



THE REGIONAL MUNICIPALITY OF NIAGARA
AUDIT COMMITTEE
AGENDA

AC 03-2019

Monday, May 6, 2019

1:00 p.m.

Council Chamber

Niagara Region Headquarters, Campbell West

1815 Sir Isaac Brock Way, Thorold, ON

	Pages
1. <u>CALL TO ORDER</u>	
2. <u>DISCLOSURES OF PECUNIARY INTEREST</u>	
3. <u>PRESENTATIONS</u>	
4. <u>DELEGATIONS</u>	
5. <u>ITEMS FOR CONSIDERATION</u>	
5.1 <u>AC-C 17-2019</u> 2018 Audited Consolidated Financial Statements A presentation will precede this discussion of this item.	3 - 92
6. <u>CONSENT ITEMS FOR INFORMATION</u>	
6.1 <u>AC-C 14-2019</u> Q2 2019 Follow-up Status of Internal Audit Recommendations	93 - 103
6.2 <u>AC-C 15-2019</u> Internal Audit Plan Progress Update Dashboard	104 - 105
6.3 <u>AC-C 18-2019</u> A letter from Walter Sendzik, Chair, Niagara Regional Housing Board of Directors, to Ann-Marie Norio, Regional Clerk, dated April 26, 2019, respecting 2018 Draft Audited Financial Statements	106 - 142

7. **OTHER BUSINESS**

8. **NEXT MEETING**

The next meeting will be held on Monday, June 24, 2019 at 1:00 p.m. in the Council Chamber.

9. **ADJOURNMENT**

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

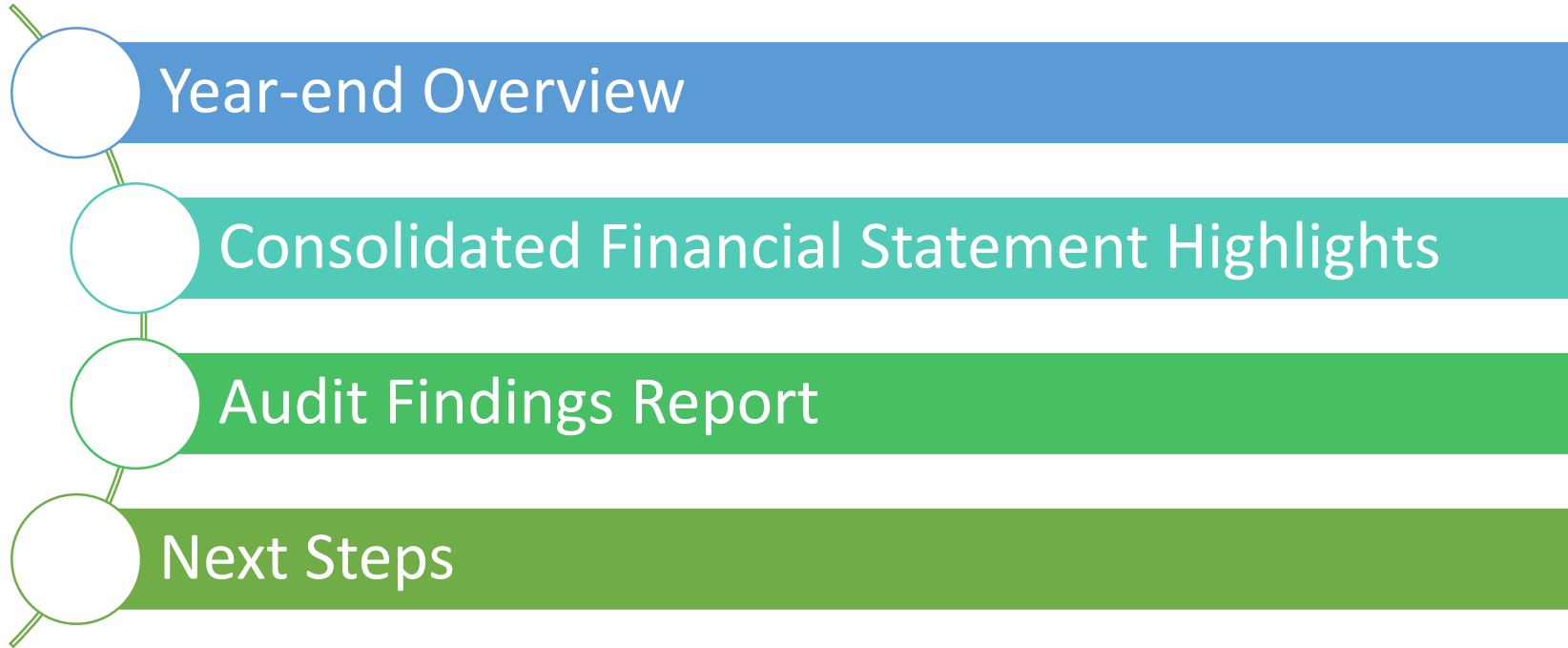
2018

2018 Consolidated Financial Statement Highlights

Audit Committee

May 6, 2019

Agenda



Year-end Overview

Activity	2018	2017
Audit Planning Report	AC – Sept. 10, 2018	AC – Sept. 18, 2017
Q1 Financial Update	CSC – June 6, 2018 Council – June 14, 2018	N/A N/A
Q2 Financial Update	CSC – Sept. 5, 2018 Council – Sept. 13, 2018	CSC – Sept. 6, 2017 Council – Sept. 14, 2017
Q3 Financial Update	CSC – Jan. 9, 2019* Council – Jan. 17, 2019	CSC – Nov. 29, 2017 Council – Dec. 7, 2017
Q4 Financial Update & Year-end Transfer report	CSC – Mar. 20, 2019 Council – Mar. 28, 2019	CSC – Mar. 7, 2018 Council – Mar. 22, 2018
Audit Committee Review	May 6, 2019	May 7, 2018
Council Approval	May 16, 2019	May 24, 2018

*Memorandum only

Year-end Overview

2018 Year-end Statistics

715 active
Dept ID's
across
14 Lines of
Business

Journal Entries Approved

2018 – 3,677
2017 – 3,646

PO's greater than \$25k

2018 – 1,184
2017 – 1,023

Invoices Paid

2018 – 102,407
2017 – 96,075

Basis for **20**
financial
statement
audit reports
(including
ABC's)

2018 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
 - No corrected or uncorrected misstatements identified or corrected
 - Financial statements are free from material misstatements

Presentation Reconciliation

Key highlights between what you see at Council vs. Audited PSAS financials

Budget Financials	Audited Financials
Functional basis – Levy, Rate, Capital	Canadian Public Sector Accounting Standards
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. EFB, 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

Reconciliation of Surplus

(in thousands)	2018	2017
Water & Wastewater Surplus	\$ 2,079	\$ 89
Waste Management Surplus	1,551	5,682
Levy Surplus (Deficit)	<u>1,828</u>	<u>(3,654)</u>
Operating Surplus (per Quarterly Financial Update)	5,458	2,117
Net Capital Activity	(48,924)	(57,970)
Net Funding Activity	99,998	102,269
Change in unfunded liabilities	<u>15,296</u>	<u>1,247</u>
Annual Surplus per PSAS Consolidated financial statements	\$ 71,828	\$ 47,663

Statement of Operations (Page 6)

Revenues

Budget to Actual (in thousands)	Change
Budget revenues per Financial Statements	\$ 973,834
<u>Significant changes</u>	
Requisitions on local governments (higher supplemental taxes)	3,498
User charges (higher NRH rental revenue, higher parent fee contributions)	2,114
Government transfers, Ontario (SAEO – lower funding as caseloads stabilized)	(5,896)
Development charges (timing of development charge revenue for CSO)	(5,090)
Other/Miscellaneous (investment income, proceeds on sale of surplus properties, NPCA differential)	<u>10,669</u>
Actual revenues	\$ 979,129

Statement of Operations (Page 6)

Expenses

Budget to Actual (in thousands)	Change
Budget expenses per Financial Statements	\$929,683
<u>Significant changes</u>	
Higher expenses in General government (labour relations)	665
Lower expenses in Transportation services (savings in personnel costs)	(2,260)
Lower expenses in Environmental Services (Combined Sewer Overflow/utilities)	(18,240)
Lower expenses in Social and family services (lower SAE0 benefits/stabilized caseloads)	(5,915)
Lower expenses in Social housing (provider payments)	(517)
Higher expenses in Planning and development (grant payments)	4,457
Other	(572)
Actual expenses	\$ 907,301

Statement of Financial Position (Page 5)

Employee Future Benefits (Note 4, Page 13) & Landfill Liability (Note 6, Page 19)

(in thousands)	2018	
	Employee Future Benefits	Landfill
Liability	\$ 104,421	\$ 61,397
Reserves	\$ 34,539	\$ 8,288
Funded Status	33%	14%

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

Statement of Financial Position (Page 5)

Long-term Liabilities (Note 8, Page 20)

(in thousands)	2018	2017	Change
Long-term liabilities	\$662,658	\$631,922	\$ 30,736
Less: Debt recoverable from LAMS	<u>(305,684)</u>	<u>(285,412)</u>	<u>(20,272)</u>
Net Region long-term liabilities	<u>\$356,974</u>	<u>\$346,510</u>	<u>\$ 10,464</u>

- Issued \$39.0 million in Regional debt; repaid \$26.6 million
- New debt issued for police, roads, health, housing programs, water and waste management
- Debt of \$48.2 million issued on behalf of the LAM's; repaid \$28.0 million

Audit Findings Report – Trevor Ferguson

- Audit Findings report included (Appendix 3)
- Unqualified audit opinion
- No 2018 Management letter to Audit Committee

Next Steps

Financial Statement Approval

Consolidated Financial Statements

- Approval from Audit Committee
- Final Audit Report to be issued by Deloitte

Program Financial Statements

- Sent to Audit Committee for information in June and September

Annual Report

- To be published in May

Questions?

Beth Brens

Associate Director, Reporting & Analysis

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Subject: 2018 Audited Consolidated Financial Statements

Report to: Audit Committee

Report date: Monday, May 6, 2019

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 attached as Appendix 2, for the year ended December 31, 2018 **BE APPROVED**; and
2. That the audit findings report pertaining to the audited consolidated financial statement, attached as Appendix 3, of the Niagara Region for the year ended December 31, 2018 **BE RECEIVED** for information.

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 the 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, 2018.
- Year-end funding surplus results were reported in CSD 21-2019 Year End Results and Transfer Report and are consistent with the results reported in the consolidated financial statements adjusted for accrual accounting presentation required of Public Sector Accounting Standards (PSAS). A reconciliation of the two presentation methodologies is provided in Appendix 1.

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.

The Niagara Region budget to actual results (funding surplus) are prepared and reported on a quarterly basis on (used as a tool to manage funding requirements))

whereas the consolidated financial statements are prepared using PSAS. Appendix 1 reconciles the surplus per the audited Consolidated Statement of Operations to the funding surplus based on the budget approach previously presented and significant variances explained in CSD 21-2019.

A draft copy of the Niagara Region's consolidated financial statements for the year ended December 31, 2018 is attached (Appendix 2). In addition, Deloitte audit findings report for the year end December 31, 2018 is also attached (Appendix 3).

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, 2018 have been audited.

The Region's external auditor (Deloitte) has indicated that in their opinion, the consolidated financial statements present fairly, in all material respects. The fair presentation as of December 31, 2018 includes the consolidated statement of financial position, consolidated statement of operations and accumulated surplus, consolidated changes in net debt, as well as the consolidated cash flows for the year then ended in accordance with Canadian PSAS.

The consolidated financials reflect the assets, liabilities, revenues and 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 Housing
- Court Services Operations
- Niagara Regional Police Services

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

During the course of the consolidated financial statement audit, the external auditor (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 2018 consolidated financial statement audit.

In June 2010 the 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 paragraphs 409.6 requires the municipal auditor to certify the balance in the sinking fund each year.

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 trust account audited annually.

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 statements. In the case of the Region, this authority lies with Council, and as such, the signed Auditor's report will be received on the date when the statements are approved by Council. Until that approval is received the consolidated financial statements are marked draft.

Upon completion of the 2018 Annual Report, the financial statements will be available to the public on the Niagara Region website:

<http://www.niagararegion.ca/business/finance/annual-reports/default.aspx>

Alternatives Reviewed

The consolidated financial statements are prepared using Public Sector Accounting Standards therefore no alternative available.

Relationship to Council Strategic Priorities

One of the previous Council's strategic priorities was Advancing Organizational Excellence. Organization Excellence was achieved through receiving an unqualified audit opinion on our Consolidated Financial Statements and by not receiving a management letter indicating opportunities for process improvements from Deloitte for 2018.

Other Pertinent Reports

- CSD 21-2019, Corporate Services Committee, March 20, 2019

Prepared by:

Beth Brens, CPA, CA
Acting Associate Director, Reporting &
Analysis
Enterprise Resource Management
Services

Recommended by:

Todd Harrison, CPA, CMA
Commissioner/Treasurer
Enterprise Resource Management
Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

This report was reviewed by Helen Chamberlain, CPA, CA, Director of Financial Management and Planning.

Appendices

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Appendix 1: Annual Surplus Reconciliation

(in thousands)	<u>Approved Budget</u>	<u>2018</u>	<u>2017</u>
Based on budget approach			
Water & Wastewater surplus	\$ -	\$ 2,079	\$ 89
Waste Management surplus	-	1,551	5,682
Levy surplus (deficit)	-	1,828	(3,654)
Operating Surplus based on CSD 21-2019	-	5,458	2,117
PSAS Presentation Adjustments:			
Capital			
Recognize amortization	(82,301)	(82,301)	(85,944)
Recognize in year capital program revenues	44,722	44,969	35,233
Recognize capital fund expenditures resulting in operating expenses	(9,033)	(9,154)	(9,261)
Recognize operating fund expenditures resulting in capital assets	1,794	1,794	9,003
Recognize proceeds & loss on disposal of assets	(4,232)	(4,232)	(6,998)
Capital Subtotal	(49,050)	(48,924)	(57,967)
Funded			
Remove principal debt repayments	39,665	26,571	28,297
Remove net transfers to reserves (including interest allocation)	38,662	72,976	73,558
Recognize interest earned on sinking fund investments	-	452	411
Funded Subtotal	78,327	99,998	102,266
Unfunded			
Recognize change in landfill liability	17,794	17,794	1,170
Recognize contaminated site liability	-	-	-
Recognize power dams liability	-	422	422
Recognize change in unfunded employee future benefits liability	(2,920)	(2,920)	(345)
Unfunded Subtotal	14,874	15,296	1,247
Annual surplus per PSAS consolidated financial statements	\$ 44,151	\$ 71,828	\$ 47,663

A balanced operating budget, developed for the purposes of setting tax rates and user fees, was approved by Council on December 7, 2017. 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.

CONSOLIDATED FINANCIAL STATEMENTS OF

THE REGIONAL MUNICIPALITY OF NIAGARA

For the year ended December 31, 2018

THE REGIONAL MUNICIPALITY OF NIAGARA

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December 31, 2018

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THE REGIONAL MUNICIPALITY OF NIAGARA

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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 Enterprise Resource Management Services/Treasurer

May 6, 2019

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, 2018, 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, 2018, 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.

