject matter to be considered at each meeting.

### **Reporting:**

The minutes of meetings of the Audit Committee will be provided to Regional Council for final approval.

### **Mandate:**

The Audit Committee assists Regional Council in the provision of effective municipal governance by advising on complex accounting policies, accounting estimates, internal controls, financial statement disclosures, safeguarding of corporate assets, compliance with legal, ethical, and regulatory requirements and the efficient and effective use of resources.

The responsibilities of the Audit Committee are to satisfy itself, on behalf of Regional Council on the following matters:

#### **1) External Audit**

- Niagara Region's annual consolidated financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to Council whether the annual financial statements should be approved;



- Audited financial statements of the Niagara Region's boards, agencies, and commissions, and other audited financial statements be received for information purposes following approval by the respective Board or Standing Committee, to assist in its overall assessment of the Region's annual consolidated financial statements and internal controls over financial reporting;
- The Region has implemented appropriate systems of internal control over financial reporting and that these are operating effectively;
- The Region has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements;
- The external audit function has been effectively carried out and that any matter which the independent auditors wish to bring to the attention of Audit Committee, and/or Council has been addressed; and
- The Audit Committee will approve the replacement, reappointment and/or appointment of the external auditors to Council.

## **2) Internal Audit**

- Audit Committee will review and approve the mandate for the internal audit function (Internal Audit Charter) and ensure that all of the Region's operations are considered for review based on a risk-based annual work plan;
- The Region has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements;
- The audit function is effectively carried out and that any matter which the independent auditors wish to bring to the attention of Audit Committee, and/or Council has been addressed;
- Audit reports are relevant, reliable, objective and transparent. In making this assessment, the Audit Committee may recommend the use of external subject matter experts. For purposes of efficiency and matters of budgeting expenditures, it is recommended that the use of subject matter experts be determined annually when the Internal Audit work plan is approved;
- As necessary, Quality Assurance reviews are conducted in accordance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing;

- Internal auditing includes a review of the adequacy of internal control systems for safeguarding assets, the effectiveness of corporate reporting systems regarding administrative and program performance and the level of compliance with legislation, regulations, corporate objectives, policies and ethics;
- Assess the Region's system of internal financial controls and the control environment to gain reasonable assurance that such controls are effective and efficient and assist Audit Committee in assessing whether management has created a culture of integrity and an effective control environment throughout the organization;
- Review all internal audit reports and provide advice to Regional Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of best practice; and
- Monitor management's implementation of internal audit recommendations.

**Applicability of Procedural By-Law:**

As an advisory committee of Council, the Audit Committee is governed by the sections of the Region's Procedural By-law relating to advisory committees.

**Subject:** Management Action Plan Update

**Report to:** Audit Committee

**Report date:** Monday, May 10, 2021

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## **Recommendations**

1. That Report AC-C 5-2021 regarding the current status of audit recommendations **BE RECEIVED.**

## **Key Facts**

- The purpose of this report is to provide Audit Committee with a status update on management responses to audit recommendations that are not fully implemented.
- Management Action Plan (MAP) status updates are considered a mandatory best practice by the Institute of Internal Auditors (IIA) to ensure Audit Committee is aware of any outstanding risk areas within the corporation.
- A total of 14 outstanding high and medium risk audit recommendations and related management responses are summarized in this audit report.

## **Financial Considerations**

There are no immediate budgetary considerations associated with this report. The audit recommendations and subsequent Management Action Plans (MAPs) had budgetary implications associated with their implementation which are accommodated within current operating budgets.

## **Analysis**

Many of the program areas have continued the implementation of management action plans as noted in the attached summary. Since the last report all recommendations related to Payroll Audit and VFM Road Maintenance have been fully addressed and removed from the list. HR/Total Rewards has continued working with the benefits carrier on strengthening controls in two identified areas noted in the audit report to successfully meet its planned completion date.

In addition, the final outstanding recommendations related to the 2016 Burgoyne Bridge VFM Audit have been transferred to stand alone projects with revised timelines. Each of these projects – Project Cost Estimating and Enterprise Content Management will be

monitored by Internal Audit until such time as they have been fully addressed or a subsequent audit is completed.

Niagara Region has implemented several of project management recommendations identified in the initial Burgoyne Bridge VFM Audit. For several completed and active Tier 1 projects the Region has improved its estimating, reporting, contract oversight and documentation standards with noticeable positive results. Examples of successful projects include the Long Term Care redevelopments in Fort Erie and St. Catharines, South Niagara Falls Water/Waste Water Treatment Facility and NRPS District 1 building construction.

Finally, many of the recommendations related to the three Procurement-related audits have been addressed or are on target to be completed within the prescribed timeframes.

### **Alternatives Reviewed**

No other alternatives were reviewed at this time.

### **Relationship to Council Strategic Priorities**

Internal Audit along with related audit functions such as Value-for-money (VFM) audits and compliance reviews were identified and approved within the current Council's Strategic Priority – Sustainable and Engaging Government. The goal of this strategic initiative is a commitment to high quality, efficient, fiscally sustainable and coordinated core services through enhanced communication, partnerships and collaborations with the community.

Management Action Plan status updates satisfy IIA Performance Standard 2500 – Monitoring Progress. “The Chief Audit Executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented.”

### **Other Pertinent Reports**

AC-C 12-2020 – Management Action Plan Update

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**Prepared by:**

Frank Marcella, MPA, CGAP  
Manager, Internal Audit

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**Recommended by:**

Todd Harrison, CPA, CMA  
Commissioner, Corporate  
Services/Treasurer

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**Submitted by:**

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

**Appendices**

Appendix 1 AC-C 5-2021 Management Action Plan Update

**MANAGEMENT ACTION PLAN UPDATE**

Report Title	Report Issue Date	High & Medium Observations	Closed	In Progress	Past Due	On Hold	Deadline	Follow-up Action Plan
Enterprise Content Management	Feb-16	1		1			Jun-22	Niagara Region initiated Enterprise Content Management (ECM) program to ensure that all corporate information assets and artifacts are properly managed throughout their lifecycle. In answer to gaps identified in a 3 <sup>rd</sup> party audit and general concerns over document management and auditability, the Region is looking to ensure all content is secured, managed and a clear audit trail of the lifecycle of the content is available.
Project Estimating	Feb-16	1				1		Project Estimating has become the responsibility of Asset Management Office. A 5 year Asset Management Plan will be submitted in Q3 2021 which will include Project Estimating, as well as other subprojects.
Fleet Parts Inventory & Fuel Audit	Nov-17	1				1	n/a	The observation on hold pertains to research the cost and benefit associated with installation of automatic fuel pumps. The research is dependent on Council's direction on Niagara Region's role in Material Recycling Facilities (MRF)
P-Card Audit	Oct-17	10	10				n/a	Follow-up audit planned for 2021

Information Technology Security and Data Backup Controls Audit	Apr-18	16	15	1			Apr-20	The three observations in process pertain to security assessments, remote sites of infrastructure devices and investigation of CMDB tool. Internal Audit is currently scoping out plans to conduct audits next year focussing on cyber security, access and control measures and penetration testing.
Grants and Incentive Program	Jun-18	4		4			Dec-20	In September 2019 Regional Council identified four priority areas for Regional incentives (Affordable Housing, Brownfield Remediation, Employment, and Public Realm). An interdepartmental Committee, and four subcommittees for each priority area, have been meeting to work through program alignment, financial implications, administrative models, and more. Following final engagement this spring, it is anticipated a presentation and recommendation report regarding incentives will go to Regional Council in summer 2021.
Procurement Audit	Jan-20	4	1	3			Dec-20	One recommendation has been fully addressed while the remaining three are in progress and on time.
Non-competitive Procurement Audit	Jan-20	3	1	2			Jul-20	One recommendation has been fully addressed while the remaining two are in progress and on time.
Health Benefits Claims Audit	Mar-20	2	2	0			Dec-21	HR/Total Rewards has worked with the carrier to receive expanded and improved reporting which will facilitate identification of potential and support contract negotiations. In addition, the carrier has agreed to request additional documentation for vision care to ensure compliance with expected policies.
KPMG Non-Competitive Procurement Audit	Dec-20	4	2	2			Dec-21	Of the HIGH/MEDIUM risks identified by KPMG two have been completed and two are in progress and on time.
		<b>46</b>	<b>31</b>	<b>13</b>	<b>0</b>	<b>2</b>		

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**Subject:** Approval of Court Services 2020 Audited Schedule of Revenues, Expenses and Funds Available for Distribution

**Report to:** Joint Board of Management

**Report date:** Thursday, April 8, 2021

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## **Recommendations**

1. That the draft audited schedule of revenue, expenses and funds available for distribution for the year ended December 31, 2020, for The Regional Municipality of Niagara Court Services ("Court Services") (Appendix 1 to Report JBM-C 6-2021) **BE APPROVED**;
2. That staff **BE DIRECTED** to co-ordinate with the auditor to finalize the statements as presented; and
3. That this report **BE FORWARDED** to the Region's Audit Committee and to The Ministry of the Attorney General as per the Memorandum of Understanding, for information as required.

## **Key Facts**

- The purpose of this report is to obtain approval for the 2020 audited schedule of revenue, expense and funds available for distribution (Appendix 1 to Report JBM-C 6-2021).
- Court Services received an unmodified audit opinion which indicates that in Deloitte's opinion the financial information presented, in all material respects, is in accordance with the financial reporting provisions in the Niagara Region Courts Inter-municipal Agreement dated April 26, 2000.
- As per Financial Reporting and Forecasting Policy (C-F-020), financial statements and/or schedules prepared for Agencies, Boards or Commissions (ABC) will be approved by the governing board of the ABC. Upon Joint Board of Management – Niagara Courts approval, the Manager, Court Services and Treasurer will be authorized to sign the auditors' representation letter to obtain the auditors' signed final report. The approved schedule will then be forwarded to Audit Committee for information.