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
April __, 2019

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018 (In thousands of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 106,902	\$ 143,765
Investments (note 2)	585,420	480,130
Accounts receivable (note 3)	80,713	78,582
Other current assets	329	212
Tangible capital assets held for sale	756	3,515
Debt recoverable from others (note 8)	305,684	285,412
	1,079,804	991,616
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	114,195	122,221
Employee future benefits and post-employment liabilities (note 4)	104,421	101,403
Deferred revenue (note 5)	178,320	142,222
Landfill closure and post-closure liability (note 6)	61,397	79,191
Long-term liabilities (note 8)	662,658	631,922
	1,120,991	1,076,959
Net debt	(41,187)	(85,343)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	1,755,117	1,731,150
Inventory	7,360	7,319
Prepaid expenses	20,836	17,172
	1,783,313	1,755,641
Accumulated surplus (note 10)	\$ 1,742,126	\$ 1,670,298

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, 2018 (In thousands of dollars)

	2018 Budget (note 18)	2018 Actual	2017 Actual
REVENUES			
Taxation and user charges:			
Levies on area municipalities	\$ 359,806	\$ 363,304	\$ 350,157
User charges	214,527	216,641	217,219
	574,333	579,945	567,376
Government transfers (note 16):			
Government of Canada	23,549	24,986	25,915
Province of Ontario	329,447	322,020	294,769
Other municipalities	514	608	1,967
	353,510	347,614	322,651
Other:			
Development charges earned	18,477	13,387	11,761
Investment income	15,679	16,613	15,993
Provincial offences	6,740	7,336	6,812
Miscellaneous	5,095	14,234	9,952
	45,991	51,570	44,518
Total revenues	973,834	979,129	934,545
EXPENSES (Note 17)			
General government	42,842	43,507	42,100
Protection to persons and property	190,067	189,911	185,360
Transportation services	68,323	66,063	63,688
Environmental services	142,020	123,780	143,508
Health services	98,915	98,499	92,751
Social and family services	303,891	297,976	279,678
Social housing	64,612	64,095	67,130
Planning and development	19,013	23,470	12,667
Total expenses	929,683	907,301	886,882
Annual surplus	44,151	71,828	47,663
Accumulated surplus, beginning of year	1,670,298	1,670,298	1,622,635
Accumulated surplus, end of year	\$ 1,714,449	\$ 1,742,126	\$ 1,670,298

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, 2018 (In thousands of dollars)

	2018 Budget (note 18)	2018 Actual	2017 Actual
Annual surplus	\$ 44,151	\$ 71,828	\$ 47,663
Acquisition of tangible capital assets	(104,040)	(104,039)	(116,971)
Contributed tangible capital assets	(3,615)	(3,615)	(428)
Transfers from tangible capital assets held for sale	(2,758)	(2,759)	(6,792)
Amortization of tangible capital assets	82,301	82,301	85,944
Loss on sale of tangible capital assets	1,295	1,295	2,042
Proceeds on sale of tangible capital assets	2,850	2,850	5,127
Change in inventory	-	(41)	(414)
Change in prepaid expenses	-	(3,664)	(1,670)
Change in net debt	20,184	44,156	14,501
Net debt, beginning of year	(85,343)	(85,343)	(99,844)
Net debt, end of year	\$ (65,159)	\$ (41,187)	\$ (85,343)

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, 2018 (In thousands of dollars)

	2018	2017
OPERATING ACTIVITIES		
Annual surplus	\$ 71,828	\$ 47,663
Items not involving cash:		
Amortization of tangible capital assets	82,301	85,944
Loss on sale of tangible capital assets	1,295	2,042
Contributed tangible capital assets	(3,615)	(428)
Change in employee future benefits and post-employment liabilities	3,018	339
Change in landfill closure and post-closure liability	(17,794)	(1,170)
Change in non-cash assets and liabilities:		
Accounts receivable	(2,131)	6,065
Other current assets	(117)	57
Accounts payable and accrued liabilities	(8,026)	(2,590)
Deferred revenue	36,098	29,222
Inventory	(41)	(414)
Prepaid expenses	(3,664)	(1,670)
Net change in cash from operating activities	159,152	165,060
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	2,850	5,127
Cash used to acquire tangible capital assets	(104,039)	(116,971)
Net change in cash from capital activities	(101,189)	(111,844)
INVESTING ACTIVITIES		
Proceeds on sale of investments	35,135	56,692
Purchase of investments	(140,425)	(98,237)
Net change in cash from investing activities	(105,290)	(41,545)
FINANCING ACTIVITIES		
Proceeds on debt issued and assumed	38,999	59,796
Long-term debt repaid	(26,759)	(29,815)
Increase in sinking fund assets	(1,776)	(411)
Net change in cash from financing activities	10,464	29,570
Net change in cash	(36,863)	41,241
Cash, beginning of year	143,765	102,524
Cash, end of year	\$ 106,902	\$ 143,765
Cash paid for interest	12,993	12,430
Cash received from interest	15,175	15,256
Investing and financing activities on behalf of others:		
Debt issued on behalf of others	48,230	50,247
Repayment made on behalf of others	27,956	27,386

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, 2018 (In thousands of dollars)

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, 2018 (In thousands of dollars)

1. Significant accounting policies (continued):

(f) 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 4 – 20
	- Machinery and equipment 3 – 60
Water and wastewater infrastructure	25 – 100
Roads infrastructure	- Base 40
	- Bridge and culvert 60
	- Surface 10

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, 2018 (In thousands of dollars)

1. Significant accounting policies (continued):

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Investment income:

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

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

1. Significant accounting policies (continued):

(l) 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.

(m) 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 \$982 (2017 - \$4,312) and is not reflected in these consolidated financial statements.

2. Investments:

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

	2018		2017	
	Cost	Market Value	Cost	Market Value
Investments	\$ 585,420	\$ 594,219	\$ 480,130	\$ 490,658

The Region has purchased \$5,961 (2017- \$5,141) 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 \$39,742 (2017 - \$917). Coupon rates for these debentures ranged from 3.10% to 3.95%.

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$643 (2017 - \$1,128).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

4. 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.

	2018	2017
Workplace Safety & Insurance Board	\$ 42,407	\$ 41,394
Accumulated Sick Leave	13,544	14,149
Retiree benefits	34,909	34,267
Vacation pay	9,587	8,953
Other post-employment liabilities	3,974	2,640
Total employee future benefits and post-employment liabilities	\$ 104,421	\$ 101,403

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

	2018	2017
Niagara Regional Police Services	\$ 59,976	\$ 57,006
Niagara Regional Housing	1,738	1,390
Niagara Region	42,707	43,007
Total	\$ 104,421	\$ 101,403

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:

	2018	2017
Niagara Regional Police Services	\$ 8,902	\$ 8,702
Niagara Regional Housing	793	793
Niagara Region	24,845	24,994
Total (Note 10)	\$ 34,539	\$ 34,489

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

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

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

2018				
	Niagara Regional Police	Niagara Regional Housing	Niagara Region	Total
Accrued benefit obligation:				
Balance, beginning of year	\$ 59,187	\$ 1,779	\$ 37,098	\$ 98,064
Current benefit cost	5,370	344	2,481	8,195
Interest	1,724	51	826	2,601
Actuarial loss (gain)	3,761	(1,591)	11,584	13,754
Benefits paid	(5,184)	(123)	(2,809)	(8,116)
Balance, end of year	64,858	460	49,180	114,498
Unamortized actuarial gain (loss)	(4,882)	1,278	(6,473)	(10,077)
Liability	\$ 59,976	\$ 1,738	\$ 42,707	\$ 104,421

2017				
	Niagara Regional Police	Niagara Regional Housing	Niagara Region	Total
Accrued benefit obligation:				
Balance, beginning of year	\$ 58,125	\$ 1,462	\$ 36,671	\$ 96,259
Current benefit cost	2,865	344	1,966	5,175
Interest	1,774	45	845	2,664
Actuarial loss (gain)	1,349	35	395	1,779
Benefits paid	(4,926)	(107)	(2,779)	(7,813)
Balance, end of year	59,187	1,779	37,098	98,064
Unamortized actuarial gain (loss)	(2,181)	(389)	5,909	3,339
Liability	\$57,006	\$1,390	\$43,007	\$101,403

Included in expenses is \$338 (2017 - \$313) for amortization of the actuarial gain. The unamortized actuarial gain 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

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, 2018 (In thousands of dollars)

4. 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, 2018 and the expense for the year ended December 31, 2018, were determined using a discount rate of 3.75% (2017 – 2.9%).

Administration costs

Administration costs were assumed to be 32% (2017 – 34.3%) 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 2.0% per annum (2017 – 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, 2018, of the present value of future liabilities and the expense for the year ended December 31, 2018, were determined using a discount rate of 3.75% (2017 – 2.9%).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

4. 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, 2018, of the present value of future liabilities and the expense for the year ended December 31, 2018, were determined using a discount rate of 3.75% (2017 - 3.0%).

Medical costs

Medical costs were assumed to increase at the rate of 3.42% (2017 - 6.25%) per year, reducing to 2.75% in 2022 and thereafter.

Dental costs

Dental costs were assumed to increase at the rate of 2.75% (2017 - 3%) per year.

Inflation

Inflation was assumed to be 1.75% (2017 – 2.0%) 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 2018 with a funding deficit of \$4.2 billion. The funded ratio has increased to 96% from 94% in 2017. The funded ratio has increased for the sixth consecutive year.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

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

Other pension plans (continued)

The amount contributed to OMERS for 2018 was \$30,473 (2017 - \$29,459) for current service and is included as an expense on the consolidated statement of operations. Employees' contribution to OMERS in 2018 were \$30,453 (2017 - \$29,459).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2017 – 9.0%) for earnings up to the yearly maximum pensionable earnings of \$55.90 (2017 - \$55.30) and at a rate of 14.6% (2017 – 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% (2017 - 9.2%) and 15.8% (2017 - 15.8%) respectively.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

5. 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 \$154,762 (2017 - \$116,321). 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. This project is planned for 2020 - 2021.

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

	2018	2017
Development charges	\$ 134,530	\$ 97,197
Gas tax	20,232	19,124
Obligatory reserve funds	154,762	116,321
Investing in Ontario Grant	10,617	10,617
Other deferred revenue	12,941	15,284
Balance, end of year	\$ 178,320	\$ 142,222

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

5. Deferred revenue (continued):

The continuity of obligatory reserve funds are summarized below:

Development charges:

	2018	2017
Balance, beginning of year	\$ 97,197	\$ 81,591
Externally restricted inflows	48,817	26,521
Revenue earned	(13,387)	(11,761)
Investment income	1,903	846
Balance, end of year	\$ 134,530	\$ 97,197

Gas tax:

	2018	2017
Balance, beginning of year	\$ 19,124	\$ 12,181
Externally restricted inflows	14,416	14,110
Revenue earned	(13,630)	(7,315)
Investment income	323	148
Balance, end of year	\$ 20,233	\$ 19,124

6. 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 2018 budget and inflation adjusted at a rate of 1.75% per annum (2017 – 2.0%) until the end of contamination. These costs were then discounted to December 31, 2018 using a discount rate of 3.75% (2017 – 3.1%). Post-closure care is estimated to be required for the contaminating lifespan of landfill sites up to 40 years (2017 – 40 years). The liability for closure and post-closure care as at December 31, 2018 is \$61,397 (2017 - \$79,191). Estimated total expenditures for closure and post-closure care are \$75,440 (2017 - \$101,893). The liability remaining to be recognized is \$14,043 (2017 - \$22,702). It is estimated that the life of open landfill sites range from 32 to 47 years with an estimated total remaining capacity of 3,473 cubic meters.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

7. 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, 2018 there are no contaminated sites that meet the specified criteria and no liability (2017 - \$nil) for contaminated sites has been recorded in the consolidated financial statements.

8. 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:

	2018	2017
Long-term liabilities incurred by the Region (including capital lease)	\$ 676,851	\$ 644,083
Less: Sinking fund assets	(14,193)	(12,161)
Long-term debt	\$ 662,658	\$ 631,922
Debt recoverable from others net of sinking fund assets (long-term liabilities incurred by the Region for which other entities have assumed responsibility)	(305,684)	(285,412)
Net long-term debt, end of year	\$ 356,974	\$ 346,510

- (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.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

8. Net long-term liabilities (continued):

- (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).
- (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, 2018 is \$305,684 (2017 - \$285,412) 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 and capital lease obligations, due in each of the next five years are as follows:

	2018
2019	33,936
2020	27,745
2021	23,366
2022	23,061
2023	22,625
Thereafter	226,241
	\$ 356,974

- (f) Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to \$13,212 in 2018 (2017 - \$12,740). The long-term liabilities bear interest at rates ranging from 1.20% to 4.90%. 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, 2018 (In thousands of dollars)

9. Tangible capital assets:

	2018							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	\$ 221,881	\$ 98,785	\$ 764,034	\$ 621,224	\$ 364,394	\$ 740,512	\$ 114,490	\$ 2,925,320
Additions/transfers	1,691	2,538	10,617	21,010	13,234	24,453	34,111	107,654
Disposals	-	(277)	(656)	(14,612)	(37)	(5,341)	-	(20,923)
Balance, end of year	223,572	101,046	773,995	627,622	377,591	759,624	148,601	3,012,051
Accumulated Amortization								
Balance, beginning of year	-	50,853	340,825	386,901	93,679	321,912	-	1,194,170
Disposals	-	(277)	(421)	(14,095)	(18)	(4,726)	-	(19,537)
Amortization expense	-	3,293	23,106	31,014	5,058	19,830	-	82,301
Balance, end of year	-	53,869	363,510	403,820	98,719	337,016	-	1,256,934
Net Book Value, end of year	\$ 223,572	\$ 47,177	\$ 410,485	\$ 223,802	\$ 278,872	\$ 422,608	\$ 148,601	\$ 1,755,117

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

9. Tangible capital assets (continued):

	2017							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	\$ 207,504	\$ 92,958	\$ 742,724	\$ 592,332	\$ 330,959	\$ 729,220	\$ 124,929	\$ 2,820,626
Additions/transfers	15,677	5,904	21,849	37,724	38,415	11,292	(10,439)	120,422
Disposals	(1,300)	(77)	(539)	(8,832)	(4,980)	-	-	(15,728)
Balance, end of year	221,881	98,785	764,034	621,224	364,394	740,512	114,490	2,925,320
Accumulated Amortization								
Balance, beginning of year	-	47,163	318,705	365,115	72,495	317,076	-	1,120,554
Disposals	-	(77)	(304)	(7,664)	(4,303)	-	-	(12,328)
Amortization expense	-	3,767	22,424	29,430	25,487	4,836	-	85,944
Balance, end of year	-	50,853	340,825	386,901	93,679	321,912	-	1,194,170
Net Book Value, end of year	\$ 221,881	\$ 47,932	\$ 423,209	\$ 234,323	\$ 270,715	\$ 418,600	\$ 114,490	\$ 1,731,150

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

9. Tangible capital assets (continued):

(a) Work in progress

Work in progress having a value of \$148,601 (2017 - \$114,490) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(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 \$3,615 (2017 - \$428).

(c) Works of art and historical treasures

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

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

10. Accumulated Surplus:

Accumulated surplus consists of balances as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 1,398,144	\$ 1,384,640
Capital fund – unexpended capital financing	226,159	189,895
Operating fund	(12,686)	(10,667)
Unfunded		
Landfill closure and post-closure liability	(61,397)	(79,191)
Employee future benefits and post-employment liabilities	(103,112)	(100,234)
Total surplus	1,447,108	1,384,443
Reserves and reserve funds set aside by Council:		
Ambulance communication	37	1,275
Circle route initiatives	1,383	1,383
Employee benefits	34,539	34,489
Encumbrances	19,494	17,531
General capital levy	26,221	24,723
Niagara Regional Housing	10,439	11,780
Court Services facilities renewal	1,650	1,650
Public liability self-insurance	2,270	2,270
Replacement of equipment	224	224
Smart growth	201	451
Taxpayer relief reserve	26,539	24,821
Waste management operations	24,330	27,136
Wastewater operations	46,228	49,130
Water operations	91,930	77,364
Landfill	8,288	5,377
Other reserves and reserve funds	1,245	6,251
Total reserves and reserve funds	295,018	285,855
Total accumulated surplus	\$ 1,742,126	\$ 1,670,298

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

11. Trust funds:

Trust funds administered by the Region amounting to \$958 (2017 - \$924) 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.

12. Commitments:

- (a) The Region has outstanding contractual obligations of approximately \$93,111 (2017 - \$76,985) for public works projects. These costs include holdbacks. The holdbacks related to work completed as of December 31, 2018 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 \$8,750 (2017 - \$10,429). Annual payments of \$2,159 (2017 - \$2,323) 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 lease payments:

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

	2018
2019	2,038
2020	1,546
2021	905
2022	395
2023	148
Thereafter	1,356
	\$ 6,388

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

13. Contingent liabilities:

At December 31, 2018, 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. A provision of \$10,935 (2017 - \$11,670) has been made for those claims not expected to be covered by insurance.

14. 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 \$20,000 per occurrence for claims incurred prior to November 2013, and \$50,000 per occurrence for claims incurred after November 2013.

The Region has a reserve fund for allocated self-insurance claims which as at December 31, 2018 amount to \$2,270 (2017 - \$2,270) and is reported on the consolidated statement of financial position under accumulated surplus. An amount of \$nil (2017- \$nil) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to \$3,972 (2017 - \$11,233).

15. 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 \$17,754 (2017 - \$17,811).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

16. Government transfers:

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

	Budget	2018	2017
Revenue:			
Government of Canada:			
General government	\$ -	\$ -	\$ -
Transportation services	12,070	12,059	9,571
Environmental services	2,602	2,602	4,668
Health services	-	53	58
Social and family services	990	2,339	2,632
Social housing	7,787	7,787	8,931
Planning and development	100	146	55
	23,549	24,986	25,915
Province of Ontario:			
General government	1,937	1,930	1,903
Protection to persons and property	9,978	10,007	9,176
Transportation services	1,569	1,558	1,129
Environmental services	1,127	1,127	1,285
Health services	61,989	62,419	60,723
Social and family services	233,599	226,638	209,037
Social housing	19,248	18,306	11,516
Planning and development	-	35	-
	329,447	322,020	294,769
Other municipalities:			
General government	70	200	169
Protection to persons and property	348	332	367
Transportation services	576	576	731
Environmental services	(480)	(500)	700
	514	608	1,967
Total revenues	\$ 353,510	\$ 347,614	\$ 322,651

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

17. 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, 2018 (In thousands of dollars)

17. 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 allocated to the segments based on the segment's budgeted net expenses. 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, 2018 (In thousands of dollars)

17. Segmented information (continued):

2018									
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Levies on area municipalities	\$ 328,702	-	-	\$ 34,602	-	-	-	-	\$ 363,304
User charges	178	8,510	3,937	161,464	386	26,892	14,192	1,083	216,641
Government transfers	2,118	10,339	14,205	3,230	62,473	228,976	26,092	181	347,614
Development charges earned	6	33	10,953	1,890	249	-	-	256	13,387
Investment income	16,234	-	-	-	2	-	376	-	16,613
Provincial offenses	-	7,336	-	-	-	-	-	-	7,336
Miscellaneous	6,579	1,574	(1,722)	5,655	1,117	503	455	73	14,234
Total revenues	353,817	27,792	27,373	206,841	64,227	256,371	41,115	1,593	979,129
Expenses:									
Salaries, wages and employee benefits	6,084	152,946	13,927	30,084	81,503	107,727	6,451	5,328	404,050
Operating expenses	16,091	17,066	27,287	63,173	13,609	81,667	22,582	2,381	243,856
External transfers	1,229	9,250	2,229	3,390	-	104,684	27,336	15,761	163,879
Debt services	13,188	-	27	-	-	-	-	-	13,215
Amortization	6,915	10,649	22,593	27,133	3,387	3,898	7,726	-	82,301
Total expenses:	43,507	189,911	66,063	123,780	98,499	297,976	64,095	23,470	907,301
Annual surplus (deficit)	\$ 310,310	\$ (162,119)	\$ (38,690)	\$ 83,061	\$ (34,272)	\$ (41,605)	\$ (22,980)	\$ (21,877)	\$ 71,828

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

17. Segmented information (continued):

	2017								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Levies on area municipalities	\$ 315,266	-	-	\$ 34,891	-	-	-	-	\$ 350,157
User charges	259	8,196	4,221	163,343	446	26,314	13,694	746	217,219
Government transfers	2,071	9,543	11,431	6,653	60,781	211,669	20,448	55	322,651
Development charges earned	146	2,700	6,141	2,725	-	-	-	49	11,761
Investment income	15,673	-	-	-	2	-	318	-	15,993
Provincial offenses	-	6,811	-	1	-	-	-	-	6,812
Miscellaneous	3,924	(4,745)	5,257	4,204	338	663	244	67	9,952
Total revenues	372,230	22,505	27,050	176,926	61,567	238,646	34,704	917	934,545
Expenses:									
Salaries, wages and employee benefits	5,624	148,081	14,623	30,267	76,359	102,937	5,998	4,471	388,360
Operating expenses	16,387	17,782	21,255	81,049	13,341	68,268	21,855	1,682	241,619
External transfers	622	9,342	142	5,024	52	104,702	31,811	6,514	158,209
Debt services	12,750	-	-	-	-	-	-	-	12,750
Amortization	6,717	10,155	27,668	27,168	2,999	3,771	7,466	-	85,944
Total expenses:	42,100	185,360	63,688	143,508	92,751	279,678	67,130	12,667	886,882
Annual surplus (deficit)	\$ 330,131	\$ (162,855)	\$ (36,638)	\$ 33,418	\$ (31,184)	\$ (41,032)	\$ (32,426)	\$ (11,750)	\$ 47,663

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

18. Budget data:

The budget amounts presented in these consolidated financial statements are based upon the 2018 operating and capital budgets approved by Council on December 7, 2017. 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 for 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
REVENUES	
Operating	
Approved budget	\$ 934,235
Budget Amendments	1,160
Budget Adjustments	33,950
Expenses classified as revenue	(3,166)
Capital:	
Development charges	12,396
Grants and subsidies	27,510
Other contributions	4,816
Gain on sale of tangible capital assets	(1,295)
Less:	
Transfers from reserves	(32,835)
Proceeds on sale of tangible capital assets	(2,937)
Total revenue	973,834
EXPENSES	
Operating	
Approved budget	\$ 934,235
Budget Amendments	1,160
Budget Adjustments	33,950
Expenses classified as revenue	(3,166)
Add:	
Capital project cost resulting in operating expenses	9,033
Amortization	82,301
Employee future benefits	2,920
Landfill liability	(17,794)
Less:	
Operating expenses resulting in tangible capital assets	(1,794)
Transfers to reserves, including capital	(71,497)
Debt principal payments	(39,665)
Total expenses	929,683
Annual surplus	\$ 44,151

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018 (In thousands of dollars)

19. 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, 2018, 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, 2018, 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.

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
April __, 2019

THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF FINANCIAL POSITION

As at December 31, 2018 (In thousands of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 169	\$ 252
Interest receivable	65	35
Due from operating fund	5	5
Investments (note 2)	13,960	11,873
	14,199	12,165
LIABILITIES		
Accounts payable and accrued liabilities	4	4
Sinking fund requirements		
City of St. Catharines	1,665	1,431
The Regional Municipality of Niagara	12,265	10,540
	13,934	11,975
Accumulated surplus and net financial assets	\$ 265	\$ 190

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, 2018 (In thousands of dollars)

	2018	2017
REVENUES		
Contributions	\$ 1,512	\$ 1,512
Investment Income	528	457
Total revenues	2,040	1,969
EXPENSES		
Professional fees and dues	7	4
Provision for sinking fund requirements	1,958	1,891
Total expenses	1,965	1,895
Annual Surplus	75	74
Accumulated surplus and net financial assets, beginning of year	190	116
Accumulated surplus and net financial assets, end of year	\$ 265	\$ 190

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, 2018 (In thousands of dollars)

	2018	2017
OPERATING ACTIVITIES		
Annual surplus	\$ 75	\$ 74
Change in non-cash assets and liabilities:		
Interest receivable	(30)	3
Due from operating fund	-	3
Net change in cash from operating activities	45	80
INVESTING ACTIVITIES		
Purchase of investments	(2,087)	(1,920)
Net change in cash from investing activities	(2,087)	(1,920)
FINANCING ACTIVITIES		
Increase in sinking fund requirements	1,959	1,891
Net change in cash from financing activities	1,959	1,891
Net change in cash	(83)	51
Cash, beginning of year	252	201
Cash, end of year	\$ 169	\$ 252

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, 2018 (In thousands of dollars)

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, 2018 the investments have a market value of \$14,254 (2017 - \$12,856).

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, 2018, 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, 2018, 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.
- 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.

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
April __, 2019

THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2018 (In thousands of dollars)

	2018	2017
ASSETS		
Cash	\$ 249	\$ 274
Due from Regional Municipality of Niagara	709	650
Fund balance	\$ 958	\$ 924

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, 2018 (In thousands of dollars)

	2018	2017
REVENUE		
Deposits from residents	\$ 492	\$ 487
Donations	227	183
	719	670
EXPENSES		
Expenditures for the benefit of residents	685	790
	685	790
Excess of revenues over expenses / (expenses over revenues)	34	(120)
Fund balance, beginning of year	924	1,044
Fund balance, end of year	\$ 958	\$ 924

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, 2018 (In thousands of dollars)

	2018	2017
OPERATING ACTIVITIES:		
Excess of revenues over expenses / (expenses over revenues)	\$ 34	\$ (120)
Change in non-cash assets and liabilities		
Due from Regional Municipality of Niagara	(59)	(630)
Net change in cash from operating activities	(25)	(750)
Cash, beginning of year	274	1,024
Cash, end of year	\$ 249	\$ 274

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, 2018 (In thousands of dollars)

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 2018 Audit



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March 29, 2019

Private and confidential

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

Re: Report on audited annual financial statements

Dear Audit Committee Members,

We are pleased to submit this report on the results of our audit of the consolidated financial statements of the Regional Municipality of Niagara (the "Region") for the 2018 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 the confirmation of changes letter dated January 30, 2019, we have performed audits of the following, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"):

- Consolidated financial statements of the Region as at, and for the year ended, December 31, 2018, prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS");
- Financial statements of Niagara Regional Housing ("NRH") as at, and for the year ended, December 31, 2018;
- Financial statements of the Regional Municipality of Niagara Trust Funds (the "Trust Funds") as at, and for the year ended, December 31, 2018;
- Financial statements of the Regional Municipality of Niagara Sinking Funds (the "Sinking Funds") as at, and for the year ended, December 31, 2018; and
- Various agencies, boards, commissions and programs (the "Programs") as at, and for the year ended, December 31, 2018.

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 and completion of the outstanding matters noted in this report.

Our audit was conducted in accordance with the audit plan dated August 13, 2018.

Regional Municipality of Niagara
March 29, 2019
Page 2

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, and should not, be used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from management and the employees of the Region with whom we worked to discharge our responsibilities. 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

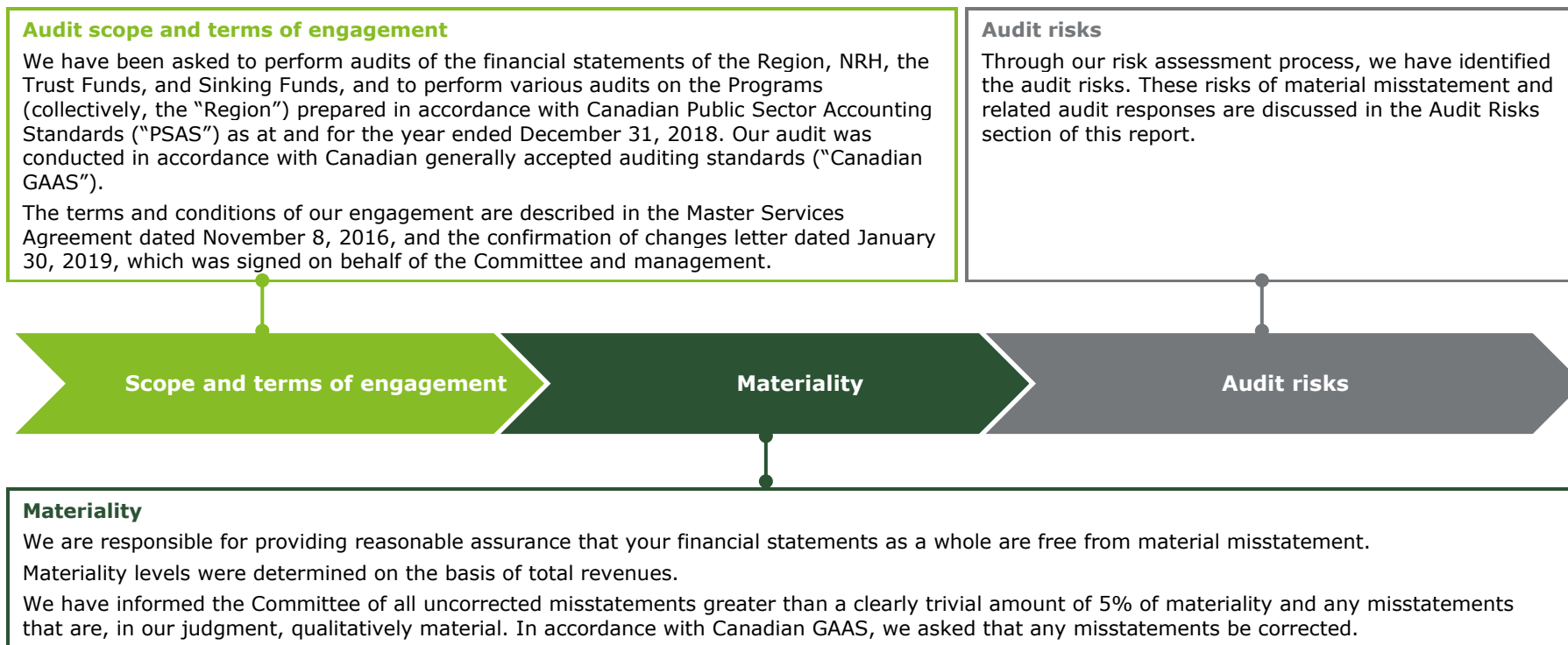
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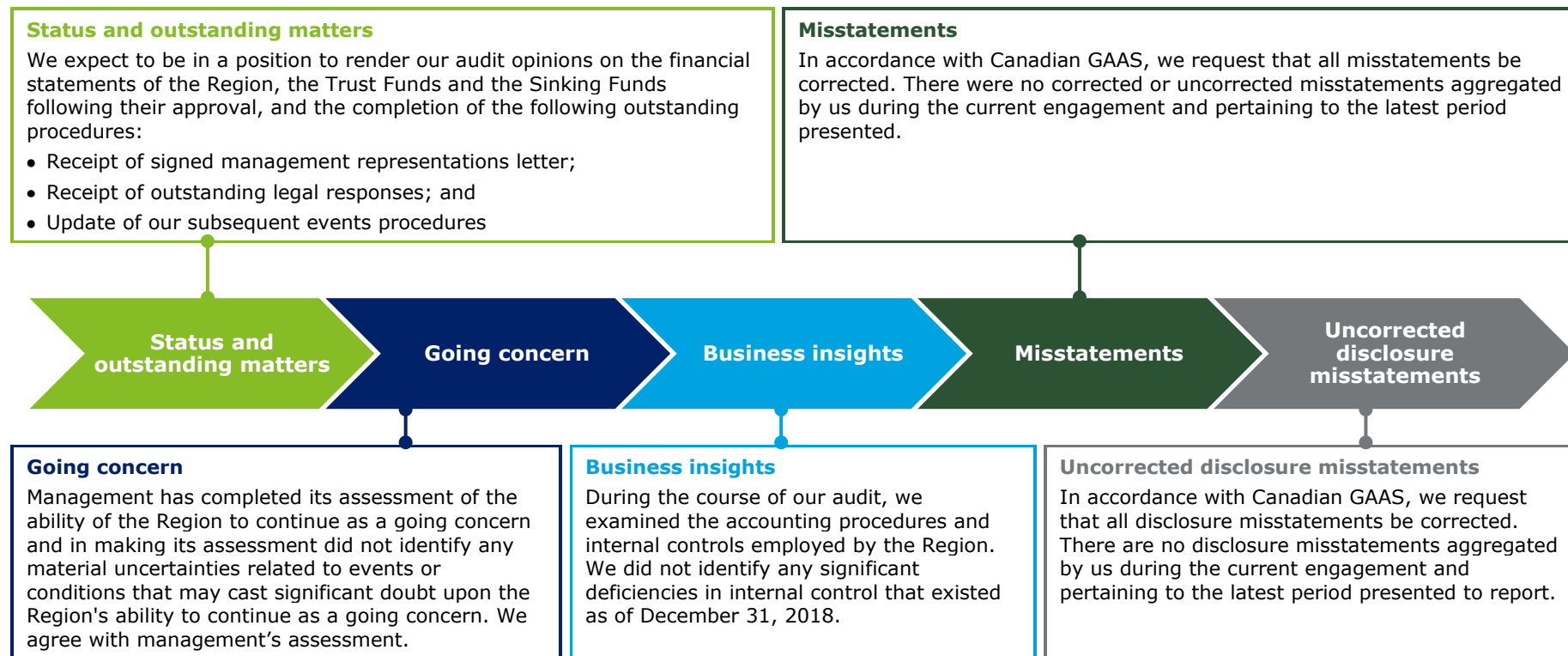
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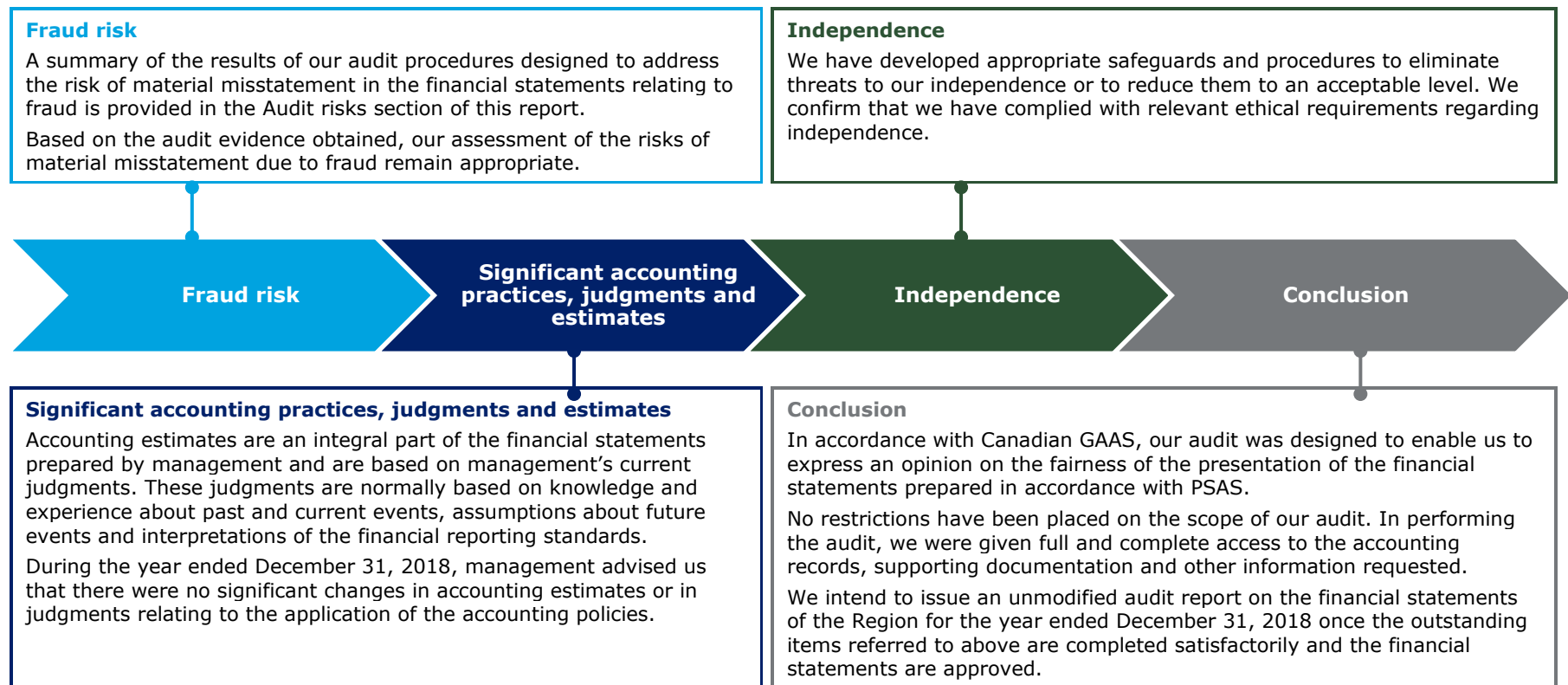
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Our audit explained

This report summarizes the main findings arising from our audits.