## **Financial Considerations**

The draft audited schedule of revenues, expenses and funds available for distribution has been prepared in compliance with legislation and in accordance with the financial reporting provisions in the Niagara Region Courts Inter-municipal Agreement dated April 26, 2000.

A copy of the draft audited schedule of revenues, expenses and funds available for distribution for the year ended December 31, 2020 is attached (Appendix 1 to Report JBM-C 6-2021).

The schedule of revenues, expense and funds available for distribution is prepared specifically for the purpose of meeting the requirements outlined in the Niagara Region Courts Inter-municipal Agreement and may not be suitable for other purposes.

## **Analysis**

The Region's auditors, Deloitte, completed the audit of the financial information in the schedule of revenues, expenses and funds available for distribution. The auditors have indicated that, in their opinion, the financial information for the year ended December 31, 2020, is prepared, in all material respects, in accordance with the financial reporting provisions in the Niagara Region Courts Inter-municipal Agreement dated April 26, 2000.

The schedule shows that Court Services had \$686,392 in funds available for distribution (\$343,196 to local area municipalities and \$343,196 to the Niagara Region). The Niagara Region transferred budgeted net revenues for the first and second quarters of the year (\$367,209) to the local area municipalities. This is in excess of the amount to be distributed based on year-end results, and the excess will be recovered in the first quarter of 2021.

## **Alternatives Reviewed**

The audited schedule of revenues, expenses and funds available for distribution is prepared in accordance with the Niagara Region Courts Inter-municipal Agreement dated April 26, 2000, and has been approved by Regional Council; therefore no alternative is available.

## **Relationship to Council Strategic Priorities**

Providing formal financial reporting to Council and the public supports the Council Strategic Priority of Sustainable and Engaging Environment.

## **Other Pertinent Reports**

None

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**Prepared by:**  
Melanie Steele  
Associate Director Reporting and  
Analysis

---

**Recommended by:**  
Todd Harrison, CPA, CMA  
Commissioner/Treasurer  
Corporate Services

This report was prepared in consultation with Blair Hutchings, Program Financial Analyst, Corporate Services.

## **Appendices**

Appendix 1 Draft 2020 Schedule of Revenues, Expenses and Funds Available for Distribution

Schedule of revenues, expenses and funds available for distribution

## **The Regional Municipality of Niagara Court Services**

December 31, 2020

# The Regional Municipality of Niagara Court Services

December 31, 2020

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Draft

## Independent Auditor's Report

To the Board Members of The Regional Municipality of Niagara Court Services

### Opinion

We have audited the accompanying schedule of revenues, expenses and funds available for distribution of The Regional Municipality of Niagara Court Services (the "Court Services") for the year ended December 31, 2020 and notes to the schedule (collectively referred to as the "schedule").

In our opinion, the accompanying schedule of the Court Services for the year ended December 31, 2020, is prepared, in all material respects, in accordance with the financial reporting provisions in the Niagara Region Courts Intermunicipal Agreement dated April 26, 2000.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Court Services in accordance with the ethical requirements that are relevant to our audit of the schedule in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Court Services in complying with the financial reporting provisions in the Niagara Region Courts Intermunicipal Agreement dated April 26, 2000. As a result, the schedule may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and the Board of Directors for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with the basis of accounting as described in Note 1, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

The Board of Directors are responsible for overseeing the Court Services' financial reporting process.

### Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this schedule.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court Services' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
April xx, 2021

# The Regional Municipality of Niagara

## Court Services

Schedule of revenues, expenses and funds available for distribution  
year ended December 31, 2020

		2020	2019
	Budget	Actual	Actual
	\$	\$	\$
<b>Revenues</b>			
Offence receipts	8,861,747	5,067,719	7,026,052
Proceeds on sale of surplus land	-	-	215,163
	8,861,747	5,067,719	7,241,215
<b>Controllable expenses</b>			
Salaries and benefits	2,572,104	1,521,878	1,609,856
Program support costs (Note 4)	1,150,274	1,179,449	1,158,189
Collection charges	160,000	193,094	242,254
Legal	127,620	22,018	31,688
Payment processing costs	108,583	69,717	75,253
Ticket data capture	32,000	761	784
Telephone	9,700	8,058	8,162
Business forms	4,000	2,864	6,842
Building and equipment rental	500	720	253
Office and administration	71,182	43,271	56,161
	4,235,963	3,041,830	3,189,442
<b>Uncontrollable expenses</b>			
Payments to other municipalities/provinces	250,000	83,992	296,078
Victim fine surcharge	1,763,710	741,955	1,034,291
Adjudication	579,800	182,748	370,536
Dedicated fines	20,000	13,025	31,325
Other provincial expenses	343,438	126,100	214,956
	2,956,948	1,147,820	1,947,186
<b>Total expenses</b>	<b>7,192,911</b>	<b>4,189,650</b>	<b>5,136,628</b>
Excess of revenues over expenses	1,668,836	878,069	2,104,587
Change in employee benefits and other liabilities	-	8,323	(6,547)
Transfer to Niagara Region (Note 2)	(200,000)	(200,000)	-
<b>Funds available for distribution (Note 3)</b>	<b>1,468,836</b>	<b>686,392</b>	<b>2,098,040</b>

The accompanying notes to the schedule are an integral part of this financial statement.

# The Regional Municipality of Niagara Court Services

Notes to the schedule

December 31, 2020

## 1. Significant accounting policies

The schedule of revenues, expenses and funds available for distribution of The Regional Municipality of Niagara Court Services has been prepared by management in accordance with the financial reporting provisions in the Niagara Region Courts Intermunicipal Agreement dated April 26, 2000 (the "agreement").

Significant accounting policies are as follows:

### *Revenues*

Revenues are recorded on a cash basis.

### *Expenses*

Court Services follows the accrual method of accounting for controllable expenses. Controllable expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

Uncontrollable expenses are recorded on a cash basis.

### *Capital assets*

Capital assets and amortization of capital assets are not reported as expenses on the schedule of revenue and expenses and funds available for distribution.

### *Transfers to reserves*

Transfers to reserves are based on approval by the Board, as provided for in section 8.6 of the agreement.

### *Employee future benefits*

Court Services provides certain employee benefits which will require funding in future periods. These benefits include sick leave, life insurance, extended health and dental benefits for early retirees.

The costs of sick leave, life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long term inflation rates and discount rates. The cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

## 2. Transfer to Niagara Region

Court Services transferred \$334,000 (2019 - \$1,226,247) to the Niagara Region for transfer to the Court Services Facility Renewal reserve.

The following represents the transactions through the reserve:

	2020	2019
	\$	\$
Reserve held by the Niagara Region, beginning of year	2,876,247	1,650,000
Transfers during the year to reserve from operating budget	200,000	-
Return of funds from Court Facilities Renewal project	134,000	1,226,247
Reserve held by the Niagara Region, end of year	3,210,247	2,876,247



# The Regional Municipality of Niagara Court Services

Notes to the schedule

December 31, 2020

## 3. Distribution to area municipalities

Court Services revenue distribution by municipality is as follows:

	<b>Budget</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Region of Niagara	<b>734,418</b>	<b>343,196</b>	1,049,020
Niagara Falls	<b>143,138</b>	<b>66,889</b>	204,559
Port Colborne	<b>23,208</b>	<b>10,845</b>	33,674
St. Catharines	<b>183,384</b>	<b>85,695</b>	266,031
Thorold	<b>29,377</b>	<b>13,728</b>	41,646
Welland	<b>59,194</b>	<b>27,662</b>	84,446
Fort Erie	<b>46,709</b>	<b>21,827</b>	67,662
Grimsby	<b>58,313</b>	<b>27,250</b>	81,614
Lincoln	<b>48,398</b>	<b>22,617</b>	67,872
Niagara-on-the-Lake	<b>66,832</b>	<b>31,231</b>	94,726
Pelham	<b>34,004</b>	<b>15,890</b>	48,255
Wainfleet	<b>13,734</b>	<b>6,418</b>	19,407
West Lincoln	<b>28,128</b>	<b>13,144</b>	39,128
	<b>1,468,837</b>	<b>686,392</b>	2,098,040

The Niagara Region transferred the budgeted net revenue distribution for the first and second quarters of the year (\$367,209) to the local area municipalities, in accordance with the Niagara Region Courts Intermunicipal Agreement dated April 26, 2000. This is in excess of the amount to be distributed based on year-end results, and the excess will be recovered in the first quarter of 2021.

# The Regional Municipality of Niagara Court Services

Notes to the schedule

December 31, 2020

## 4. Program support costs

Court Services records direct operating expenses to their respective activity. The Regional Municipality of Niagara has a consolidated cost allocation policy with a guiding principle of more closely aligning indirect costs with the support programs and services as defined by the Province in the Financial Information Return (FIR) guidelines. The methodology allocates these indirect costs to end programs/services based on usage drivers.

Under this methodology, all departments providing program/service support functions will allocate their costs using drivers specific to each type of expense.