Audit risks

The areas of audit risk identified as part of our risk assessment, together with our 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, 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.

Adoption of new accounting standards

Audit risk

Determine if balances and disclosures are appropriate and in accordance with newly adopted Public Sector Accounting Standards.

Our audit response

- Review management's process of identifying related parties, and review management's analysis of related party transactions and balances and determine if they are recorded in accordance with PS 2200
- Determine if Assets are properly recorded and disclosed in accordance with PS 3210
- Review management's process of identifying contingent assets and contractual rights and determine if they are properly disclosed in accordance with PS 3320 and PS 3380.

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)

Risk identified

Estimates require 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*

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 obtained 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 reviewed 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 were assigned to the testing and review of journal entries and areas of estimates; and
- Professional skepticism was 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; and
- Recalculate interest.

Audit results

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

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

Significant accounting practices, judgments and estimates

The accounting policies of the Region are set out in Note 1 of the financial statements.

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.

Significant accounting policies

During the year ended December 31, 2018 the Region adopted the following new accounting standards:

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

There was no impact to the Region's financial statements as a result of the adoption of these standards.

Management judgment and accounting estimates

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, 2018, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Committee as part of the audit plan.

	Comment
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There was not an unnecessarily brief timetable in which to complete the audit.
Related party transactions	Related party transactions or balances have been properly disclosed in the financial statements. We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.
Disagreements with management	During the course of our audit, there were no disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has informed us that the Region has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Region.
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events.

Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit. We confirm that all required communications have been reported in our audit service plan and year end communication.

Required communication	Reference
Audit service plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master services agreement dated November 8, 2016, and the confirmation of changes letter dated January 30, 2019
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks, and c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk. d. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit. 	Audit service plan dated August 13, 2018
3. Significant transactions outside of the normal course of business, including related party transactions	None noted
Year end communication	
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	No issues noted
5. Fraud or possible fraud identified through the audit process	None noted
6. Whether the Region is in compliance with laws and regulations	No issues noted
7. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting practices, judgments and estimates section

Required communication	Reference
8. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	Significant accounting practices, judgments and estimates section
9. Matters related to going concern	Page 2 of this report
10. Management judgments and accounting estimates	Significant accounting practices, judgments and estimates section
11. Significant difficulties, if any, encountered during the audit	Other reportable matters section
12. Material written communications between management and us, including management representation letters	Master services agreement dated November 8, 2016, confirmation of changes letter dated January 30, 2019, audit service plan dated August 13, 2018, and Management representation letter – Appendix 3
13. Other matters that are significant to the oversight of the financial reporting process	None
14. Modifications to our opinion	None
15. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	None
16. Significant matters discussed with management	None
17. Illegal or possibly illegal acts that come to our attention	None noted
18. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	None noted.
19. Uncorrected misstatements and disclosure items	None noted
20. Any significant matters arising during the audit in connection with the Region's related parties	None noted

Appendix 2 – Independence letter

March 29, 2019

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, 2018.

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 our appointment as your auditors.

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 20, 2018 to March 29, 2019.

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 March 29, 2019.

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

Yours truly,

Original signed by Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Appendix 3 – Draft management representation letter

[Region letterhead]

May 16, 2019

Private and confidential

Deloitte LLP
25 Corporate Park Drive
3rd Floor
St. Catharines, ON L2S 3W2

Dear Mr. Trevor Ferguson:

Subject: Consolidated financial statements of the Regional Municipality of Niagara for the year ended December 31, 2018

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the consolidated financial statements of the Regional Municipality of Niagara (the “Region” or “we” or “us”) for the year ended December 31, 2018, 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 Public Sector Accounting Standards (“PSAS”).

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 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, 2018 and the results of its operations and cash flows for the years 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, 2018 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"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200
4. We have determined that the Financial Statements are complete as of 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, 2018 and up to the date of this letter. 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.
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. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. 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.
12. We have disclosed to you all 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.
13. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Region.
14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. 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.
16. 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.

Independence matters

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

17. 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.
18. 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

19. 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.
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 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.
- 22. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

Selection of accounting policies and recording of transactions

- 23. 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, 2018.

Work of management's experts

- 24. 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

- 25. 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

- 26. 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.
- 27. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

Investments

- 28. 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

- 29. 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.

30. 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.
31. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
32. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.

Liabilities for contaminated sites

33. 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

34. 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. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure
 - f. Sales with recourse provisions
 - g. Sales incentives, including cash consideration provided to customers and vendor rebates
 - h. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements
 - i. All impaired loans receivable
 - j. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Yours truly,

Regional Municipality of Niagara

Ron Tripp
Chief Administrative Officer

Todd Harrison
Commissioner of Enterprise Recourse Management Services

Appendix 4 – Deloitte Resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies (www.bestmanagedcompanies.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO 	The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.
<input type="checkbox"/> Centre for financial reporting (www.cfr.deloitte.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
<input type="checkbox"/> Financial Reporting Insights (www.iasplus.com/fri)	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> • Directors • CEO/CFO 	Bi-monthly publication examining a key topic in detail, including the perspectives of a Deloitte professional with deep expertise in the subject matter as well as the views of an experienced external director.
<input type="checkbox"/> State of change (www.iasplus.com/StateOfChange)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Bi-monthly newsletter providing insights into key trends, developments, issues and challenges facing the not-for-profit sector in Canada, with a Deloitte point of view.
<input type="checkbox"/> Deloitte Financial Reporting Update (www.deloitte.com/ca/update)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.



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Subject: Q2 2019 Follow-up Status of Internal Audit Recommendations

Report to: Audit Committee

Report date: Monday, May 6, 2019

Recommendations

That report AC-C 14-2019 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 the degree of implementation of audit recommendations made since 2015.
- This report will cover all audits completed and issued up to the previous Audit Committee meeting, March 18, 2019.
- As part of the annual audit business cycle, the follow up process will be completed and reported to Audit Committee on a quarterly basis.
- A total of 28 audit recommendations were detailed in this audit report.
- Between 2017 and 2018, Internal Control and Organizational Performance (ICOP) has completed 16 internal audit reports.

Financial Considerations

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

Analysis

This report is intended to be an update on the status of Management's implementation of the audit recommendations since 2015. All recommendations that have not been fully implemented within the management approved timeframe will be highlighted in this report for Audit Committee's attention.

In total, Niagara Region has 80 audit recommendations brought forward through past completed audits. Details of these 80 recommendations are as follows:

- ICOP is satisfied that 57 of the recommendations have been fully implemented,

- In addition, 12 of the recommendations are in progress and proceeding with satisfactory implementation plans in place,
- One of the recommendations put forth by ICOP is listed as not started. This recommendation will commence following Council decision points,
- Two recommendations remain on hold,
- Finally, eight recommendations are in progress, but behind schedule.

The attached appendix provides a detailed status of all recommendations, including expected completion dates.

This type of follow up report is considered best practice as per the Institute of Internal Auditors guiding principles, which ICOP adheres to. The quarterly follow up process ensures that Management and Staff are held accountable for the implementation of action plans which they have committed to. The follow up provides valuable information to members of Audit Committee in the execution of their oversight and governance role.

Alternatives Reviewed

No other alternatives were reviewed at this time.

Relationship to Council Strategic Priorities

Value-For-Money audits were identified and approved as the previous Council's Strategic Priority – Advancing Organizational Excellence. The goal of this Strategic Priority was to *“Build a strong internal foundation for Niagara Region to enable a more prosperous Niagara.”*

Following completion on the 2015 and 2016 audits, Council approved having a permanent Internal Audit function situated within the renamed Internal Control and Organizational Performance division.

Other Pertinent Reports

AC-C 8-2017 Annual Follow Up Status of Audit Recommendations
AC-C 15-2018 Management Action Plan and Follow-up Status Report
AC-C 21-2018 Q1 2018 Follow up Status of Audit Recommendations
AC-C 34-2018 Q2 2018 Follow up Status of Audit Recommendations
AC-C 3-2019 Q1 2019 Follow up Status of Audit Recommendations

Prepared by:

Xiang Gao, MBA
Internal Audit Analyst
Internal Control and Organizational
Performance

Recommended by:

Todd Harrison, CPA, CMA
Commissioner/Treasurer
Enterprise Resource and Management
Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

This report was reviewed by Maciej Jurczyk, Director, Internal Control and Organizational Performance.

Appendices

Appendix 1	AC-C 14-2019 Appendix 1 – Final Summary	Page 1
Appendix 2	AC-C 14-2019 Appendix 2 – Final Detailed	Page 1 to 4

INTERNAL CONTROL & ORGANIZATIONAL PERFORMANCE
FOLLOW UP STATUS REPORT
Current Status as of April 18, 2019

Audit Name		Total # of Recommendations	Not Started	In Progress		On Hold	Fully Implemented	Percentage Completion
				On Schedule	Behind Schedule			
2015	Burgoyne Bridge	8	0	0	1	1	6	<div><div></div></div> 75%
2016	Fleet Management	4	0	0	1	0	3	<div><div></div></div> 75%
2017	Fleet Parts Inventory and Fuel	9	1	0	3	1	4	<div><div></div></div> 44%
	Mobile Telecommunications	8	0	0	0	0	8	<div><div></div></div> 100%
2018	Waste and Recycling Drop-Off Depot Agreement	2	0	0	1	0	1	<div><div></div></div> 50%
	Payroll 1 - Timekeeping	3	0	2	0	0	1	<div><div></div></div> 33%
	Payroll 2 - Payroll Processing	1	0	0	0	0	1	<div><div></div></div> 100%
	Grants and Incentives	4	0	4	0	0	0	<div><div></div></div> 0%
	Controlled Medications Inventory	3	0	1	0	0	2	<div><div></div></div> 67%
	Accounts Payable	2	0	2	0	0	0	<div><div></div></div> 0%
	Information Technology Security and Data Backup Controls	20	0	3	2	0	15	<div><div></div></div> 75%
Total		64	1	12	8	2	41	<div><div></div></div> 64%

Audit Report Title	Observation Title and Brief Description	Recommendation per Audit Report	Management Action Plan per Audit Report	Accountable Individual & Title	Original Completion Date MM/DD/YYYY	Issue Status	Follow Up Comments
Burgoyne Bridge Audit	Procurement	The Region should develop a policy and define criteria for sole and single sourcing	Review of the existing policy (and newly implemented EFMS system) for sole and single sourced procurement to ensure that system controls are functioning as expected (Validate compliance & controls, report back on review). Undertake a best practice review of awarding contract administration on significant projects.	Bart Menage, Director, Procurement & Strategic Acquisitions Jeff Mulligan	12/31/2017	Completed	<p>As per Bart Menage (Director, Procurement & Strategic Acquisitions) on 04/09/2019: The amendments to the Procurement By-law has completed. Further review on Single and Sole Source criteria will be conducted when ICOP completes the Single/Source audit in 2019.</p> <p>As per Bart Menage (Director, Procurement & Strategic Acquisitions) on 04/10/2018: Pursuant to Council approval of the initial amendments to the Procurement By-law in February 2019, in March 2019, Council via recommendations from the Procurement Advisory Committee approved a specific procurement work plan item which will consider further amendments to the By-law including due consideration to Single and Sole Source criteria. These revisions will be reviewed against any recommendations derived from the Single/Sole Source Audit which is scheduled to be completed by Internal Audit in Q3 2019</p> <p>As per Bart Menage (Director, Procurement & Strategic Acquisitions) on 01/10/2018: The Procurement Advisory Committee endorsed a workplan in November 2017 which includes a broad review of all policies and procedures. This includes review of single/sole sourcing contracts. In addition, ICOP will be completing an assurance audit on Single/Sole Source projects within 2018. The recommendations of that audit will be considered by the Procurement Advisory Committee for implementation.</p> <p>No change from the previous report. Developing and defining criteria for sole and single source procurement will be reviewed upon the completion of the Single/Sole Sourced Procurement audit included on the 2019 Audit Plan.</p> <p>MAP will be reviewed once the 2018 Single/Sole Source Procurement audit is completed.</p>
Burgoyne Bridge Audit	Cost Estimating	The Region should develop a structured estimating process to allow for accurate monitoring, control, forecasting and reporting of project costs.	<p>1. Large construction projects: Provide estimates at various project stages utilizing the services of qualified cost consultant s/quantity surveyors</p> <p>2. Lifecycle renewal projects: Use structured estimating as applicable for the particular project</p> <p>3. Structured cost estimating: Different cost estimating should be applied based on the type of capital project. Large projects should engage qualified cost consultants at various stages</p> <p>4. Job order contracting: Pilot in progress for facilities lifecycle renewal projects and maintenance projects. Provides unit pricing for projects on an ongoing basis for a set term</p>	Kashif Siraj, Manager, Implementation & Analysis		On Hold	<p>As per Kashif Siraj (Manager, Project Management Office) on 04/12/2019: The status will remain exactly the same as last time update.</p> <p>As per Kashif Siraj (Manager, Project Management Office) on 01/11/2019: Estimates for Capital Initiatives are developed as part of the business cases for budget approvals. PMO will be looking into standardizing Validation of these Estimates early on in the capital projects. Once the Asset Management Office is in place the PMO will collaborate and align with it on Estimation.</p> <p>Maciej Jurczyk, Aug 20, 2018: Discussions with Senior Management in PW and Finance in May 2018 resulted in ICOP taking a leadership role in cost estimating. Pending the creation of the PMO on Sept 10, 2018, this unit will be accountable for this work going forward.</p> <p>No update for the May 7, 2018 Audit Committee report, still on hold. Due to staff leave of absence special projects related to this recommendation have been put on hold pending return.</p>
Burgoyne Bridge Audit	Document Management	The Region should develop and implement a formal document management process for all projects	<p>Review of current corporate processes to:</p> <p>1. Determine immediate actions required to have all Burgoyne Bridge records brought into compliance</p> <p>2. Develop document management best practices - compare against lead/best practices and identify areas for improvement - ensure implementation of the process across the organization</p> <p>3. Report back on this review and any proposed recommendations and actions</p>	Tom Jamieson, Associate Director, Application and Information Services	<p>1. 08/31/2016</p> <p>2. 12/31/2016</p> <p>3. 03/31/2017</p>	In progress late	<p>Management Action Plan updates for Q2 2019 have not been received</p> <p>As per correspondence with Tom Jamieson (Associate Director, Application and Information Services) on 01/11/2019: To address gaps around process, management and information governance an audit of information and content has been scheduled for Jan. and Feb. This will entail sessions with each Department or Division to inventory key information (including documents) supporting their business, the processes around it and any risks or improvement opportunities. The information gathered through these sessions will support both the Business Intelligence and Enterprise Content Management (including document management) projects. Once this information has been analyzed, it will be used to create requirements for an Enterprise Content Management system which will be included in an RFP. It is anticipated that this RFP will be released in March.</p> <p>As per discussion with Tom Jamieson (Associate Director, Application and Information Services) on 08/24/2018: "After researching best practices and on the advice of peer organizations who have undertaken similar projects, the team has determined that prior to going to RFP for a technology solution, it would be prudent to evaluate the Corporation's readiness and to develop a strategic roadmap to guide the project. In June a vendor with extensive expertise in assessing readiness for government organizations was engaged to facilitate a series of workshops to capture current state for the Region, as well as to assess the maturity of the organization. It is their recommendation, that the Region has some deficiencies to address before we are able to release an RFP, and that doing so prematurely would be a significant risk for the organization. The areas the Region must focus on prior to RFP are process management and information governance. By addressing these issues, the Region will increase our level of maturity (in information governance and process management). IT Services and the Office of the Regional Clerk, are working jointly on these items. Therefore, the project members recommend the Region focus on the priority areas identified by the vendor in the short-term prior to issuing an RFP for a technology solution. The Team also recommends creating a Project Director role for this initiative to oversee and</p>