Program support costs which have been allocated are:

	Budget	2020	2019
	\$	\$	\$
Finance services	128,344	122,280	128,547
Human resources services	47,852	114,419	37,144
Information technology services	114,538	88,477	107,609
Legal services	47,339	44,818	40,186
Insurance costs	604	566	522
Printing costs	1,621	2,625	3,223
Mail costs	8,994	6,485	7,114
Communications costs	813	-	516
Facilities costs	800,169	799,779	833,328
	1,150,274	1,179,449	1,158,189

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**Subject:** Approval of Statement of Contributions and Expenditures for Niagara-on-the-Lake Wastewater Treatment Plant

**Report to:** Public Works Committee

**Report date:** Tuesday, April 13, 2021

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## Recommendations

1. That the draft audited statement of contributions and expenditures for Niagara-on-the-Lake (NOTL) Wastewater Treatment Plant (Appendix 1), **BE APPROVED**;
2. That staff **BE DIRECTED** to co-ordinate with the auditor to finalize the statement as presented; and
3. That this report **BE FORWARDED** to the Region's Audit Committee and to The Ministry of Infrastructure and Communities for information as required.

## Key Facts

- The purpose of the report is to obtain approval of the audited statement in order to satisfy the funding requirements and release the remaining 10% portion of the agreed funding.
- The audited statement is in accordance to the provisions of the financial reporting provisions in the agreement between the Ministry of Infrastructure and Communities and the Niagara Region.
- As per Financial Reporting and Forecasting Policy (C-F-020), other financial statements performed for funding purposes, will be recommended for approval to Council by the standing Committee with oversight of the program. Upon approval by Council, the department Commissioner, or delegated authority, and the Treasurer will be authorized to sign the auditor's representation letter to obtain the auditor's signed report. The approved statements will then be forwarded to Audit Committee for information.

## Financial Considerations

The draft audited statement of contributions and expenditures for NOTL Wastewater Treatment Plant has been prepared in accordance with the financial reporting provisions in the agreement between the Ministry of Infrastructure and Communities and the Niagara Region dated March 19, 2015 and amended on March 22, 2017 and April 9, 2019 (the agreement).

A copy of the draft audited statement of contribution and expenditures for NOTL Wastewater Treatment Plant for the period of the project is attached (Appendix 1).

The statement of contributions and expenditures for NOTL Wastewater Treatment Plant is prepared specifically for the purpose of meeting the requirements outlined in the agreement and may not be suitable for other purposes.

### **Analysis**

The Region's auditors, Deloitte, completed the audit of the financial information in the statement of contributions and expenditures for NOTL Wastewater Treatment Plant. The auditors have indicated that, in their opinion, the financial information for the period of the project is prepared, in all material respects, in accordance with the financial reporting provisions in the agreement.

The statement shows that the project had \$43.7 million in eligible expenditures to support the maximum funding received \$14.4 million during the claim period.

### **Alternatives Reviewed**

The audited statement of contribution and expenditures for NOTL Wastewater Treatment Plant is prepared in accordance with the agreement; therefore no alternative is available.

### **Relationship to Council Strategic Priorities**

Providing formal financial reporting to Council and the public supports the Council Strategic Priority of Sustainable and Engaging Environment.

## Other Pertinent Reports

None

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**Prepared by:**

Melanie Steele, MBA CPA CA  
Associate Director Reporting & Analysis  
Corporate Services

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**Recommended by:**

Bruce Zvaniga, P. Eng.  
Commissioner of Public Works (Interim)  
Public Works Department

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**Submitted by:**

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

*This report was prepared in consultation with Dan Ane, Manager Program Financial Support*

## Appendices

Appendix 1 Draft Statement of Contributions and Expenditures for NOTL Wastewater Treatment Plant

Statement of Contributions and Expenditures

**The Regional Municipality of Niagara**  
Niagara-on-the-Lake Wastewater Treatment Plant Project

December 31, 2017

# **The Regional Municipality of Niagara**

## Niagara-on-the-Lake Wastewater Treatment Plant Project

December 31, 2017

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Draft

## Independent Auditor's Report

To Infrastructure Canada

### Opinion

We have audited the accompanying Statement of Contributions and Expenditures (the "Statement") of the The Regional Municipality of Niagara (the "Region") - Niagara-on-the-Lake Wastewater Treatment Plant Project (the "Project") for the period from March 19, 2015 to December 31, 2017 (the "Period"), including a summary of significant accounting policies.

In our opinion, the Statement of the Region with respect to the Project for the period is prepared, in all material respects in accordance with the financial reporting provisions in the Agreement between Her Majesty the Queen in right of Canada, as represented by the President of the Queen's Privy Council for Canada, Minister of Infrastructure and Communities (formerly known as, Minister of Infrastructure, Communities and Intergovernmental Affairs) and The Regional Municipality of Niagara, dated March 19, 2015 and amended on March 22, 2017 and April 9, 2019 (collectively, the "Agreement").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement* section of our report. We are independent of the Region in accordance with the ethical requirements that are relevant to our audit of the Statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of Accounting

We draw attention to the fact that the Statement has been prepared in accordance with the Agreement. The Statement is prepared to assist the Region in complying with the financial reporting provisions of the Agreement. As a result, the Statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Those Charged with Governance for the Statement

Management is responsible for the preparation of the Statement in accordance with the Agreement, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in



the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2021

# The Regional Municipality of Niagara

## Niagara-on-the-Lake Wastewater Treatment Plant Project

### Statement of Contributions and Expenditures

Project claim start date to December 31, 2017

	Estimated Total Expenditures	Eligible Costs	Actuals Ineligible Costs	Total Expenditures
EXPENDITURES:				
Design and Drawings	3,220,000	2,620,777	-	2,620,777
Site Preparation	2,280,000	1,177,886	-	1,177,886
Construction Costs	37,000,000	39,888,253	-	39,888,253
Occupancy - Office Furniture and Lab Equipment	500,000	-	-	-
Ineligible Costs	293,030	-	4,233,149	4,233,149
<b>TOTAL EXPENDITURES</b>	<b>43,293,030</b>	<b>43,686,916</b>	<b>4,233,149</b>	<b>47,920,065</b>

#### Government of Canada Contributions

	Estimated Contributions by Canada	Claim Amount Paid	Actuals Holdback Amount	Total Contributions
Milestone Claim #1	1,073,333	2,417,200	-	2,417,200
Milestone Claim #2	760,000	5,311,972	-	5,311,972
Milestone Claim #3	12,000,000	2,792,184	-	2,792,184
Milestone Claim #4	333,333	2,462,644	482,864	2,945,508
Milestone Claim #5	166,667	-	959,803	959,803
<b>TOTAL</b>	<b>14,333,333</b>	<b>12,984,000</b>	<b>1,442,667</b>	<b>14,426,667</b>

# The Regional Municipality of Niagara

## Niagara-on-the-Lake Wastewater Treatment Plant Project

### Notes to the Statement of Contributions and Expenditures

#### December 31, 2017

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#### **1. Summary of significant accounting policies**

The statement is prepared in accordance with the agreement dated March 19, 2015 between Her Majesty the Queen in Right of Canada, as represented by the President of the Queen's Privy Council for Canada, the Minister of Infrastructure and Communities and The Regional Municipality of Niagara as well as Amending Agreement No 1, dated March 22, 2017 and Amending Agreement No 2, dated April 9, 2019. These amounts reported in the Statement of Contributions and Expenditures do not represent the full cost of the project but only the costs incurred during the period of March 19, 2015 to December 31, 2017.

Significant accounting policies are as follows:

##### *a) Revenue and expenses*

Revenue is recorded when received.

Eligible expenditures are recorded in the period incurred, in accordance with the eligibility criteria described in the agreement.

##### *b) Tangible capital assets*

Tangible capital assets acquired are reported as expenditures in the period incurred, amortization is not recorded.

##### *c) Use of estimates*

In preparing the Statement of Contributions and Expenditures, management is required to make estimates and assumptions that affect the reported amounts of expenditures. Actual results could differ from those estimates.

#### **2. Funding agreement**

The Minister of Infrastructure and Communities funded one third of eligible project expenditures up to the maximum funding of \$14,426,667. Contributions by The Ministry of Infrastructure and Communities will be payable in accordance with the terms and conditions of the agreement and may be clawed back if total financial assistance received or due in respect of the total project costs exceeds the total eligible expenditures incurred.

#### **3. Estimated total expenditures and contributions by Canada**

The estimated total expenditures and contributions by Canada are presented as per Section B.2 Project Milestones and Cash Flow of the original agreement dated March 19, 2015.



**Mailing Address:**  
P.O. Box 344  
Thorold ON L2V 3Z3

**Street Address:**  
Campbell East  
1815 Sir Isaac Brock Way  
Thorold ON

Phone: 905-682-9201  
Toll Free: 1-800-232-3292  
(from Grimsby and beyond Niagara region only)

Main Fax: 905-687-4844  
Fax – Applications: 905-935-0476  
Fax – Contractors: 905-682-8301  
Web site: [www.nrh.ca](http://www.nrh.ca)

April 16, 2021

Ann-Marie Norio, Regional Clerk  
Niagara Region  
1815 Sir Isaac Brock Way  
Thorold, ON L2V 4T7

Dear Ms. Norio,

At their April 16, 2021 meeting, the Niagara Regional Housing Board of Directors passed the following motion as recommended in attached report NRH 7-2021:

1. That the draft audited financial statements of Niagara Regional Housing as attached in Appendix 1, for the year ended December 31, 2020 **BE APPROVED**; and
2. That the audit findings report pertaining to the audited financial statements, attached as Appendix 2, of Niagara Regional Housing for the year ended December 31, 2020 **BE RECEIVED** for information.
3. That staff **BE DIRECTED** to co-ordinate with the auditors to finalize the statements as presented.
4. That this report **BE FORWARDED** to the Region's Audit Committee for information.