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Fleet, Equipment Management and Replacement Process	Fleet Strategies, Policies, Procedures	Management should formalize the Fleet Strategy and set priorities or areas of focus to provide direction to fleet services. The strategy could be supported by a life cycle costing framework or align to the enterprise wide asset management planning initiatives. Performance and value metrics should be set to align to strategic directives and should be periodically tracked. Council approval should be sought once the fleet strategy is documented.	1. Develop a Fleet strategy statement to be presented to Public Works Committee for approval, prior to seeking approval from Regional Council (update report to Audit Committee to follow) 2. Fleet strategy will be incorporated into overall Asset Management Plan 3. Performance measures should be developed and tracked to align with the overall Fleet Strategy. 4. Review Fleet policies and procedures as required.	Shawn McCauley (Associate Director Transportation) and Ken Williams (Supervisor Fleet Operations)	1. 06/2017 2. Ongoing 3. Ongoing 4. Ongoing	In progress late	Management Action Plan updates for Q2 2019 have not been received. As per correspondence with Shawn McCauley (Associate Director, Transportation) on 12/19/2018: 1. As part of restructuring a new division was created to run this area in 2019, once the new Associate Director is in place the division will finalize the statement. On target to complete this by end of Q1, 2019 As per correspondence with Shawn McCauley (Associate Director, Transportation) on 08/10/2018: 1. Mission statement has been finalized and is under review by senior staff. Estimated completion date: 03/31/2019 2 - 4. Previously completed As per follow up correspondence with Shawn McCauley (Associate Director, Transportation) on 04/03/2018: 1. Ken Williams has reached out to staff but the mission statement has not been formalized. Winter season was busier than usual and as a result it tied up a lot of staff time. 2-4. Previously completed As per discussion with Shawn McCauley and Ken Williams (Associate Director, Transportation) on 01/08/2018: 1. Ken Williams came up with a draft mission statement, it was put on hold due to a reorganization of positions within the department. The mission statement is on Shawn's Q1/2018 to do list. Shawn mentioned that they want to work with staff within the department to get their feedback to develop and fine tune the mission statement. 2. Ongoing 3. Ongoing 4. Ongoing
Mobile Telecommunications Audit	Streamlining end user access to monthly mobile telecommunication bills, possibly through the use of 3rd part billing management companies	1. IT staff should research the benefits of 3rd party mobile management software further and consider implementation	1. IT staff is currently assessing Telecom Expense Management (TEM) solution to assist with management of devices and to achieve great transparency for the IT staff, managers and end user. Costs associated with a TEM solution run in the range of a \$3-\$10/device/month.	Julie Max, Associate Director Infrastructure and Operations	06/30/2018	Completed	As per correspondence with Julie Max (Associate Director Infrastructure and Operations) on 04/10/2019: A vendor was selected that works with Rogers as part of the VOR agreement. The vendor is named CIMPL. The go-live date is currently set for May 15th with communications to come out to staff over the next month. As per correspondence with Julie Max (Associate Director Infrastructure and Operations) on 01/07/2019: TEM system POC just completed – Q4 likely for prod deployment once we get VOR signed. – end of Q1 2019 As per correspondence with Julie Max on (Associate Director Infrastructure and Operations) on 04/24/2018: 1) Currently underway As per correspondence with Julie Max (Associate Director Infrastructure and Operations) on 08/10/2018: TEM system POC has been completed. Product deployment will likely be Q4, 2018 once the VOR is signed. Estimated completion date: Q4, 2018 (Dec 31, 2018)
Mobile Telecommunications Audit	Potential operational risk due to lack of a formalized contract with Rogers after transitioning to the Province of Ontario Agreement	1. The Region should reach out to Rogers and draft and formalize a written contract.	1. Report DCAO01-2017, Cellular Devices & Services Contract was approved at Corporate Services Committee on April 19, 2017. The recommendation was to leverage the existing VOR agreement. This was approved. Procurement and Legal are in the process of formalizing the agreement with Rogers.	Procurement/Legal	03/31/2018	Completed	As per correspondence with Julie Max (Associate Director Infrastructure and Operations) on 04/10/2019: All agreements have been signed by vendor and Region with Legal approval As per correspondence with Julie Max (Associate Director Infrastructure and Operations) 01/07/2019: VOR – Should be completed soon. Legal currently signing it and we are waiting on them – Q4 likely for completion - end of Q1 2019 As per correspondence with Julie Max on (Associate Director Infrastructure and Operations) 04/24/2018: 1) Currently underway As per correspondence with Julie Max (Associate Director Infrastructure and Operations) on 08/10/2018: The VOR should be completed soon. Currently awaiting signatures from legal. Estimated completion date: Q4, 2018 (Dec 31, 2018)

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Fleet Parts Inventory & Fuel Audit	Niagara Recycling Centre - Area to improve internal controls	1. Fuel dip tests should be conducted two times a week in order to monitor fuel levels and perform reconciliations. The twice-weekly dip tests should be conducted at the start of the work week, first shift Monday morning, and then the end of the work week, last shift Friday evening. 2. Fuel reconciliations should be completed on a daily basis. The reconciliations should account for opening fuel levels, deliveries and consumption for the day. This amount should be compared and reconciled to the twice-weekly fuel dip tests. Variances should be examined. 3. Assuming that the Niagara Region will retain ownership and continue to operate the Recycling Centre, Niagara Region staff should research the cost associated, and if feasible, install automatic fuel pumps in correlation with an automated fuel management system (such as the CoenCorp system utilized by Public Works). 4. In the interim, the Recycling Centre should continue and/or begin the following: a. Implement and enforce a policy whereby circle checks are not allowed to be turned in with nil values. The employee is required to fill out the circle check, indicating the amount of fuel they pumped into their unit or they are required to indicated that nil fuel was pumped and initial the box. Each form should be signed by the operator on a daily basis in order to improve and foster accountability. b. A ticket system should be implemented for any fueling transactions not completed at the time of the circle check. The ticket system will ensure that there is a tracking system in place for all fuel transactions which will improve record keeping, reporting and directly affect the ability to complete reconciliations.	1. As per recommendation 1, Niagara Region staff to conduct manual dip test twice weekly to reconcile fueling transactions throughout the week. Dip stick ordered and received on Nov 22nd. Implementation starting week of November 27, 2017. 2. As per recommendation2, Niagara Recycling staff will complete fuel reconciliations on a daily basis. Niagara Region's Contract Manager will be responsible for reviewing tracking spreadsheet every month to look for variances/discrepancies. First monthly review scheduled for January 2018. Daily reconciliations start date November 13, 2017. 3. As per recommendation 3, and dependent on Council's direction on Niagara Region's role in recycling processing operations as part of the Waste-Free Ontario Act, Niagara Region's Contract Manager will research automated systems used at Regional facilities, and, depending on cost, will procure and install automatic fuel pumps in correlation with an automated fuel management system. 4. Implementation of a ticket based system for all fueling transactions. Staff will no longer be documenting information on circle checks, as circle check is complete at beginning of shift and fuel transactions occur throughout the day. Alternatively, as per pe recommendation 4b, ticket information includes the following: date, unit number, fuel usage, odometer reading and signature of operator. Complete - started Nov 13, 2017.	Allison Tyldesley (Associate Director, Waste Collection & Diversion) in Allison's absence, Jennifer Wilson (Supervisor Waste Management)	1. Nov 27, 2017 2. Nov 13, 2017 and January, 2018 3. Ongoing 4. Nov 13, 2017	On Hold	As per Jennifer Wilson (Supervisor, Waste Management) on 04/17/2019: 3. Still on hold pending decision on MRF As per Jennifer Wilson (Supervisor, Waste Management) on 01/22/2019: Action plan is awaiting to be presented and approved by Council. No data has been provided when it will be presented at this point. All MAPs have been fully implemented with the exception of #3 which is dependent on Council's direction and will be implemented once a decision is known. As per correspondence with Jennifer Wilson (Supervisor, Waste Management) on 08/10/2018: 1. Completed 2. Completed 3. Dependent on Council's direction and will be implemented once a decision is known. As per correspondence with Jennifer Wilson (Supervisor, Waste Management) on 04/04/2018: 1. Fully implemented 2. Fully implemented 3. Dependent on Council's direction 4. Fully implemented
Fleet Parts Inventory & Fuel Audit	Public Works - Automation of fueling system at Smithville yard	Public Works should research the cost and, if feasible, implement the CoenCorp automated fueling system at the Smithville yard.	Staff are in the process of reviewing the recommendations from a consultant report on Niagara Patrol Yards Retrofit, Smithville and Pelham Patrol Yards completed in 2013 that has been on hold while we completed an external audit on Snowplowing, Road Maintenance and Landscaping Services. Based on the recommendations in these reports and the condition of the fueling system at the Smithville Yard, staff are not recommending installing the CoenCorp fuel system at this time. If staff follow through with the recommendation to consolidate both yards into one facility, the fueling system at Pelham was built to be transferable to the new consolidated yard location. The current fuel storage system as Smithville is undersized and was built only as a temporary measure. If a final decision is made to keep Smithville Patrol Yard open than the costs of installing new tanks with the CoenCorp fuel system will be incorporated within the capital budget.	Shawn McCauley, Associate Director Transportation and Fleet Operations	Dec 31, 2017	Not Started	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Shawn McCauley (Associate Director, Transportation) on 12/19/2018: Delayed until restructuring of the division is complete. Estimated completion date: June 30, 2019 Dependent on decision to consolidate the yards or not As per correspondence with Shawn McCauley (08/10/2018): A consultant is going to be hired to conduct a yard rationale study in 4th quarter of 2018.
Fleet Parts Inventory & Fuel Audit	Public Works - Inventory storage and reconciliation process	1. Inventory cycle counts should continue to be conducted on a quarterly basis. Staff working at each respective yard should be informed of the count results and required to follow up with Management on variances. 2. Management should develop an internal guideline as to how many variances are considered to be an acceptable variance 3. When unacceptable variances are noted on more than one occasion, Management should conduct cycle counts on a more frequent basis (bi-monthly) in order to ensure inventory existence and accuracy until counts are within acceptable variance limits 4. The Smithville inventory storage room should be reorganized using the bin location format applied at the other locations 5. Management should implement a system, whereby staff taking an inventory item off the shelf, he/she uses the hand held scanner to scan the barcode affixed to the shelving to add the item to the work order rather than manually adding the item, mitigating the risk of an incorrect item being added to the work order 6. If Public Works decides to consolidate the current yard locations, they should investigate the incremental cost of adding a stock clerk to the remaining location(s)	1. Inventory cycle counts are part of our current inventory process guideline manual in Cityworks, this document will be updated to include the M5 inventory. 2. Current Cityworks internal inventory process identifies a variance reporting mechanism and a process for recounts if there are any unusual variances. The manual will be updated to include the M5 inventory including identifying acceptable variance limits. 3. The update manual will include a section on a procedure to handle unacceptable variances including recommending bimonthly counts where required 4. Staff will reorganize Smithville into bin locations after the 2017 year end inventory reconciliation 5. Current scanners are not capable of adding items directly onto a work order. Staff will review and determine if this functionality can be programmed into our current scanners or will an upgrade be required 6. Staffing levels will be reviewed once a decision on the yard locations is made, including adding an additional staff member to deal with the stock at the Patrol Yards. Currently there are only two Road Operations Clerk for the four Patrol Yards. These positions have stock responsibility in their job descriptions, adding a third in a three yard model will help control both fleet and road inventory levels	Ken Williams (Supervisor Fleet Operations) and Shawn McCauley (Associate Director Transportation and Fleet Operations)	March 31, 2018	In progress late	Management Action Plan updates for Q2 2019 have not been received As per discussion with Shawn McCauley (Associate Director, Transportation), on 12/19/2018: 1-3. Process updated and utilized to conduct year end counts. 4. Previously completed. 5. Upgrade required as part of the division's mobile solution strategy. Currently waiting on IT. 6. Delayed until the restructuring of the division is complete Estimated completion date: June 30, 2019 As per discussion with Shawn McCauley (Associate Director, Transportation) on 08/10/2018: 1. In progress 2. In progress 3. In progress 4. Complete 5. In progress 6. Consultant to be hired to conduct yard rationale study in 4th quarter of 2018. Estimated completion date: 12/31/2018 As per discussions with Shawn McCauley (04/05/2018). MAP #4 is fully implemented while the remainder are still In progress. Staff have not had time to complete the remainder of the MAPs with the absence of the Traffic Manager. Have had to take on some the responsibilities.
Fleet Parts Inventory & Fuel Audit	EMS - Maximization of available discounts	1. Management should continue to encourage the use of the key fobs and the follow up of employees when it is noted that the key fob was not used at the respective gas station 2. Management should inquire with the key fob provider if there are any increased savings plans based on volume of fuel they are purchasing on an annual basis	1. We observe approximately a 30% utilization of the key fob vs. Visa card. We will communicate with staff to use key fob or Visa Card with key fob vendor as first choice, and use alternate fuel providers if key fob vendor is not available. We will set up a meeting involving upper management, fleet and our Operation's team to discuss the best course of action to increase the use of the key fob 2. We will reach out to Corporate, ICOP and key fob vendor sales representative to see if further discounts can be gained or if there are other incentive programs available since we adopted the use of the key fob. Our Pcard is used approximately 70% of the time and reconciling the monthly statement is time consuming and lends itself to risk of human error. We will be seeking out advice from our Region IT dept. to see if they can come up with an electronic solution to automatically populate our current internal spread sheets to mitigate human error.	Ralph Paolini (Manager, EMS and Support Services)	February 2018	In progress late	As per conversation with Ralph Paolini (Manager, EMS and Support Services) on 04/16/2019: Purchasing is in the process of having all Regional fuel purchasers involved in trying to have all criteria noted included in a purchasing contract with a particular fuel vendor. Preliminary findings show all criteria mentioned in the audit can be satisfied. As per conversation with Ralph Paolini (Manager, EMS and Support Services) on 12/19/2018: Procurement is in the process of completing the work. As per conversation with Ralph Paolini (Manager, EMS and Support Services) and Bart Menage (Director, Procurement and Strategic Acquisitions) on 08/20/2018: Procurement is in the process of completing the work. As per correspondence received from Ralph Paolini (03/27/2018), 1. Fully implemented 2. EMS has found 2 providers that would meet all of their requirements (volume discounts, store hours, security aspects when dealing with Pcard or fob, record keeping, use friendliness). They are currently working with Procurement on this MAP.

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Fleet Parts Inventory & Fuel Audit	EMS - Opportunities to automate record keeping process	1. Management should discuss with the key fob provider if there is a capacity in which they can receive the statement electronically and download them into their vehicle operation data report or online platform in order to save time and mitigate the risk of human error 2. Management should download PCard transactions and download the transactions into their vehicle operation data report or online platform in order to save time and mitigate the risk of human error. EMS may want to discuss with the IT department a spreadsheet in which the PCard data can be downloaded, sorted and summarized based on their requirements for the vehicle operation data report	1. We will meet with Corporate and fuel provider to investigate any software upgrades (mileage, vehicle call sign ID, signature, cost and litres used) of their system for reconciling monthly statements 2. Our Pcard is used approximately 70% of the time and reconciling the monthly statement is time consuming and lends itself to risk of human error. We will be seeking out advice from our Region IT dept. to see if they can come up with an electronic solution to automatically populate our current internal spread sheets to mitigate human error.	Ralph Paolini (Manager, EMS and Support Services)	February 2018	In progress late	As per conversation with Ralph Paolini (Manager, EMS and Support Services) on 04/16/2019: Purchasing is in the process of having all Regional fuel purchasers involved in trying to have all criteria noted included in a purchasing contract with a particular fuel vendor. Preliminary findings show all criteria mentioned in the audit can be satisfied. As per conversation with Ralph Paolini (Manager, EMS and Support Services) on 12/19/2018: Procurement is in the process of completing the work. As per conversation with Ralph Paolini (Manager, EMS and Support Services) and Bart Menage (Director, Procurement and Strategic Acquisitions) on 08/20/2018: Procurement is in the process of completing the work. As per correspondence received from Ralph Paolini (Manager, EMS and Support Services) on 03/27/2018: 1. Fully implemented 2. EMS has found 2 providers that would meet all of their requirements (volume discounts, store hours, security aspects when dealing with Pcard or fob, record keeping, use friendliness). They are currently working with Procurement on this MAP.
Waste and Recycling Drop-Off Depot Agreement Audit	Opportunity to enhance transparency of reported information from the vendor	1. Waste Management staff at Niagara Region should discuss with the vendor the possibility of including tipping fee as one of the selected data fields on the daily transfer of information. Waste Management should request that the pre-tax tipping fee amount, tax amount and gross tipping fee amount be reported on a daily basis so that montly and quarterly reconciliations may be completed easier. 2. Waste Management staff should discuss with the vendor, the possibility of enhancing the reporting process so that both tonnage and revenues are reported on a quarterly basis. As a result of the enhancements, Waste Management staff may be able to reconcile the systems, compute royalty amounts and monitor information with increased ease and efficiency.	1. Niagara Region holds quarterly meetings with the vendor. The next meeting is to be scheduled in late Q2. The issue will be brought forward to see if tipping fee can be a selected data field. The Region will investigate if the quarterly report can be done on a monthly basis showing pre-tax tipping fee amount, tax amount and gross tipping fee amount. 2. Niagara Region hold quarterly meetings with the vendor. The next meeting is to be scheduled in late Q2. The issue will be brought forward to see if tonnage can be added to the quarterly report. If the vendor is in agreement to supply this information.	Waste Disposal Operations Program Manager	1. 09/30/2018 2. 07/31/2018	In progress late	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Andrew Winters (Waste Disposal Operations Program Manager) on 01/09/2019: 1. The vendor currently are unable to select this data field. Next time they have to upgrade their program they will look at feasibility if they can implement this request. 2. The vendor agreed that they would add the tonnages to the quarterly report. They will start in Q4 report. As per discussion with Andrew Winters (Waste Disposal Operations Program Manager) on 08/16/2018: A meeting was held with the Vendor on June 4, 2018 in which items #1 and #2 were raised. The Vendor is going to go back to their IT department for validation but Vendor didn't think it would be an issue. MAP#1 is still on target to be completed for the original September 30, 2018 completion date. The Vendor indicated that item #2 would be completed at the same time.
Grants and Incentives Audit	The Region needs to consider program rationalization	1. Regional Council needs to reaffirm the alignment of current programs with Council objectives and/or priority projects at least once during each term of Council. 2. Regional Council needs to rationalize the number of programs that it manages and funds and ensure that new or remaining programs have direct alignment to the Region's core mandate. The Region should develop an exit strategy to terminate its participation in the following programs: Building and Facade; Heritage Restoration and Improvement; Environmental Assessment; Planning Studies; Residential Grant/Loan 3. Regional Council needs to reconsider its participation in the following programs given the limited client uptake: Agricultural Buildings and Facilities Revitalization Grant/Loan; Agricultural Feasibility Study Grant; and Affordable Housing Grant/Loan Program 4. The Region needs to re-evaluate its role as the administrative lead in Niagara Investment in Culture and consider either providing block funding to Local Area Municipalities or transfer full administrative responsibility to an external agency (ie: Niagara Prosperity Initiative, Prokids). 5. The Region should consider repurposing budgets and resources from any programs it is no longer financially supporting to those programs that have high strategic alignment to ensure these programs are being delivered at the appropriate financial scope and scale.	Representatives from Economic Development, Finance and Planning and Development have reviewed the observations and associated comments provided in Phase 1 and 2 of the Grant and Incentives Programs audit. The implementation of the observations as proposed needs to be carefully considered as there would be significant impact on: - the delivery of grant and incentives programs - resources allocated within Regional Departments and Local Area Municipalities; and - the applicants of the grant and incentive programs In order to adequately assess the observations and make considered recommendations on grant and incentive programs moving forward, it is recommended that a Working Group is established consisting of representatives from Economic Development, Finance, Planning and Development and ICOP. The Working Group will report to CLT.	Doug Giles, Director, Community and Long Range Planning		In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Marian Bannerman (Program Manager, Grants and Incentives) on 01/24/2019: As outlined in the Management Action Plan, an inter-departmental Incentive Review Working Group met several times during Q4 2018 to develop recommendations regarding potential incentive target areas and options for program resourcing and delivery . An education session for Regional Council on existing Regional incentive programs and the status and next steps of the Incentive Review is anticipated in February 2019, with a similar session anticipated to be provided for interested Local Area Municipal staff in March. Following leadership review of the Working Group recommendations, a report will go forward (likely in May-June 2019) to Planning and Economic Development Committee and Regional Council for consideration. Per discussion with Doug Giles and Marian Bannerman (08/24/2018): a report will be going go Planning and Development Committee that highlights the result of a survey of Local Area Municipalities. A full strategy on how to implement the recommendations will be developed in Q1 2019 following an orientation to the various programs delivered for the new Regional Council.
Grants and Incentives Audit	Lack of master agreement or standard operating procedures	1. Regional staff needs to develop foundational documents such as a Master Agreement and Standard Operating Procedures in conjunction with its LAM partners. Some items to be included within the master agreement are: a. Details of the program objectives from a Regional perspective b. Regional criteria to be considered during application evaluation/approval and post-award monitoring phases, i.e. jobs created, minimum external investment threshold. c. Enforcement of Regional standards and approval procedures 2. Regional staff, along with LAMs, should define its optimal business model, such as a delegated authority model. This will establish the parameters around the business relationship and support the description of roles and responsibilities for all parties in the delivery of grant and incentive programs. a. If the Region continues with Type B and Type C program models, whereby the LAMs provide post-award monitoring or verification, then a right to audit clause should be developed and enforced. b. As an alternative, if a right to audit clause cannot be agreed upon within the master agreement, the Region should consider implementing an indemnity clause to protect the Region from exposure to legal or financial liability. 3. Following the drafting of a Standard Operating Procedure for all the programs, the Region should develop flow charts and work descriptions that detail the following service levels: a. Appropriate level of due diligence required from each party b. Communication requirements and frequency. c. Documentation to support application approval and payment processing d. Ongoing and post-award monitoring to ensure application criteria have been satisfied; and e. Timeliness and quality of project, program and performance reporting.	Representatives from Economic Development, Finance and Planning and Development have reviewed the observations and associated comments provided in Phase 1 and 2 of the Grant and Incentives Programs audit. The implementation of the observations as proposed needs to be carefully considered as there would be significant impact on: - the delivery of grant and incentives programs - resources allocated within Regional Departments and Local Area Municipalities; and - the applicants of the grant and incentive programs In order to adequately assess the observations and make considered recommendations on grant and incentive programs moving forward, it is recommended that a Working Group is established consisting of representatives from Economic Development, Finance, Planning and Development and ICOP. The Working Group will report to CLT.	Doug Giles, Director, Community and Long Range Planning		In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Marian Bannerman (Program Manager, Grants and Incentives) on 01/24/2019: As outlined in the Management Action Plan, an inter-departmental Incentive Review Working Group met several times during Q4 2018 to develop recommendations regarding potential incentive target areas and options for program resourcing and delivery . An education session for Regional Council on existing Regional incentive programs and the status and next steps of the Incentive Review is anticipated in February 2019, with a similar session anticipated to be provided for interested Local Area Municipal staff in March. Following leadership review of the Working Group recommendations, a report will go forward (likely in May-June 2019) to Planning and Economic Development Committee and Regional Council for consideration. Per discussion with Doug Giles and Marian Bannerman (08/24/2018): a report will be going go Planning and Development Committee that highlights the result of a survey of Local Area Municipalities. A full strategy on how to implement the recommendations will be developed in Q1 2019 following an orientation to the various programs delivered for the new Regional Council.

Audit Report Title	Observation Title and Brief Description	Recommendation per Audit Report	Management Action Plan per Audit Report	Accountable Individual & Title	Original Completion Date MM/DD/YYYY	Issue Status	Follow Up Comments
Grants and Incentives Audit	Insufficient performance measures to report on program success and compliance	1. Regional staff needs to further develop performance measures for all of its grant and incentive programs along with templates to support the LAMs in the collection, verification and reporting on the program successes. As a foundation the Region should develop performance measures categorized by volume, outputs, performance and qualitative as described in Appendix X. 2. Regional staff needs to develop an effective post-award monitoring methodology, especially for Type C programs, those administered by the LAMs and funded by the Region. 3. Regional staff needs to conduct regular comprehensive program evaluations (i.e. once per Council term) to ensure program objectives are continuously satisfying its original and intended goals. For all programs the Region should develop a sunset clause that defines the timing of when to conduct program evaluations.	Representatives from Economic Development, Finance and Planning and Development have reviewed the observations and associated comments provided in Phase 1 and 2 of the Grant and Incentives Programs audit. The implementation of the observations as proposed needs to be carefully considered as there would be significant impact on: - the delivery of grant and incentives programs - resources allocated within Regional Departments and Local Area Municipalities; and - the applicants of the grant and incentive programs In order to adequately assess the observations and make considered recommendations on grant and incentive programs moving forward, it is recommended that a Working Group is established consisting of representatives from Economic Development, Finance, Planning and Development and ICOP. The Working Group will report to CLT.	Doug Giles, Director, Community and Long Range Planning		In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Marian Bannerman (Program Manager, Grants and Incentives) on 01/24/2019: As outlined in the Management Action Plan, an inter-departmental Incentive Review Working Group met several times during Q4 2018 to develop recommendations regarding potential incentive target areas and options for program resourcing and delivery . An education session for Regional Council on existing Regional incentive programs and the status and next steps of the Incentive Review is anticipated in February 2019, with a similar session anticipated to be provided for interested Local Area Municipal staff in March. Following leadership review of the Working Group recommendations, a report will go forward (likely in May-June 2019) to Planning and Economic Development Committee and Regional Council for consideration. Per discussion with Doug Giles and Marian Bannerman (08/24/2018): a report will be going go Planning and Development Committee that highlights the result of a survey of Local Area Municipalities. A full strategy on how to implement the recommendations will be developed in Q1 2019 following an orientation to the various programs delivered for the new Regional Council.
Grants and Incentives Audit	The Region can provide greater value added support to improve administrative efficiency and program success	1. The Region should work with LAMs to develop an effective web portal and Regional website landing page to improve communication, reporting, and sharing of information and documentation between partner municipalities. 2. The Region needs to study the merits, benefits and risks of converting grant programs to loans to create greater sustainability. 3. The Region should develop minimum investment thresholds (i.e. \$100,000 per project) to increase scale, overall ROI and efficiencies. 4. Based on the entire inventory of Regional grant and incentive programs, the Region should review the creation of a separate function with dedicated resources that specializes in grant administration and is reliant upon the technical support of program areas.	With respect to Redesigning Programs as Loans, it was felt that this particular observation is not an option for the delivery of grant and incentive programs; however comments relating to this should be provided as part of the assessment and recommendations made by the Working Group to CLT.	Doug Giles, Director, Community and Long Range Planning		In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Marian Bannerman (Program Manager, Grants and Incentives) on 01/24/2019: As outlined in the Management Action Plan, an inter-departmental Incentive Review Working Group met several times during Q4 2018 to develop recommendations regarding potential incentive target areas and options for program resourcing and delivery . An education session for Regional Council on existing Regional incentive programs and the status and next steps of the Incentive Review is anticipated in February 2019, with a similar session anticipated to be provided for interested Local Area Municipal staff in March. Following leadership review of the Working Group recommendations, a report will go forward (likely in May-June 2019) to Planning and Economic Development Committee and Regional Council for consideration. Per discussion with Doug Giles and Marian Bannerman (08/24/2018): a report will be going go Planning and Development Committee that highlights the result of a survey of Local Area Municipalities. A full strategy on how to implement the recommendations will be developed in Q1 2019 following an orientation to the various programs delivered for the new Regional Council.
Information Technology Security and Data Backup Controls Audit	Cybersecurity Management - Security systems Architecture	A. It is recommended to limit the access from the branch locations to the Region's network by placing the branch locations into a separate security zone and only allow the bare minimum required for business operation. B. - The branch location's network is to be segmented; separating the managed from the unmanaged devices and only allow access to the Region's network to managed devices. - Segment end-user devices, included managed devices, into controlled zones treated as semi-trusted to limit exposure to critical infrastructure as application and database servers.	A. Non Corporate internet is currently on separated network segmentation with no communication to the corporate network. We are implementing physical security to the ports (network port locks) on the non Corporate internet ports of the switch at the branch office locations to reduce risk. B. The Region will be implementing segmented security zones through Corporate firewall for critical servers to reduce exposure.	Julie Max (Associate Director, Infrastructure and Operations)		In progress late	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 01/15/2019: A. The network locks have been purchased and are scheduled to be installed in Regional facilities. Completed B. The current firewall migration is underway, and upon completion the segmented security zones will be in place as indicated. Security Zones have been configured and scheduled for implementation in Q1 2019. As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 08/20/2018: A. The network locks have been purchased and are scheduled to be installed in Regional facilities Estimated completion date: 12/31/2018 B. The current firewall migration is underway, and upon completion the segmented security zones will be in place as indicated. Estimated completion date: 12/31/2018
Information Technology Security and Data Backup Controls Audit	Cybersecurity Management - Network Security Systems	1. Identify operating systems in use on each ASA in use by the Region and identify all the latest versions available for installation. 2. Install the latest version available for all Cisco ASA firewalls. 3. Replace firewalls for a more recently released firewall system which is expected to be supported for the intended lifecycle of the firewall. 4. Use a vulnerability assessment solution to identify old versions of firmware and software. A vulnerability assessment solution generally provides information on new releases of firmware and software for monitored devices. 5. To limit exposure to known vulnerabilities in unsupported firmware and software releases, ensure equipment in use is running firmware and software which is still supported by the vendor.	1&2: Currently underway 3: ASA firewall replacements will be budgeted for in 2019. 4:The Region regularly conducts security assessments with 3rd party vendors to help identify these areas. The most recent being January 2018. We will be assessing a vulnerability assessment solution further. 5:It should be noted that mitigation solutions have been put in place to deal with unsupported firmware and software to limit vulnerabilities. Staff have enrolled to receive vendor notifications for hardware and software updates and do review and assess notifications for exposure and risk. We will be looking at enhancing our processes with a vulnerability assessment solution.	Julie Max (Associate Director, Infrastructure and Operations)		In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 01/15/2019: 2. Budget has been allocated in 2019 for the purchase of new ASA's as the current ones have memory limitations. Currently procuring hardware. Anticipated completion Q3 2019 4. SAS product will need further investigation. As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 08/20/2018: 1. Complete 2. Budget has been allocated in 2019 for the purchase of new ASA's as the current ones have memory limitations. Estimated completion date Q1/2019 3. Complete - Budget has been allocated in 2019 for the new hardware replacements of the current asa5505's with PA220's and support 4. SAS product will need further investigation Estimated completion date: Q1/2019 5. Complete
Information Technology Security and Data Backup Controls Audit	Cybersecurity Management: Account and access management	1. Disable insecure management and authentication mechanisms on networking devices and in particular the firewalls and force the use of secure mechanisms like SSHv2. 2. Implement centralized authentication for management of networking devices to prevent credential reuse and sharing, allow for password requirements enforcement, and auditability of administrator actions.	1: We have set SSHv2 and disabled SSHv1 and have modified the configuration to telnet access. This has been confirmed and verified. No further action is required. 2: Will be implemented with the new firewall implementation and remainder of infrastructure devices by end of year.	Julie Max (Associate Director, Infrastructure and Operations)		In progress late	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 01/15/2019: 1.Completed 2. This project is currently underway as ClearPass is being setup and configured by the vendor. Completion Q1 2019 As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 08/20/2018: 1. Completed 2. Will be completed as part of the Aruba ClearPass implementation Estimated completion date: Q4, 2018 (Dec. 31, 2018)