Your assistance is requested in moving report NRH 7-2021 through proper channels to the Audit Committee.

Sincerely,

Councillor Walter Sendzik  
Chair

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**Subject:** 2020 Draft Audited Financial Statements

**Report to:** Board of Directors of Niagara Regional Housing

**Report date:** Friday, April 16, 2021

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## Recommendations

1. That the draft audited financial statements of Niagara Regional Housing as attached in Appendix 1, for the year ended December 31, 2020 **BE APPROVED**; and
2. That the audit findings report pertaining to the audited financial statements, attached as Appendix 2, of Niagara Regional Housing for the year ended December 31, 2020 **BE RECEIVED** for information.
3. That staff **BE DIRECTED** to co-ordinate with the auditors to finalize the statements as presented.
4. That this report **BE FORWARDED** to the Region's Audit Committee for information.

## Key Facts

- The purpose of this report is to obtain approval for the 2020 draft audited financial statements of Niagara Regional Housing (Appendix 1).
- The requirement for an annual audit is established in the Housing Services Act and the Corporations Act for non profit corporations.
- Niagara Regional Housing received an unqualified audit opinion which indicates that in Deloitte's opinion the financial information presented, in all material respects, is in accordance with Public Sector Accounting Standards (PSAS).
- No management letter points were received.
- Year-end funding surplus results were reported in report 21-196-4.4 in February 2021 and are consistent with the results reported in these audited financial statements adjusted for accrual accounting presentation required by PSAS.
- As per Financial Reporting and Forecasting Policy (C-F-020), financial statements and/or schedules prepared for Agencies, Boards or Commissions (ABC) will be approved by the governing board of the ABC. Upon NRH Board approval, the NRH CEO and Treasurer will be authorized to sign the auditors' representation letter to obtain the auditors' signed final report. The approved schedule will then be forwarded to Audit Committee for information.

## **Financial Considerations**

The draft financial statements have been prepared in compliance with legislation and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

This report is presenting historical financial information. Niagara Regional Housing's budget is prepared and reported on a quarterly basis whereas the audited financial statements are prepared using PSAS. Appendix 3 reconciles the surplus per the audited Statement of Operations to the funding surplus based on the budget approach.

## **Analysis**

The draft financial statements of Niagara Regional Housing for the year ended December 31, 2020 attached in Appendix 1 have been audited in accordance with Canadian PSAS. The external auditor (Deloitte) has indicated that in their opinion, the financial statements present fairly, in all material respects, the statement of financial position of Niagara Regional Housing as at December 31, 2020 and the statement of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended. In addition, Deloitte audit findings report for the year ended December 31, 2020 is attached in Appendix 2.

The financial statements are prepared using PSAS making them comparable to other public sector organizations in Canada.

## **Alternatives Reviewed**

The requirement for an annual audit is established in the Housing Services Act and the Corporations Act for non-profit corporations and therefore no other alternatives are available.

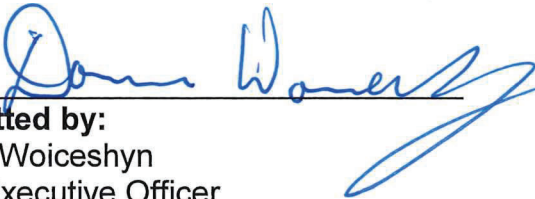

## **Relationship to NRH and/or Council Strategic Priorities**

Providing formal financial reporting to Council and the public supports the Council Strategic Priority of Sustainable and Engaging Environment.

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## Other Pertinent Reports

21-196-4.4	2020 Year-End Transfer Report
CSD 17-2021	2020 Year-End Results and Transfer Report

	
<b>Submitted by:</b> Donna Woiceshyn Chief Executive Officer	<b>Approved by:</b> Walter Sendzik Chair

*This report was prepared by Donovan D'Amboise, Program Financial Specialist, in consultation with Melanie Steele, Associate Director, Program Financial Support.*

## Appendices

Appendix 1	Draft 2020 Audited Financial Statements
Appendix 2	2020 Deloitte Audit Findings Report
Appendix 3	2020 Surplus Reconciliation

# **Financial Statements of Niagara Regional Housing**

**Year ended December 31, 2020**

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# Niagara Regional Housing

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## Independent Auditor's Report

To the Board of Directors of Niagara Regional Housing

### Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Niagara Regional Housing (the "Organization"), which comprise the statement of financial position as at December 31, 2020, the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2021

# Niagara Regional Housing

## Statement of Financial Position

As at December 31, 2020

	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash	\$ 12,858,591	\$ 12,478,578
Investments	6,476,231	6,399,246
Accounts receivable	4,611,037	4,267,475
Total financial assets	23,945,859	23,145,299
<b>FINANCIAL LIABILITIES</b>		
Due to Niagara Region	8,480,019	12,086,075
Deferred revenue (note 3)	4,779,114	3,789,124
Mortgages and debentures (note 4)	35,374,917	36,356,548
Employee future benefits (note 5)	1,537,805	1,648,252
	50,171,855	53,879,999
Net debt	(26,225,996)	(30,734,700)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 6)	138,349,815	134,582,039
Prepaid expenses and deposits	744,312	718,846
	139,094,127	135,300,885
Commitments (note 9)		
Accumulated surplus (note 7)	\$ 112,868,131	\$ 104,566,185

The accompanying notes to the financial statements are an integral part of this financial statement.

# Niagara Regional Housing

## Statement of Operations

For the year ended December 31, 2020

	2020 Budget (note 11)	2020 Actual	2019 Actual
<b>REVENUES</b>			
Rental revenue	\$ 15,488,979	\$ 15,839,485	\$ 15,292,964
Subsidies			
Niagara Region	42,813,732	42,813,732	38,209,235
Federal and Provincial Government	16,689,685	15,761,117	19,024,147
Investment income	145,000	225,082	334,480
Gain on sale of assets	203	203	-
Development Charge revenue	5,048,354	5,048,354	272,102
Sundry revenue	417,632	271,331	387,348
	80,603,585	79,959,304	73,520,276
Transferred to Niagara Region and transferred to reserves (note 8)	(3,082,927)	(5,183,035)	(6,452,800)
	77,520,658	74,776,269	67,067,476
<b>EXPENSES</b>			
Property taxes	5,156,072	5,181,430	4,966,136
Support services – Niagara Region	2,999,464	2,861,691	3,633,145
Amortization expense	9,068,429	9,068,429	8,521,741
Bad debts	272,100	147,306	132,206
Wages, salaries and benefits	5,104,265	4,931,786	4,893,735
Utilities	4,764,914	4,492,724	4,630,303
Materials and services	5,793,613	6,087,605	6,245,565
Interest on debenture and mortgage payments	883,258	926,305	886,508
Debenture payments (note 9)	1,694,866	1,694,866	2,063,063
Rent supplement program (note 12)	6,571,398	6,324,006	6,032,799
Investment in Affordable Housing (note 13)	185,702	303,216	1,537,537
Administration	1,361,146	983,341	691,469
Supplies and equipment	275,180	231,483	312,806
Non-profit and co-op provider subsidies	19,869,369	19,438,032	19,599,855
Federal provider subsidies	1,069,259	1,080,496	1,121,870
Social Infrastructure Fund	1,014,250	578,268	544,202
Ontario Priorities Housing Initiative (note 14)	902,880	915,880	158,989
Capital Loan and Grant Program	-	200,365	-
Canada-Ontario Community Housing Initiative	505,381	193,127	229,877
Other subsidies	1,389,712	806,614	289,529
Government land lease	41,030	27,353	30,772
	68,922,288	66,474,323	66,522,107
Annual surplus	8,598,370	8,301,946	545,369
Accumulated surplus, beginning of year	104,566,185	104,566,185	104,020,816
Accumulated surplus, end of year	\$ 113,164,555	\$ 112,868,131	\$ 104,566,185

The accompanying notes to the financial statements are an integral part of this financial statement.

# Niagara Regional Housing

## Statement of Change in Net Debt

For the year ended December 31, 2020

	2020 Budget (note 11)	2020 Actual	2019 Actual
<b>Annual surplus</b>	<b>\$ 8,598,370</b>	<b>\$ 8,301,946</b>	<b>\$ 545,369</b>
Acquisition of tangible capital assets, net of disposals	(12,836,002)	(12,836,002)	(15,605,166)
Amortization of tangible capital assets	9,068,429	9,068,429	8,521,741
Gain on disposal of tangible capital assets	(203)	(203)	-
Change in prepaid expenses	-	(25,466)	(2,035)
Change in net debt	4,830,594	4,508,704	(6,540,091)
Net debt, beginning of year	(30,734,700)	(30,734,700)	(24,194,609)
<b>Net debt, end of year</b>	<b>\$ (25,904,106)</b>	<b>\$ (26,225,996)</b>	<b>\$ (30,734,700)</b>

*The accompanying notes to the financial statements are an integral part of this financial statement.*

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# Niagara Regional Housing

## Statement of Changes in Cash Flows

For the year ended December 31, 2020

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 8,301,946	\$ 545,369
Items not involving cash:		
Amortization of tangible capital assets	9,068,429	8,521,741
Gain on disposal of tangible capital assets	(203)	-
Employee future benefit liabilities	(110,447)	(89,848)
Change in non-cash assets and liabilities:		
Accounts receivable	(343,562)	(634,824)
Deferred revenue	989,990	359,704
Prepaid expenses	(25,466)	(2,035)
Net change in cash from operating activities	17,880,687	8,700,107
<b>CAPITAL ACTIVITY</b>		
Cash used to acquire tangible capital assets	(12,836,212)	(15,605,166)
Cash received upon sale of capital assets	210	-
Net change in cash from capital activity	(12,836,002)	(15,605,166)
<b>INVESTING ACTIVITY</b>		
Change in investments	(76,985)	(115,026)
Net change in cash from investing activity	(76,985)	(115,026)
<b>FINANCING ACTIVITIES</b>		
Mortgages and debentures issued	3,300,199	15,170,730
Mortgage and debenture repayments	(4,281,830)	(3,019,363)
Change in due to Niagara Region	(3,606,056)	307,776
Net change in cash from financing activities	(4,587,687)	12,459,143
Net change in cash	380,013	5,439,058
Cash, beginning of year	12,478,578	7,039,520
<b>Cash, end of year</b>	<b>\$ 12,858,591</b>	<b>\$ 12,478,578</b>
Cash paid for interest	926,305	886,508

The accompanying notes to the financial statements are an integral part of this financial statement.