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Information Technology Security and Data Backup Controls Audit	Change Management	1. Formalize and agree with the CAB which changes need to be run by the CAB before implementing. 2. Keep track of all changes, regardless of their importance or impact, in a formalized change management system storing at least the purpose, executor, approver, rationale, request and execution date.	1: It should be noted that a formal CAB process currently exists. Updates will be added to CAB terms of reference to include a more comprehensive list of standard changes needs along with preapproved SOP's. 2: This will be addressed with changes to CAB processes.	Julie Max (Associate Director, Infrastructure and Operations)		In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 01/15/2019: 1) Completed 2) Currently investigating a CMDB tool - Change Management Database As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 08/20/2018: 1. Current CAT policy is being revised to include the new processes identified in response, certain SOP's have been created for standard changes. Estimated completion date: Q4 2018 (Dec 31, 2018) 2. Currently investigating a CMDB tool - Change Management Database Estimated completion date: Q2, 2019 (June 30, 2019)
Information Technology Security and Data Backup Controls Audit	Patch Management	A. Recommendations for Findings A and B: 1. Create a patch management policy that outlines the objectives of patching, roles and responsibilities, steps to evaluate criticality, testing and handling of exemptions. 2. The patch management policy should include procedures when patches are not applied, risk is assessed, mitigation or acceptance is documented and approved by the appropriate level.	A 1: There is currently an SOP in place to implement operating systems securities patches. We will be looking at enhancing current practices. A 2: We will be implementing a Risk Assessment Framework supported by documented approvals.	Julie Max (Associate Director, Infrastructure and Operations)		In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 01/15/2019: 1) SOP for OS and security patches completed. 2) Risk Framework is being developed. As per correspondence with Julie Max (Associate Director, Infrastructure and Operations) on 08/20/2018: 1. Currently underway Estimated completion date: 12/31/2018 2. Currently underway Estimated completion date: 12/31/2018
Payroll Audit: Phase 1 - Timekeeping Process	Lack of Management Approval of Timekeeping in some Divisions	1. Supervisors/Managers should be given Kronos user logins. 2. The HR Division, in consultation with business units, should develop an approval/sign off business process whereby Supervisors/Managers are reviewing and signing off on the timecards of the staff that they supervise in a consistent manner. 3. In the longer term, HR Division should investigate the feasibility of designing a process which consolidates the Supervisor/Manager's approval of time entries and the encoding of time entries into one step.	1. Management is conducting a cost benefit review of adding additional manager timekeeping licenses, allowing for manager level approvals, against the cost/risk of potential payroll errors. 2. Management fully supports the need for appropriate manager level oversight on all payroll costs in a consistent fashion. Some operational areas (i.e.: Children's Services) have a well documented manager level approval process for timekeeping sign off developed by HR, as well as manager licenses to electronically support this work. Depending on the outcome of item 1 above, HR will provide a documented corporate wide business process that supports manager electronic approval, or a suitable alternative to ensure manager level oversight. 3. Management acknowledges the benefits of the time entry and approval being consolidated into one step. While there are technical constraints in implementing this today, HR has included this items as part of their broader HRIS review project currently underway.	Peter Wadsworth (Director, Human Resources) Linda Gigliotti (Associate Director, Employee Services) Cindy Creemer (Manager, Employee Services)	09/30/2019	In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Linda Gigliotti (Associate Director, Employee Services) on 12/21/2018: This review is expected to be completed by the deadline.
Payroll Audit: Phase 1 - Timekeeping Process	Developing Training and Guidelines	1. Manuals that detail step-by-step procedures should be updated to include Niagara Region business procedures. This will allow for time keeping tasks to be completed consistently throughout the corporation. 2. The HR division should develop training modules for Kronos users. The training should educate the user on the task associated with their specific role(s) within the timekeeping process. The format of training (on-line, in person, etc.) should be decided upon by the HR division in order to effectively suit the corporation. 3. A Champion for each collective agreement should be decided upon and communicated to the encoder group so that when questions arise, Encoders have the necessary resources. 4. Management from respective business units should develop backup/coverage plan for instances when their main Encoder is away from the office or otherwise unable to complete the encoding.	1. Management fully supports updating training materials to include Niagara Region business procedures. 2. Management supports the delivery of timekeeping training and is developing online tools to create greater effectiveness, consistency, timeliness and access in comparison to the prior classroom provided training. 3. Management has considered this. Escalated questions from timekeepers are managed by HR, and recommends that any additional supports in a specific operating area can be determined within the division. 4. Management supports this recommendation and will continue to encourage adequate back up support amongst timekeepers in each operating area. The requirement to utilize a back up resource for one's own encoding will reinforce this need, as per Observation 2.	Linda Gigliotti (Associate Director, Employee Services)	09/30/2019	In progress on time	Management Action Plan updates for Q2 2019 have not been received As per correspondence with Linda Gigliotti (Associate Director, Employee Services) on 12/21/2018: This review is expected to be completed by the deadline.
Payroll Audit: Phase 2 - Payroll Processing	Locking excel spreadsheets to avoid minor errors	HR Management should enable spreadsheet controls to protect the integrity and accuracy of the payroll data. Formula cells in the excel templates should be locked, to ensure that only authorized changes to the cells are done. Locking the formula cells will mitigate the risk that an error in the spreadsheet may occur.	Management is very supportive of adding locks on the excel template tools created in order to ensure that formulas are not inadvertently edited/deleted. This includes current/existing excel tools and will also incorporate as a standard for templates created in the future.	Linda Gigliotti, Associate Director, Employee Services	01-Nov-18	Completed	As per discussion with Linda Gigliotti (Associate Director, Employee Services) on 12/21/2018: This recommendation has been completed. All templates are now locked.
Controlled Medications Inventory	NEMS - Internal controlled medications policy needs to be updated	1. NEMS Management should update the internal policy to include all current business process. 2. Once the internal policies have been updated, all changes should be communicated to staff.	1. The recommended updates will be made within the policy. 2. Training surrounding the updates will be delivered to affected staff.	Michael Franklin, Commander, Quality Management and Professional Standards	06-01-2019	In progress on time	As per correspondence with Michael Franklin (Commander, Quality Management and Professional Standards) on Apr 10, 2019: 1. NEMS is working on the policy update, and the update is scheduled to be completed prior to their internal Spring Training. 2. If the policy update is completed prior to the Spring Training, NEMS is able to meeting the current deadline. If it is delayed, the completion date would be by August 1, 2019
Controlled Medications Inventory	LTC Homes - Missing documentation	1. Management, along with the pharmacy service provider if possible, should conduct follow up re-training of the new business processes implemented by the new pharmacy service provider. 2. When the Homes are conducting their own documentation inspections, if trends in missing documentation or errors are observed, they should be communicated and corrected with Home staff. Follow up training should be completed with staff where Home Management deems necessary.	1. Finalize implementation of the final phase of the pharmacy transition plan including audit of new systems and processes to determine training needs. Will ensure through this process that all required documentation as per the new pharmacy provider is captured in a timely manner. 2. Ensure that all audits are consistently completed and that training needs identified through audits are addressed.	Kim Eros, Associate Director Clinical and Support Services	04-15-2019	Completed	As per correspondence with Kim Eros (Associate Director Clinical and Support Services) on Apr 4, 2019: The contracted pharmacy provider has completed education session in each of the Homes in Q1 of 2019. The Homes and pharmacy continues to audit.

Audit Report Title	Observation Title and Brief Description	Recommendation per Audit Report	Management Action Plan per Audit Report	Accountable Individual & Title	Original Completion Date MM/DD/YYYY	Issue Status	Follow Up Comments
Accounts Payable Audit	Maintenance and review of vendor master file information	<p>1) Maintenance should be conducted on the master vendor file on a regular basis (i.e. at least annually). This would include the following activities to ensure completeness and accuracy:</p> <p>a) Review and update the vendor master information.</p> <p>b) Obtain missing or incomplete data such as missing telephone numbers, postal address, complete name, and emails.</p> <p>c) Update any out of date information</p> <p>d) Determine if there are any vendors (i.e. duplicate vendors) that should be removed from the master file.</p> <p>e) Archive inactive vendors which have had no business activity for a certain amount of time (i.e. for over 18 months). If the vendor is archived, their information can be easily accessed for reinstatement, if needed. By removing inactive vendors, the list becomes leaner and records are easier to access, increasing employee productivity through reduced processing time.</p> <p>Maintenance activities should include department representatives (in addition to Finance staff), if possible, as they may have insight into information that is old, missing or incorrect.</p> <p>The Region should also consider if any of the master vendor file review or maintenance activities can be automated as some cleanup activities lend themselves well to automation. In addition, the Region may want to consider the use of a vendor self-service portal where individual vendors can update their information.</p> <p>2) On a regular basis, conduct analysis and further review on areas which may uncover fictitious vendors, such as comparing vendor and employee addresses and vendor use of P.O. Box addresses.</p>	<p>1. While maintenance on the master vendor file including the activities identified in the recommendation is not currently an established process, Procurement is in agreement with the audit recommendation that it should be. Procurement (Strategic Acquisitions, specifically Strategic Sourcing) with assistance from the ERP Support team will develop a new process (completed annually) for the Supplier Administration function which gives due consideration to the activities/requirements identified above.</p> <p>Process considerations for initial update and ongoing maintenance could include: Procurement seeking assistance from ERP Support team to extrapolate the vendor data from PeopleSoft Financials and then in conjunction with Finance identify the priority data fields which are omitted/important. Supplier Admin would obtain the missing information or out of date information for the purposes of updating the master vendor file, seeking assistance from the Client Department on an as and when required basis.</p> <p>With regards to the automation of the master vendor file review or maintenance activities, Procurement will coordinate with the ERP Support team to explore this but it is our understanding that this would not be possible without customization of the PeopleSoft Financials.</p> <p>With regards to recommendation 1d), Procurement is in agreement that it is important to determine if there are any vendors (i.e. duplicate vendors) that should be removed from the master file but would add that the search would be for "true duplicates" as business decisions during the implementation of PeopleSoft Financials (Deloitte) gave due consideration the creation of duplicate vendor master files, specifically Yardi Landlords, differing currencies and utilities on case to case basis.</p> <p>With regards to recommendation 1e), Procurement is appreciative of comment however at this time it would not be Procurements intent to create a separate process to inactivate vendors (and subsequently re-activate them) as we do not envision a gain in efficiency vis a vis a direct correlation between the number of records, accessibility to data and efficiency/productivity. The database which resides within PeopleSoft Financials is solely maintained in an electronic format (no paper copies) and is both searchable by vendor name and exportable to Excel.</p> <p>At this time, we do not have the capability in our current version of PeopleSoft Financials to audit the start and end dates of when users have turned on their delegated authority. Although a user can choose the start and end date when turning on the delegation function, the back end table in PeopleSoft Financials that tracks delegation is not effective dated and therefore only records that the function was turned on (not as of/when). As such, we can run a report that shows everyone who has delegation turned on today, but cannot run an historical version of that report.</p> <p>However, at any point in time, we can easily provide a history of when a delegation of authority was used to approve something (as we provided for the purpose of this audit). Every transaction records when it has been approved "on behalf of" someone else. For example:</p> <ul style="list-style-type: none">• Director of Finance, Helen Chamberlain, turns on delegation of authority for March 4 – 8, 2019, assigning the Associate Director, Budget Planning and Strategy, Margaret Murphy, as her delegate.• During that period, Margaret Murphy approves several purchase orders, travel and expense reports, and vouchers that would usually be approved by the Director role.• PeopleSoft Financials records each of those transactions as "Margaret Murphy approved on behalf of Helen Chamberlain". <p>If the delegator (Helen Chamberlain, in this example) would like to know what transactions were approved in her absence, PeopleSoft Financials is able to provide that information.</p> <p>If the concern is that an employee could assign a delegate for the length of their employment and therefore never directly approve transactions, then the available report would show that the employee's user ID has never approved a transaction.</p> <p>To our knowledge, there is no PeopleSoft Financials out-of-the-box audit logging process that shows effective dating for the delegation function. In theory, we could customize a solution; however, our system strategy is to minimize any customizations and use configuration where possible (to ensure system integrity and reduce opportunity for errors during patching and upgrades). Given that we are able to report on when delegation of</p>	Bart Menage, Director, Procurement & Strategic Acquisitions	11/30/2019	In progress on time	As per Correspondence with Bart Menage (Director, Procurement & Strategic Acquisitions) on 04/16/2019: "No definitive update at this point in time. I believe we had provided actions dates on the audit responses we were going to action. I will review and these and provide confirmation of any status updates based on those initial response."
Accounts Payable Audit	System logging and reporting of delegation of authority	<p>Consider review of the PeopleSoft system to determine if the start and end dates of users who have delegated their approval authority can be captured within the system and reported on.</p>	<p>At this time, we do not have the capability in our current version of PeopleSoft Financials to audit the start and end dates of when users have turned on their delegated authority. Although a user can choose the start and end date when turning on the delegation function, the back end table in PeopleSoft Financials that tracks delegation is not effective dated and therefore only records that the function was turned on (not as of/when). As such, we can run a report that shows everyone who has delegation turned on today, but cannot run an historical version of that report.</p> <p>However, at any point in time, we can easily provide a history of when a delegation of authority was used to approve something (as we provided for the purpose of this audit). Every transaction records when it has been approved "on behalf of" someone else. For example:</p> <ul style="list-style-type: none">• Director of Finance, Helen Chamberlain, turns on delegation of authority for March 4 – 8, 2019, assigning the Associate Director, Budget Planning and Strategy, Margaret Murphy, as her delegate.• During that period, Margaret Murphy approves several purchase orders, travel and expense reports, and vouchers that would usually be approved by the Director role.• PeopleSoft Financials records each of those transactions as "Margaret Murphy approved on behalf of Helen Chamberlain". <p>If the delegator (Helen Chamberlain, in this example) would like to know what transactions were approved in her absence, PeopleSoft Financials is able to provide that information.</p> <p>If the concern is that an employee could assign a delegate for the length of their employment and therefore never directly approve transactions, then the available report would show that the employee's user ID has never approved a transaction.</p> <p>To our knowledge, there is no PeopleSoft Financials out-of-the-box audit logging process that shows effective dating for the delegation function. In theory, we could customize a solution; however, our system strategy is to minimize any customizations and use configuration where possible (to ensure system integrity and reduce opportunity for errors during patching and upgrades). Given that we are able to report on when delegation of</p>	Erin Amirault, Associate Director, Finance Operations and Systems	11/30/2019	In progress on time	As per Correspondence with Erin Amirault (Associate Director, Finance Operations and Systems) on 04/12/2019: More definitive update is not available at this time. We are still planning the PeopleSoft Financials upgrade for November with initial review and testing to start in September, however final dates are still to be determined. We will review at that time if functionality will change to allow for logging of when delegation has been turned on. At this time we do not anticipate that such a logging function will be available.

MEMORANDUM

AC-C 15-2019

Subject: Internal Audit Plan Progress Update Dashboard

Date: May 6, 2019

To: Audit Committee

From: Maciej Jurczyk, Director, Internal Control & Organizational Performance

On a quarterly basis, Internal Control & Organizational Performance submits a performance dashboard to the Audit Committee. The objective is to demonstrate progress against the Annual Internal Audit Plan and provide other key performance indicators in a one-page summary. The dashboard is attached as Appendix 1 to AC-C 15-2019.

Staff are requesting to defer the Waste Management Contract Compliance Audit to 2020.

The 2019 Internal Audit Plan (see AC-C 5-2019) was approved on February 4, 2019 by Audit Committee and ratified by Council on February 28, 2019.

Respectfully submitted and signed by,

Maciej Jurczyk, CPA, CMA, CIA, CRMA
Director
Internal Control & Organizational Performance



INTERNAL CONTROL & ORGANIZATIONAL PERFORMANCE AUDIT PLAN PROGRESS UPDATE

Current as of April 18, 2019

Assurance Projects

2017 Interim Audit Work Plan (AC-C 14-2017)	Percentage Complete	Audit Phase	Project Status	Due Date	Dept & Division under review	\$ under review
Purchasing Card	100%	-	Complete	31-Oct-17	ERMS, Procurement	\$9,629,000
Fleet Parts Inventory & Fuel	100%	-	Complete	9-Nov-17	Public Works, Transportation & Wa	\$1,883,000
Cash Handling	100%	-	Complete	15-Jan-18	Corporate-wide	\$16,180,000
Mobile Telecommunications	100%	-	Complete	15-Jan-18	Corporate Services, IT	\$548,000
Cleaning Contract	100%	-	Complete	15-Jan-18	Corporate Services, Facilities	\$665,000
2018 Audit Plan (AC-C 6-2017)						
Grants & Incentives: Phase 1	100%	-	Complete	7-May-18	Planning/Development & Ec/Dev	\$8,746,000
Grants & Incentives: Phase 2	100%	-	Complete	18-Jun-18	Planning/Development & Ec/Dev	\$8,746,000
Waste and Recycling Drop-Off Depot Agreement	100%	-	Complete	30-Mar-18	Public Works, Waste Management	\$104,000
Procurement: Bidding / Tendering process	100%	-	Complete	31-Dec-18	ERMS, Procurement	\$470,786,000
Payroll Phase 1: Time-keeping	100%	-	Complete	10-Sep-18	Corporate-wide	\$251,284,000
Payroll Phase 2: Payroll processing	100%	-	Complete	24-Oct-18	Corporate Services, HR	\$251,284,000
Controlled Medication Inventory	100%	-	Complete	31-Dec-18	Public Health & Community Service	\$9,000
Accounts Payable	100%	-	Complete	28-Feb-19	ERMS, FMP	\$385,000,000
IT General Controls	100%	-	Complete	30-Apr-18	Corporate Services, IT	Not Applicable
Chippawa CSO Internal Review	100%	-	Complete	10-Sep-18	Public Works, W/WW	\$4,692,000
Children's Services Risk Assessment	100%	-	Complete	28-Feb-19	Community Services, Children's	\$29,468,000
2019 Audit Plan (AC-C 5-2019)						
Homelessness Service Providers Contract Compliance	40%	Fieldwork	In Progress	24-Jun-19	Community Services, Homelessnes	\$11,233,000
Waste Management Contract Compliance	30%	Fieldwork	Deferred	24-Jun-19	Public Works, Waste Management	\$21,044,000
Employee Benefits Claims	10%	Planning	In Progress	9-Sep-19	Corporate Services, HR	\$19,940,000
HR On-boarding & Off-boarding Audit	0%	-	Not started	2-Dec-19	Corporate Services, HR	\$74,000
Procurement: Sole / Single sourced	0%	-	Not started	9-Sep-19	ERMS, Procurement	\$44,426,000
MTO Driver Certification Program Audit	0%	-	Not started	2-Dec-19	Public Works, Transportation	TBD
Long Term Care Homes Risk Assessment	0%	-	Not started	2-Dec-19	Community Services, Seniors	TBD
Water Treatment Operations Risk Assessment	0%	-	Not started	2-Dec-19	Public Works, W/WW	\$572,000

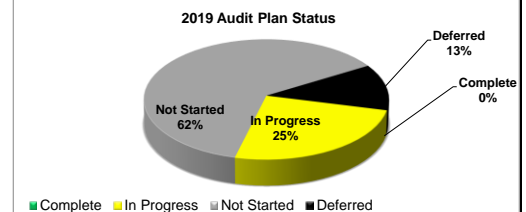
Annual Audit Plan Status

Changes to 2019 Audit Plan:

1. Requesting to defer Waste Management Contract Compliance Audit to 2020.

Progress Commentary:

- The objective of the 2019 Internal Audit Plan is to provide independent, objective assurance and advisory services designed to add value through meaningful recommendations and to improve Niagara Region's operations and system of internal controls
- Internal Control & Organization Performance (ICOP) has completed all projects identified in the 2017 Interim Audit Workplan (AC-C 14-2017); these were previously presented to the Audit Committee. ICOP completed eleven audit projects from the 2018 Audit Plan (AC-C 6-2017); these were also reported to Audit Committee
- The 2019 Audit Plan (AC-C 5-2019); was approved by Audit Committee on February 4, 2019 and ratified by Council on February 28, 2019. The theme of this audit plan is contract compliance with Niagara Region's major vendors; whereas the theme of the last audit plan was Procurement (Procure-to-Pay cycle). The Homelessness Review is in the fieldwork stage while the Employee Benefit Claims Audit is in preliminary planning. ICOP Staff separated the Waste Management Contract Compliance Audit project into two phases: Phase 1 objectives included reviewing the prospective May 2019 RFP and providing feedback to the Waste Management Service division; while Phase 2 involved a review of Waste Management contract management practices - staff are requesting to defer this portion to 2020.