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

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### 1. Description of operations

Niagara Regional Housing was incorporated on December 17, 2001 under the laws of the Province of Ontario to perform all the duties and powers of an administrator under Section 15 of the Social Housing Reform Act. These duties include but are not limited to ownership and management of a real estate portfolio consisting of 2,850 apartments and houses, oversight responsibilities for the administration of social housing by 59 housing providers, administration of programs for the provision of rent-geared-to-income and the power to purchase, construct or make alterations to a housing project.

### 2. Significant accounting policies

The financial statements of Niagara Regional Housing (the "Corporation" or "NRH") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant accounting policies adopted by the Corporation are as follows:

#### Accrued basis of accounting

The Corporation follows the accrual method of accounting for revenues and expenses. Rental revenue is recognized at the time the service is provided. Other revenues are recognized when the services are earned. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services.

#### Non-financial assets

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

#### Tangible capital assets

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

Land Improvements	5 – 50 years
Buildings	5 – 40 years
Equipment	15 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Work in progress assets are not amortized until the asset is available for productive use.



# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

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### 2. Significant accounting policies (continued):

#### Interest capitalization

The Corporation's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

#### Leases

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

#### Investments

Investments consist of guaranteed investment certificates and bonds, and are stated at amortized cost.

#### Government transfers

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

#### Use of estimates

The preparation of financial statements in conformity with PSAS 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 period. Amounts requiring significant estimates include due to Niagara Region, useful lives of tangible capital assets, and employee future benefits. Actual results could differ from these estimates.

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

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### 2. Significant accounting policies (continued):

#### Employee future benefits

Vacation entitlements and other compensated absences accrue to employees each year based on terms of employment contracts or by policy. Earned entitlements unused at year-end are accrued based on the wage rates for the employee at year-end.

Workplace Safety & Insurance Board ("WSIB") benefits and sick leave may accrue to employees based on terms of employee. Entitlements are accrued in accordance with the project benefit method, pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are generally performed every three years. The discount rate used to determine the accrued benefit obligation was determined by reference to the Niagara Region's short term and long-term rate of borrowing. Unamortized actuarial gains/losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to WSIB, are recorded when determined.

Cost related to prior-period employee services arising out of amendments to entitlements are recognized in the period in which the period is amended.

Where applicable, the Niagara Region has set aside Reserves intended to fund these obligations, either in full or in part. These Reserves were created under municipal by-law and do not meet the definition of a plan asset under PSAS 3250 Retirement Benefits. Therefore, for the purpose of these financial statements, the plans are considered unfunded.

### 3. Deferred revenue

Deferred revenues reported on the statement of financial position is made up of the following:

	2020	2019
Ministry of Municipal Affairs and Housing	\$ 4,496,397	\$ 3,549,349
Other	282,717	239,775
Balance, end of year	\$ 4,779,114	\$ 3,789,124

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

### 4. Mortgages and debentures

Amounts consist of mortgages secured by the income producing properties of the Corporation. As at December 31, 2020 the unpaid balances of these mortgages and debentures are as follows:

	2020	2019
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.60% to 4.65% paid in full during the year	\$ -	\$ 395,092
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.35% to 3.10% due in 2022	397,000	588,000
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.40% to 3.75% due in 2023	731,104	964,123
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 3.30% due in 2024	1,076,338	1,327,814
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.15% to 2.80% due in 2025	1,531,000	1,818,000
Debenture for Niagara Regional Housing capital program bearing interest at 2.25% due in 2025	575,936	683,588
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.40% due in 2026	3,466,881	4,010,505
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.45% due in 2027	1,224,652	1,387,136
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.05% to 3.15% due in 2028	5,550,000	6,165,000
Ontario Infrastructure and Lands Corporation amortization debenture for Niagara Regional Housing capital program bearing interest at 3.74% due in 2042	3,738,595	3,846,560
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.00% to 2.40% due in 2029	13,783,212	15,170,730
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 0.6% to 1.6% due in 2030	3,300,199	-
	<b>\$ 35,374,917</b>	<b>\$ 36,356,548</b>

The annual principal payments are as follows:

2021	\$ 4,253,327
2022	4,333,061
2023	4,215,515
2024	4,053,104
2025	3,875,699
Thereafter	14,644,211
	<b>\$ 35,374,917</b>

# Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

## 5. Employee future benefit liability

The Corporation provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

	2020	2019
Future payments required to WSIB	\$ 1,113,329	\$ 1,203,875
Retiree benefits	91,396	100,788
Vacation pay	317,199	318,928
Other liabilities	15,881	24,661
Employee future benefit liability	\$ 1,537,805	\$ 1,648,252

Information about the Corporation's benefit plans is as follows:

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ 480,242	\$ 460,170
Current benefit (recovery) cost	(9,206)	42,303
Interest	5,287	5,560
Benefits paid	(14,710)	(27,791)
Balance, end of year	461,613	480,242
Unamortized actuarial gain	1,076,192	1,168,010
Employee future benefit liability	\$ 1,537,805	\$ 1,648,252

Included in expenses is a \$91,818 (2019 - \$109,920) gain for amortization of the actuarial loss/gain.

# Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

## 5. Employee future benefit liability (continued)

Information about the Corporation's retiree benefits, which are included in the overall employee future benefit liability noted above, are as follows:

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ 86,786	\$ 92,237
Current benefit cost	4,093	3,868
Interest	3,118	3,295
Benefits paid	(11,377)	(12,614)
Balance, end of year	82,620	86,786
Unamortized actuarial gain	8,776	14,002
Employee future benefit liability	\$ 91,396	\$ 100,788

The most recent actuarial valuation was completed as at December 31, 2018 with estimates to December 31, 2021.

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

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### 5. Employee future benefit liability (continued)

#### Accumulated sick leave

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Corporation's employment. The main actuarial assumptions employed for the valuation are as follows:

##### Interest (discount rate)

The obligation as at December 31, 2020, of the present value of future liabilities and the expense for the 12 months ended December 31, 2020, were determined using a discount rate of 3.75% (2019 – 3.75%).

#### WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act the Corporation has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements.

The unamortized actuarial gain (loss) on future payments required to WSIB is amortized over the expected period of the liability, which is 10 years.

The main actuarial assumptions employed for the valuation are as follows:

##### Interest (discount rate)

The obligation as at December 31, 2020 of the present value of future liabilities and the expense for the 12 months ended December 31, 2020 were determined using a discount rate of 3.75% (2019 – 3.75%).

##### Administration Costs

Administration costs were assumed to be 32% (2019 – 32%) of the compensation expense.

##### Compensation expense

Compensation costs, which include loss of earnings before, health care costs and non-economic loss awards, were assumed to increase at a rate of 2% per annum (2019 - 2%).

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

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### 5. Employee future benefit liability (continued)

#### Retiree benefits

The Corporation pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65. The Corporation recognizes these post-retirement costs in the period in which the employees rendered the services.

The unamortized actuarial gain on retiree benefits is amortized over the expected average remaining service life of 13 years.

The main actuarial assumptions employed for the valuations are as follows:

#### Interest (discount rate)

The obligation as at December 31, 2020 of the present value of future liabilities and the expense for the 12 months ended December 31, 2020 were determined using a discount rate of 3.75% (2019 - 3.75%).

#### Medical costs

Medical costs were assumed to increase at the rate of 3.42% (2019 - 3.42%) per year, reducing to 2.75% in 2022 and thereafter.

#### Dental costs

Dental costs were assumed to increase at the rate of 2.75% (2019 – 2.75%) per year.

#### Mortality table

The mortality table used in determining the obligation at December 31, 2020 is the Uninsured Pensioners 1994 with mortality improvement projections to 2030 (2019 - Uninsured Pensioners 1994 with mortality improvement projections to 2030).

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

### 6. Tangible capital assets:

	2020					
	Land	Land Improvements	Building	Equipment	Work in progress	Total
<b>Cost</b>						
Balance, beginning of year	\$ 36,923,582	\$ 7,816,809	\$ 172,055,049	\$ 4,101,353	\$ 3,917,612	\$ 224,814,405
Additions	87	253,180	5,595,151	353,917	6,633,877	12,836,212
Disposals	-	-	(13)	(124,764)	-	(124,777)
<b>Balance, end of year</b>	<b>36,923,669</b>	<b>8,069,989</b>	<b>177,650,187</b>	<b>4,330,506</b>	<b>10,551,489</b>	<b>237,525,840</b>
<b>Accumulated Amortization</b>						
Balance, beginning of year	-	2,072,288	86,232,935	1,927,143	-	90,232,366
Disposals	-	-	(7)	(124,763)	-	(124,770)
Amortization expense	-	376,904	8,371,918	319,607	-	9,068,429
<b>Balance, end of year</b>	<b>-</b>	<b>2,449,192</b>	<b>94,604,846</b>	<b>2,121,987</b>	<b>-</b>	<b>99,176,025</b>
<b>Net Book Value, end of year</b>	<b>\$ 36,923,669</b>	<b>\$ 5,620,797</b>	<b>\$ 83,045,341</b>	<b>\$ 2,208,519</b>	<b>\$ 10,551,489</b>	<b>\$ 138,349,815</b>



# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

### 6. Tangible capital assets (continued):

		2019				
		Land	Land Improvements	Building	Equipment	Work in progress
						Total
<b>Cost</b>						
Balance, beginning of year	\$ 36,405,071	\$ 6,735,621	\$ 148,149,835	\$ 3,989,300	\$ 14,142,573	\$ 209,422,400
Additions	518,511	1,188,189	23,905,214	218,213	(10,224,961)	15,605,166
Disposals	-	(107,001)	-	(106,160)	-	(213,161)
<b>Balance, end of year</b>	<b>36,923,582</b>	<b>7,816,809</b>	<b>172,055,049</b>	<b>4,101,353</b>	<b>3,917,612</b>	<b>224,814,405</b>
<b>Accumulated Amortization</b>						
Balance, beginning of year	-	1,828,345	78,370,435	1,725,006	-	81,923,786
Disposals	-	(107,001)	-	(106,160)	-	(213,161)
Amortization expense	-	350,944	7,862,500	308,297	-	8,521,741
<b>Balance, end of year</b>	<b>-</b>	<b>2,072,288</b>	<b>86,232,935</b>	<b>1,927,143</b>	<b>-</b>	<b>90,232,366</b>
<b>Net Book Value, end of year</b>	<b>\$ 36,923,582</b>	<b>\$ 5,744,521</b>	<b>\$ 85,822,114</b>	<b>\$ 2,174,210</b>	<b>\$ 3,917,612</b>	<b>\$ 134,582,039</b>

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

### 6. Tangible capital assets (continued)

#### Assets under construction

Assets under construction at December 31, 2020 valued at \$10,551,489 (2019 - \$3,917,612) have not been amortized. Amortization of these assets will commence when the asset is put into service.

#### Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution.

#### Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

#### Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$NIL (2019 - \$NIL).

### 7. Accumulated Surplus:

Accumulated surplus consists of individual fund surplus as follows:

	2020	2019
Invested in tangible capital assets	\$ 102,974,898	\$ 98,225,491
Capital fund: Unexpended capital financing	10,549,555	7,107,463
Contributed capital	728,761	728,761
Operating fund	152,722	152,722
Unfunded employee future benefits	(1,537,805)	(1,648,252)
Total accumulated surplus	\$ 112,868,131	\$ 104,566,185

## Niagara Regional Housing

### Notes to the Financial Statements

For the year ended December 31, 2020

#### 8. Surplus transferred to Niagara Region

The Corporation had a current year operating surplus of \$654,957 (2019 - \$1,326,502) of which \$Nil (2019 - \$1,185,178) has been transferred to reserves within the Niagara Region held for NRH and \$654,947 (2019 - \$141,324) has been transferred to Niagara Region operations in accordance with the Niagara Region's Surplus/Deficit Policy. In addition, \$1,148,945 (2019 - \$734,583) has been transferred to the Niagara Region encumbrance reserve.

The following represents transactions within reserves held by the Niagara Region for NRH purposes:

	NRH Reserve	NRH Employee Future Benefit Reserve	NRH Owned Units Reserve	NRH Rent Supplement Reserve	2020 Total	2019 Total
Reserves held by Niagara Region, beginning of year	\$ 8,228,039	\$ 792,733	\$ 5,987,686	\$ 266,301	\$ 15,274,759	\$ 11,232,150
Transfer of year-end surplus to reserves	-	-	-	-	-	1,185,178
Transfer from the Reserve for capital purposes	(3,050,913)	-	(2,317,482)	-	(5,368,395)	(1,522,285)
Transfer to the Reserve for operating purposes	1,540,927	-	1,542,000	-	3,082,927	3,155,820
Transfer from the Reserve for operating purposes	(250,000)	-	-	(17,000)	(267,000)	(11,999)
Transfer to the Reserve from project closures & budget reductions	236,833	-	59,383	-	296,216	1,235,895
Reserves held by Niagara Region, end of year	\$ 6,704,886	\$ 792,733	\$ 5,271,587	\$ 249,301	\$ 13,018,507	\$ 15,274,759

#### 9. Commitments

The Corporation is committed to paying principal and interest payments on provincial debentures issued to finance the properties owned and operated by the Corporation. These debentures amount to \$5,487,914 (2019 - \$7,123,897) and payments during the year of \$1,694,866 (2019 - \$2,063,063) have been charged to current operations.

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

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### 10. Pension agreements

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Corporation accounts for its participation in OMERS as a defined contribution plan. The OMERS Plan ended 2020 with a funding deficit of \$3.2 billion (2019 - \$3.4 billion). The funded ratio remained unchanged at 97% in 2020, and has either stayed the same or increased for the eighth consecutive year.

The amount contributed to OMERS for 2020 was \$376,732 (2019 - \$365,380) for current service and is included as an expenditure on the statement of operations. Employees' contribution to OMERS in 2020 was \$376,732 (2019 - \$365,380).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2019 – 9.0%) for earnings up to the yearly maximum pensionable earnings of \$58,700 (2019 - \$57,400) and at a rate of 14.6% (2019 – 14.6%) for earnings greater than the yearly maximum pensionable earnings.

DR

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

### 11. Budget data

The budget data presented in these financial statements is based upon the 2020 operating and capital budgets approved by the NRH Board on October 18, 2019. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the budget amounts used on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results. The chart below reconciles the approved budget to the budget figures reported in these financial statements, in accordance with PSAS.

	Budget Amount
<b>REVENUES</b>	
Operating	
Approved Operating Revenue	\$ 67,210,714
Capital	13,392,668
Gain on disposal of tangible capital assets	203
<u>Less:</u>	
Surplus transferred from Niagara Region and transferred from reserves	(3,082,927)
Total revenue	77,520,658
<b>EXPENSES</b>	
Operating	
Approved Operating Expenses	67,210,714
<u>Add:</u>	
Amortization	9,068,429
Expenditures included in capital fund	118,349
<u>Less:</u>	
Employee future benefits	(110,447)
Transfers to reserves	(3,082,927)
Debt principal payments	(4,281,830)
Total expenses	68,922,288
Annual surplus	\$ 8,598,370

# Niagara Regional Housing

## Notes to the Financial Statements

For the year ended December 31, 2020

### 12. Rent Supplement Program

	Budget	2020	2019
Rent supplement program	\$ 3,315,684	\$ 3,288,737	\$ 3,047,178
In-situ	17,000	20,132	16,557
Strong Communities	1,682,788	1,690,263	1,513,920
Investment in Affordable Housing	215,926	218,822	914,322
Ontario Priority Housing Initiative	800,000	542,636	-
Social Infrastructure Fund	540,000	563,416	540,822
Total, Rent Supplement Program	\$ 6,571,398	\$ 6,324,006	\$ 6,032,799

### 13. Investment in Affordable Housing

	Budget	2020	2019
New Development Subsidy	\$ -	\$ 10,924	\$ 97,716
Niagara Renovates Payment Assistance	-	96,863	963,658
Housing Allowance	185,702	189,568	296,005
Welcome Home Niagara Down Payment Assistance	-	5,861	180,158
Total, Investment in Affordable Housing	\$ 185,702	\$ 303,216	\$ 1,537,537

### 14. Ontario Housing Priorities Initiative

	Budget	2020	2019
Niagara Renovates	\$ 545,920	\$ 572,205	\$ 74,194
Housing Allowances	256,960	164,500	-
Home Ownership	100,000	179,175	84,795
Total, Ontario Housing Priorities Initiative	\$ 902,880	\$ 915,880	\$ 158,989

# Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

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## 15. Subsequent Event – Local 175

Subsequent to the year-end, on March 9, 2021 approval was obtained from the Lieutenant Governor of Ontario for Local 175 UFCW Residences Inc. (“Local 175”), a Non-Profit Housing Corporation, to transfer their operating agreement and all assets belonging to Local 175 to NRH, effective April 30, 2021. The transfer will occur in accordance with the articles of incorporation of Local 175 which require that the divesting of any assets be to another Non-Profit Housing Corporation for a price of \$1 CAD. NRH will assume all assets and liabilities of Local 175 at fair market value on April 30, 2021.

## 16. Subsequent Event – Service Manager responsibilities

On October 23, 2020, the NRH Board approved the 2021 NRH budget related to the transfer of the administration of all Service Manager responsibilities to the Niagara Region, effective May 30, 2021. The finalized budget allocation between NRH and the Niagara Region was approved by the NRH Board on March 19, 2021 and Regional Council on March 25, 2021. Assets and liabilities related to the Service Manager operations will be transferred to the Niagara Region at their net book value on May 30, 2021. NRH will continue to provide governance, oversight, and financial management and ownership of all owned units.

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# Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2020

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## 17. Risks

### Credit risk

The Corporation is subject to credit risks from its tenants as a result of counterparty default. This risk is mitigated by prudent monitoring procedures.

### Interest rate risk

The Corporation is subject to interest rate fluctuations on its mortgages and long term debt. The Corporation current does not use any hedging strategies to mitigate this interest rate exposure.

### Market risk

Market risk arises as a result of trading in fixed income securities and equities. Fluctuations in the market expose the Corporation to a risk of loss. The Corporation mitigates this risk through cash management processes and compliance with the approved investment policy.

## 18. Comparative Figures

Certain prior year figures have been reclassified to conform to the financial statement presentation adopted in the current year.



# Niagara Regional Housing

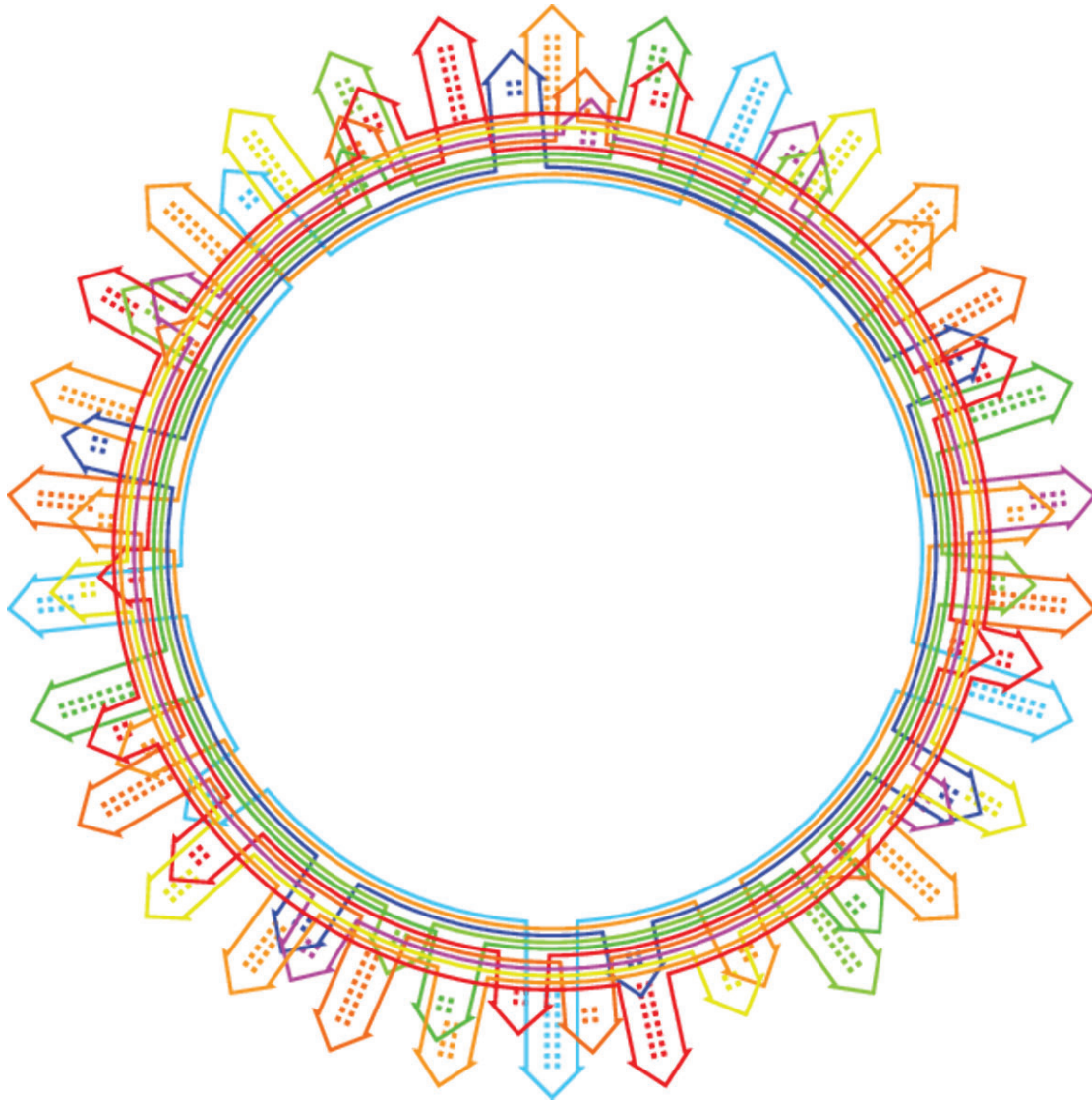
## Schedule of Financial Activities – Operating Fund

The Schedule of Financial Activities – Operating Fund is an operating statement that reflects the results of operations that flow through the Operating Fund and therefore exclude capital activities.

For the year ended December 31, 2020

	2020 Budget	2020 Actual	2019 Actual
<b>REVENUES</b>			
Rental revenue	\$ 15,488,979	\$ 15,839,485	\$ 15,292,964
Subsidies			
Niagara Region	37,445,337	37,445,337	36,686,950
Federal and Provincial Government	13,713,766	12,785,199	13,337,304
Investment income	145,000	225,082	334,480
Proceeds from Sale of Assets	-	210	-
Sundry revenue	417,632	271,331	377,149
	<b>67,210,714</b>	<b>66,566,644</b>	<b>66,028,847</b>
<b>EXPENSES</b>			
Property taxes	5,156,072	5,181,430	4,966,136
Support services – Niagara Region	2,999,464	2,861,691	3,633,145
Bad debts	272,100	147,307	132,206
Wages, salaries and benefits	5,104,265	4,931,786	4,893,735
Utilities	4,764,914	4,492,724	4,626,337
Materials and services	5,922,793	6,216,784	5,988,976
Interest on debenture and mortgage payments	883,258	926,305	886,508
Debenture payments (Note 9)	1,694,866	1,694,866	2,063,063
Rent supplement program (Note 12)	6,571,398	6,324,006	6,032,799
Investment in Affordable Housing (Note 13)	185,702	303,216	1,537,537
Administration	1,007,078	629,276	643,665
Supplies and equipment	281,719	238,022	323,531
Non-profit and co-op provider subsidies	19,869,369	19,438,032	19,599,855
Federal provider subsidies	1,069,259	1,080,496	1,121,870
Social Infrastructure Fund	1,014,250	578,268	544,202
Ontario Priorities Housing Initiative (Note 14)	902,880	915,880	158,989
Capital Loan and Grant Program	-	200,365	-
Canada-Ontario Community Housing Initiative	505,381	193,127	229,877
Other subsidies	1,389,712	806,614	289,529
Government land lease	41,030	27,353	30,772
	<b>59,635,510</b>	<b>57,187,548</b>	<b>57,702,732</b>
Annual surplus	<b>7,575,204</b>	<b>9,379,096</b>	<b>8,326,115</b>
Financing and transfer			
Transfer to reserves (note 8)	(3,082,927)	(4,231,872)	(3,890,402)
Transfer to Niagara Region (note 8)	-	(654,947)	(1,326,502)
Transfer to capital	(100,000)	(100,000)	-
Debt principal payments	(4,281,830)	(4,281,830)	(3,019,363)
Employee benefits	(110,447)	(110,447)	(89,848)
	<b>(7,575,204)</b>	<b>(9,379,096)</b>	<b>(8,326,115)</b>
Operating fund balance, end of year	\$ -	\$ -	\$ -

The accompanying notes to the financial statements are an integral part of this financial statement.



## Niagara Regional Housing

Report to the Board of Directors on  
the 2020 audit

March 26, 2021

Members of the Board of Directors  
Niagara Regional Housing  
1815 Sir Isaac Brock Way  
Thorold ON L2V 3Z3

## **Report on audited annual financial statements**

Dear Board Members:

We are pleased to submit this report on the status of our audit of Niagara Regional Housing (the "Organization") for the 2020 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020, we have performed an audit of the financial statements of Niagara Regional Housing as at and for the year ended December 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

This report is intended solely for the information and use of the Board of Directors (the "Board"), management and others within the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

"Original signed by Deloitte LLP"

Chartered Professional Accountants  
Licensed Public Accountants

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# Executive summary



## Audit scope and terms of engagement

We have been asked to perform an audit of the Organization's financial statements (the "financial statements") in accordance with Canadian Public Sector Accounting Standards ("PSAS") as at and for the year ended December 31, 2020. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020. We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.



## Audit risks

- 1 Revenue and deferred revenue
- 2 Management override of controls



## Uncorrected misstatements

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality was determined on the basis of total operating expenses.

We are required to inform the Board of Directors of any uncorrected misstatements identified in our audit that are greater than a clearly trivial amount of 5% of materiality, and any misstatements that are, in our judgment, qualitatively material.

In accordance with Canadian GAAS, we request that all misstatements be corrected. There are no uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented to report.



## Outstanding Matters & Next Steps

**Completion** of our subsequent events procedures

**Receipt** of signed Management's representation letter



## Going concern

Management has completed its assessment of the ability of the Organization to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Organization's ability to continue as a going concern. We agree with management's assessment.

**Results**

No restrictions have been placed on the scope of our audit. We intend to issue an unmodified audit report on the financial statements of the Organization for the year ended December 31, 2020 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Board.

# Audit risks

The audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

## Revenue and deferred revenue\*

Audit risk	Our audit response	Audit results
Determine completeness of revenue sources. Determine that deferred revenue recorded in the prior year has been recognized appropriately as income when the conditions for revenue recognition have been met. Determine that contributions received for specific purposes are reported as intended.	<ul style="list-style-type: none"> <li>Obtain confirmation of revenue from various government and other funders; review reconciliations to account balances. Review funds received during the year to determine if they should be recorded as revenue, deferred revenue or deferred capital contributions. Obtain funding agreements to determine if any restrictions are placed on contributions received and determine if appropriately recorded in the general ledger accounts.</li> </ul>	We obtained sufficient audit evidence to conclude that there were no material misstatements.

## Management override of controls\*

Audit risk	Our audit response	Audit results
Assurance standards include the presumption of a significant risk of management override of controls. Management is in a unique position to override internal controls, which could allow manipulation of the accounting records that could result in financial statements that are materially misstated.	<ul style="list-style-type: none"> <li>We engaged in periodic fraud discussions with certain members of senior management and others</li> <li>We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.</li> <li>We evaluated the business rationale for any significant unusual transactions.</li> <li>We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.</li> </ul>	We obtained sufficient audit evidence to conclude that there were no material misstatements.

\* These areas have been identified as areas of significant risk.

### Significant events including subsequent events

The design of our audit plan began with a reassessment of risk areas from last year's audit. We have identified a few significant developments or factors that impacted our current year risk assessment. This is an overview of how these additional developments impacted our audit plan and the results of the audit work we performed.

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#### COVID-19

##### Impact on our 2020 audit

Due to the ongoing COVID-19 pandemic, the audit work was performed remotely, and the risk assessment and analytical procedures were considered with the potential impact of the pandemic in mind. Despite the audit taking place in a remote work environment, we were able to obtain sufficient evidence for our audit and controls testing with minimal delay. There were no significant changes to the nature of our audit procedures as a result.

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#### Capital Loan and Grant Program

##### Impact on our 2020 audit

During the 2020 year, the Organization began the Capital Loan and Grant Program to assist non-profit and co-operative housing providers. For the loans and grants advanced during the year, we viewed the associated terms of the agreement as well as support for the advances made. The 2020 expenses related to the Capital Loan and Grant Program are included in the Statement of operations on the Financial Statements.

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#### Subsequent events

##### Impact on our 2020 audit

Subsequent to the year-end, the Organization agreed to assume all assets and liabilities of another Non-Profit Housing Corporation. We obtained the transfer agreement and agreed the details to the information disclosed in Note 15 to the Financial Statements.

Additionally, during the 2020 year, the Board approved the transfer of the administration of all Service Manager responsibilities to the Regional Municipality of Niagara, which will become effective subsequent to December 31, 2020. We obtained support for the approval of the transfer and agreed the details to the information disclosed in Note 16 to the Financial Statements.



# Significant accounting policies, judgments and estimates

The accounting policies described below are those that are most important and representative of the Organization's financial condition and financial performance.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

The significant accounting policies of the Organization are disclosed in Note 2 to the financial statements.

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of the Organization.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2020, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of the Organization.

# Appendix 1 – Communication requirements and other reportable matters

Required communication	Reference	Refer to this report or document described below
<b>Audit service plan</b>		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS <sup>1</sup> 260.14	Refer to our master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audit</li> <li>b. Significant risks, including fraud risks</li> </ul>	CAS 260.15	Refer to our master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020.
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	None.
<b>Enquiries of those charged with governance</b>		
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.21	We are not aware of any fraudulent events.
5. Any known suspected or alleged fraud affecting the Organization	CAS 240.22	None noted.
6. Whether the Organization is in compliance with laws and regulations	CAS 250.15	No concerns noted.
<b>Year end communication</b>		
7. Modification to our audit plan and strategy	CAS 260.A26	None.
8. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	We are not aware of any fraudulent events.
9. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	See page 4 of this report.

<sup>1</sup> CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	None
11. Matters related to going concern	CAS 570.25	We concluded that there was no substantial doubt about the Organization's ability to continue as a going concern.
12. Management judgments and accounting estimates	CAS 260.16 a.	See page 4 of this report.
13. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	No significant difficulties to report.
14. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Refer to our master service agreement dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020 and Draft management representation letter included as Appendix 2.
15. Circumstances that affect the form and the content of the auditor's report	CAS 260.16.d.	None.
16. Modifications to our opinion(s)	CAS 260.A21	None.
17. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A22	No such consultations noted.
18. Significant matters discussed with management	CAS 260.A.22	None.
19. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including Illegal or possibly illegal acts that come to our attention	CAS 250.23	We are not aware of any illegal acts or matters involving non-compliance with laws and regulations.
20. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	No significant deficiencies to report.
21. Uncorrected misstatements and disclosure items	CAS 450.12-13	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements or uncorrected disclosure to report.
<b>Other reportable matters</b>		
22. Any significant matters arising during the audit in connection with the Organization's related parties	CAS 550.27	None noted.

# Appendix 2 – Draft management representation letter

## [Organization letterhead]

March 26, 2021

Deloitte LLP  
5500 North Service Road, Suite 700  
Burlington ON L7L 6W6

**Subject: Financial statements of Niagara Regional Housing for the year ended  
December 31, 2020**

Dear Mr. Ferguson:

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of Niagara Regional Housing (the "Organization" or "we" or "us") as of and for the year ended December 31, 2020, the notes to the financial statements and a summary of significant accounting policies (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Organization in accordance with Public Sector Accounting Standards ("PSAS").

Certain representations in this letter are described as being limited to matters that are material. Items 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.

We 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:

### **Financial statements**

1. We have fulfilled our responsibilities as set out in the terms of the Master Services Agreement between the Organization and Deloitte dated November 8, 2016 and subsequent confirmation of changes letters dated January 30, 2019 and November 12, 2020 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Organization as at December 31, 2020 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Organization has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2020 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after December 31, 2020 and up to the date of this letter.
5. The Financial Statements are free of material errors and omissions.

**Internal controls**

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

**Information provided**

8. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
  - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and,
  - d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
10. We have no knowledge of any information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the Financial Statements.
11. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Organization.
12. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices. There are also no known or possible instances of non-compliance with the requirements of regulatory or governmental authorities.
13. We have disclosed to you the identities of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.

**Independence matters**

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

14. Prior to the Organization having any substantive employment conversations with a former or current Deloitte engagement team member, the Organization has held discussions with Deloitte and obtained approval from the Board of Directors.

### **Other matters**

Except where otherwise stated below, immaterial matters less than \$398,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

15. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
16. The Organization has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
17. There are no instances of identified or suspected noncompliance with laws and regulations.
18. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.
19. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
21. We have disclosed to you, and the Organization has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
22. The Organization has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

### **Plans or intentions affecting carrying value/classification of assets and liabilities**

23. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

### **Fair value**

24. With regard to the fair value measurements and disclosures of certain assets and liabilities, we believe that:
  - a. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS.
  - b. No events have occurred subsequent to December 31, 2020 that require adjustment to the fair value measurements and disclosures included in the Financial Statements.
  - c. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Organization when relevant to the use of fair value measurements or disclosures.

**Loans and receivables**

25. The Organization is responsible for determining and maintaining the adequacy of the allowance for doubtful loans and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
26. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

**Employee future benefits**

27. Employee future benefit costs, assets, and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under termination arrangements.

**Accounting policies**

28. The accounting policies selected and application of those policies are appropriate.

**Various matters**

29. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. losses arising from sale and purchase commitments;
  - b. agreements to buy back assets previously sold;
  - c. provisions for future removal and site restoration costs;
  - d. financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
  - e. arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
  - f. all impaired loans receivable;
  - g. loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Yours truly,

**Niagara Regional Housing**

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Donna Woiceshyn  
Chief Executive Officer



### Appendix 3: 2020 Surplus Reconciliation

	<u>Approved Budget</u>	<u>2020</u>	<u>2019</u>
<b>Based on budget approach</b>			
Niagara Regional Housing Operating Surplus per CSD 17-2021	\$ -	\$ 654,947	\$ 1,326,502
<b>PSAS Presentation Adjustments:</b>			
<b>Capital</b>			
Recognize amortization	(9,068,429)	(9,068,429)	(8,521,741)
Recognize in year capital program revenues	13,392,668	13,392,459	7,491,428
Recognize expenditures included in capital fund	(118,349)	(118,349)	(297,635)
Recognize gain on sale of assets	203	203	-
<b>Capital Subtotal</b>	<u>4,206,093</u>	<u>4,205,885</u>	<u>(1,327,947)</u>
<b>Funded</b>			
Remove principal debt repayments	4,281,830	4,281,830	3,019,363
Remove net transfers to reserves	-	(951,163)	(2,562,397)
<b>Funded Subtotal</b>	<u>4,281,830</u>	<u>3,330,667</u>	<u>456,966</u>
<b>Unfunded</b>			
Recognize change in unfunded employee future benefits liability	110,447	110,447	89,848
<b>Unfunded Subtotal</b>	<u>110,447</u>	<u>110,447</u>	<u>89,848</u>
<b>Annual surplus per PSAS financial statements</b>	<u><u>8,598,370</u></u>	<u><u>\$ 8,301,946</u></u>	<u><u>\$ 545,369</u></u>

A balanced operating budget was approved by Council on December 12, 2019. The operating surplus presented at the top of the chart represents the actual financial results of Niagara Regional Housing compared to the operating budget. Since Niagara Regional Housing is required to report its annual surplus using Public Sector Accounting standards (PSAS), a number of adjustments are required in order for the financial results to conform with PSAS. For example, in the operating budget capital projects are recognized when funding is allocated, however in order to conform with PSAS an adjustment is required as capital projects should be expensed over time through amortization, rather than immediately.