Other on-going projects & activities:

- Recruiting vacant Process & Compliance Auditor
- Training & Professional Development

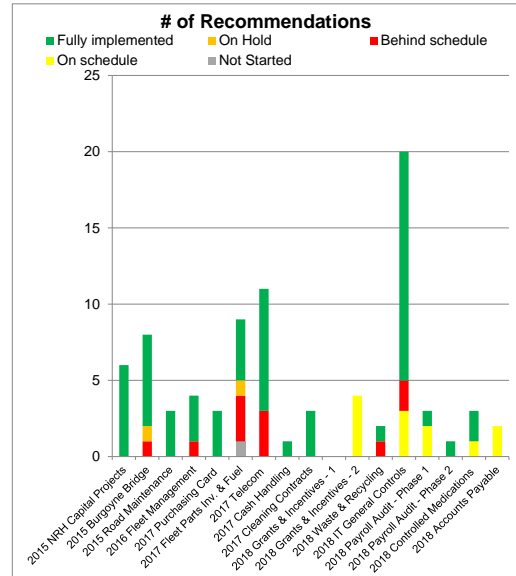
Recommendations Status

Audit Project Title	Total	Not Started	On schedule	Behind schedule	On Hold	Fully implemented
2015 NRH Capital Projects	6	-	-	-	-	6
2015 Burgoyne Bridge	8	-	-	1	1	6
2015 Road Maintenance	3	-	-	-	-	3
2016 Fleet Management	4	-	-	1	-	3
2017 Purchasing Card	3	-	-	-	-	3
2017 Fleet Parts Inv. & Fuel	9	1	-	3	1	4
2017 Telecom	8	-	-	3	-	8
2017 Cash Handling	1	-	-	-	-	1
2017 Cleaning Contracts	3	-	-	-	-	3
2018 Grants & Incentives - 1	0	-	-	-	-	-
2018 Grants & Incentives - 2	4	-	4	-	-	-
2018 Waste & Recycling	2	-	-	1	-	1
2018 IT General Controls	20	-	3	2	-	15
2018 Payroll Audit - Phase 1	3	-	2	-	-	1
2018 Payroll Audit - Phase 2	1	-	-	-	-	1
2018 Controlled Medications	3	-	1	-	-	2
2018 Accounts Payable	2	-	2	-	-	-
TOTAL # of Issues	80	1	12	11	2	57

Audit Project Title	Total	Not Started	On schedule	Behind schedule	On Hold	Fully implemented
Corporate Administration	5	-	-	-	1	4
Corporate Services	30	-	5	3	-	22
Community Services	2	-	-	-	-	2
ERMS	14	-	2	-	-	12
Planning & Development	4	-	4	-	-	-
Public Health	4	-	1	2	-	1
Public Works	15	1	-	3	1	10
Other: NRH	6	-	-	-	-	6
TOTAL # of Issues	80	1	12	8	2	57

Outstanding Recommendations:

There are 23 outstanding audit recommendations across all business units (23 when previously reported to the Audit Committee in AC-C 12-2019). Progress is being made against all outstanding Recommendations, and ICOP staff are confident all will be completed within a reasonable period of time. Greater detail is identified in AC-C 14-2019.



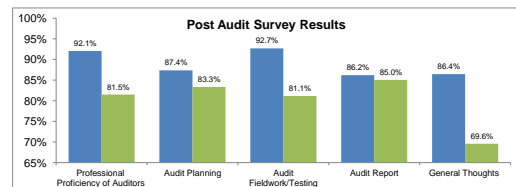
Post Audit Survey Results

Survey Areas of Interest

	2017	2018	2019	Details
Professional Proficiency of Auditors	92.1%	81.5%	NA	Objectivity, professionalism, and knowledge of program areas.
Audit Planning	87.4%	83.3%	NA	Communication effectiveness of scope, objectives, timing and approach.
Audit Fieldwork/Testing	92.7%	81.1%	NA	Effective use of client's time.
Audit Report	86.2%	85.0%	NA	Clear, concise report with timely and meaningful recommendations.
General Thoughts	86.4%	69.6%	NA	Overall benefit of audit and conduct of ICOP team.
AVERAGE SCORE	89.5%	80.6%	NA	

ICOP Action Plans

ICOP has developed an Audit Manual to standardize our internal practices. This Audit Manual is used for the training and on-boarding of new Audit Staff. The Audit Manual will be reviewed and updated annually. No surveys yet in 2019.



Admin / Human Resources

Personnel:	Title:	Credentials:	Start Date:
Maciej Jurczyk	Director	CPA, CMA, CIA, CRMA	26-Jun-17
Frank Marcella	Internal Auditor	MPA, BEd, CGAP	25-Aug-14
Joan Ugwu	Process & Compliance Auditor	CFE	18-Feb-19
Vacant	Process & Compliance Auditor		
Xiang Henrik Gao	Internal Audit Analyst	MBA	10-Sep-18
Bartlomiej Gora	Internal Audit Co-op Student		4-Sep-18



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

April 26, 2019

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

Dear Ms. Norio:

At their April 26, 2019 meeting, the Niagara Regional Housing Board of Directors, passed the following motion:

1. That the draft audited financial statements of Niagara Regional Housing as attached in Appendix 1, for the year ended December 31, 2018 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, 2018 BE **RECEIVED** for information.
3. That this report BE **FORWARDED** to the Region's Audit Committee for information.

Your assistance is requested in providing the attached report, NRH 5-2019, to the Audit Committee.

Sincerely,

Mayor Walter Sendzik
Chair



REPORT TO: Board of Directors of Niagara Regional Housing

SUBJECT: 2018 Draft Audited Financial Statements

Report date: Friday, April 26, 2019

Recommendations

1. That the draft audited financial statements of Niagara Regional Housing as attached in Appendix 1, for the year ended December 31, 2018 **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, 2018 **BE RECEIVED** for information.
3. That this report **BE FORWARDED** to the Region's Audit Committee for information.

Key Facts

- 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 and no management letter points.
- Year-end funding surplus results were reported in report 19-178-4.1 in February 2019 and are consistent with the results reported in these audited financial statements adjusted for accrual accounting presentation required by Public Sector Accounting Standards (PSAS).

Financial Considerations

The 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 Niagara Regional Housing's financial statements for the year ended December 31, 2018 is attached (Appendix 1). In addition, Deloitte audit findings report for the year ended December 31, 2018 is attached (Appendix 2).

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

NRH 5-2019

19-180-3.1

April 26, 2019

Page 2 of 2

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 financial statements of Niagara Regional Housing for the year ended December 31, 2018 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, 2018 and the statement of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended.

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

Upon approval of these statements by the board of directors, Niagara Regional Housing will receive the signed Auditor's Report.

Alternatives Reviewed

The financial statements are prepared using PSAS and therefore no other alternatives are available.

Relationship to NRH and/or Council Strategic Priorities

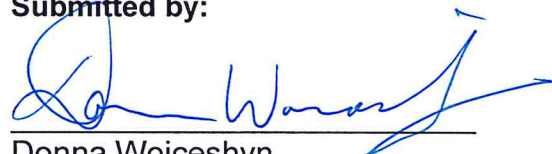
Annual completion of audited financial statements supports the Council Strategic Priority of Organizational Excellence.

Other Pertinent Reports

19-178-4.1 2018 Year-End Transfer Report

CSD 21-2019 2018 Year End Results and Transfer Report

Submitted by:



Donna Woiceshyn
Chief Executive Officer

Approved by:



Walter Sendzik
Chair

This report was prepared by Stephanie Muhic, Program Financial Specialist, in consultation with Dan Ane, Manager Program Financial Support.

Appendices

- Appendix 1 Draft 2018 Audited Financial Statements
- Appendix 2 2018 Deloitte Audit Findings Report
- Appendix 3 Annual Surplus Reconciliation

Financial Statements of Niagara Regional Housing

Year ended December 31, 2018

Niagara Regional Housing

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DRAFT

Independent Auditor's Report

To the Board of Niagara Regional Housing

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements Niagara Regional Housing (the "Organization"), which comprise the statement of financial position as at December 31, 2018, 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, 2018, 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.

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
April 26, 2019

Niagara Regional Housing

Statement of Financial Position

As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 7,039,520	\$ 12,174,356
Investments	6,284,220	6,201,542
Accounts Receivable	3,632,651	2,076,376
Subsidy receivable	-	3,390
Total financial assets	16,956,391	20,455,664
FINANCIAL LIABILITIES		
Due to Niagara Region	11,778,299	12,413,320
Deferred revenue (note 3)	3,404,967	9,151,227
Subsidy payable	24,453	-
Mortgages and debentures (note 4)	24,205,181	19,798,094
Employee future benefits (note 5)	1,738,100	1,390,697
	41,151,000	42,753,338
Net debt	(24,194,609)	(22,297,674)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	127,498,614	118,686,028
Prepaid expenses and deposits	716,811	723,410
	128,215,425	119,409,438
Commitments (note 9)		
Accumulated surplus (note 7)	\$ 104,020,816	\$ 97,111,764

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, 2018

	2018 Budget (note 11)	2018 Actual	2017 Actual
REVENUES			
Rental revenue	\$ 13,502,966	\$ 14,191,739	\$ 13,694,243
Subsidies			
Niagara Region	36,649,783	36,649,783	37,146,196
Federal and Provincial Government	27,034,177	26,092,121	20,447,705
Investment income	150,000	376,440	317,874
Sundry revenue	221,192	671,411	549,783
	\$ 77,558,118	77,981,494	72,155,801
Transfer of 2018 Year End Surplus to 2019 Operating Budget (note 8)	-	(1,224,250)	-
Transferred to Niagara Region and transferred to reserves (note 8)	(1,561,739)	(3,122,040)	(4,191,292)
	75,996,379	73,635,204	67,964,509
EXPENSES			
Property taxes	4,853,492	4,741,493	4,777,686
Support services – Niagara Region	3,788,390	3,740,556	2,934,714
Amortization expense	7,735,031	7,735,031	7,477,950
Bad debts	203,000	177,769	37,749
Loss on disposal of tangible capital assets	216,288	216,288	305,841
Wages, salaries and benefits	5,149,325	5,264,115	5,185,457
Utilities	5,039,565	4,664,433	4,594,717
Materials and services	4,362,966	5,194,077	4,396,392
Interest on debenture and mortgage payments	550,397	659,263	566,247
Debenture payments	2,159,500	2,159,496	2,323,329
Portable Housing Allowance - Survivors of Domestic Violence Pilot	-	114,004	202,658
Rent supplement program	3,133,168	3,051,259	2,759,176
Rent supplement program - In-situ	24,000	18,111	19,347
Rent supplement – Strong Communities	1,682,788	1,636,366	1,713,602
Rent supplement - Investment in Affordable Housing	1,163,240	1,017,109	1,064,157
New Development Subsidy - Investment in Affordable Housing	-	-	1,278,535
Niagara Renovates - Investment in Affordable Housing	1,126,300	687,736	570,088
Housing Allowance - Investment in Affordable Housing	-	33,427	-
Welcome Home Niagara - Investment in Affordable Housing	180,000	401,152	192,805
Administration	877,842	826,486	573,965
Supplies and equipment	546,402	487,520	252,861
Non-profit and co-op provider subsidies	22,189,400	20,278,771	21,998,423
Federal provider subsidies	1,268,064	1,163,568	1,285,938
Rent supplement - Social Infrastructure Fund	1,919,486	470,805	236,297
Welcome Home Niagara - Social Infrastructure Fund	40,000	274,911	225,122
Housing Allowance - Social Infrastructure Fund	-	436,355	52,082
Niagara Renovates - Social Infrastructure Fund	50,000	132,369	303,031
Capital Repair Subsidies - Social Housing Improvement Program	1,007,393	1,092,393	3,582,607
Repair Costs - Social Housing Electricity Efficiency Program	-	-	268,843
Government land lease	41,040	51,289	41,028
	69,307,077	66,726,152	69,220,647
Annual surplus (deficit)	6,689,302	6,909,052	(1,256,138)
Accumulated surplus, beginning of year	97,111,764	97,111,764	98,367,902
Accumulated surplus, end of year	103,801,066	104,020,816	\$ 97,111,764

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, 2018

	2018 Budget (note 11)	2018 Actual	2017 Actual
Annual surplus (deficit)	\$ 6,689,302	\$ 6,909,052	\$ (1,256,138)
Acquisition of tangible capital assets	(16,763,905)	(16,763,905)	(9,523,039)
Amortization of tangible capital assets	7,735,031	7,735,031	7,477,950
Loss on disposal of tangible capital assets	216,288	216,288	305,841
Change in prepaid expenses	-	6,599	(120,700)
Change in net debt	(2,123,284)	1,896,935	(3,116,086)
Net debt, beginning of year	(22,297,674)	(22,297,674)	(19,181,588)
Net debt, end of year	\$ (24,420,958)	\$ (24,194,609)	\$ (22,297,674)

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

Niagara Regional Housing

Statement of Changes in Cash Flows

For the year ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 6,909,052	\$ (1,256,138)
Items not involving cash:		
Amortization of tangible capital assets	7,735,031	7,477,950
Loss on disposal of tangible capital assets	216,288	305,841
Employee future benefit liabilities	347,403	354,681
Change in non-cash assets and liabilities:		
Accounts receivable	(1,556,275)	184,794
Subsidy receivable	3,390	(3,390)
Deferred revenue	(5,746,260)	4,523,289
Subsidy payable	24,453	(37,371)
Prepaid expenses	6,599	(120,700)
Net change in cash from operating activities	7,939,681	11,428,956
CAPITAL ACTIVITIES		
Cash used to acquire tangible capital assets	(16,763,905)	(9,523,039)
Net change in cash from capital activities	(16,763,905)	(9,523,039)
INVESTING ACTIVITIES		
Change in investments	(82,678)	(43,624)
Net change in cash from investing activities	(82,678)	(43,624)
FINANCING ACTIVITIES		
Mortgages and debentures issued	6,768,837	1,706,056
Mortgage and debenture repayments	(2,361,750)	(2,213,784)
Change in due to Niagara Region	(635,021)	4,558,401
Net change in cash from financing activities	3,772,066	4,050,673
Net change in cash	(5,134,836)	5,912,966
Cash, beginning of year	12,174,356	6,261,390
Cash, end of year	\$ 7,039,520	\$ 12,174,356
Cash paid for interest	659,264	566,247

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, 2018

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 2,751 apartments and houses, oversight responsibilities for the administration of social housing by 61 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, 2018

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.

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.

Investments

Investments consist of guaranteed investment certificates 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.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

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:

	2018	2017
Ministry of Municipal Affairs and Housing	\$ 3,106,408	\$ 8,865,812
Ganawageh	97,971	97,971
Other	200,589	187,444
Balance, end of year	\$ 3,404,967	\$ 9,151,227

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

4. Mortgages and debentures

Amounts consist of mortgages secured by the income producing properties of the Corporation. As at December 31, 2018 the unpaid balances of these mortgages and debentures are as follows:

	2018	2017
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.15% to 4.80% due in 2019	188,000	370,000
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.60% to 4.65% due in 2020	774,441	1,138,675
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.35% to 3.10% due in 2022	773,000	953,000
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.40% to 3.75% due in 2023	1,192,028	1,414,904
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 3.30% due in 2024	1,573,716	1,814,898
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.15% to 2.80% due in 2025	2,101,000	2,380,000
Debenture for Niagara Regional Housing capital program bearing interest at 2.25% due in 2025	788,862	891,806
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.40% due in 2026	4,547,122	5,077,902
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 1.20% to 2.45% due in 2027	1,547,575	1,706,056
Debenture for Niagara Regional Housing capital program bearing interest at rates ranging from 2.05% to 3.15% due in 2028	6,768,837	-
Ontario Infrastructure and Lands Corporation amortization debenture for Niagara Regional Housing Capital program bearing interest at 3.74% due in 2042	3,950,600	4,050,853
	\$ 24,205,181	\$ 19,798,094

The annual principal payments are as follows:

2019	3,680,005
2020	3,478,258
2021	3,070,584
2022	3,070,223
2023	2,857,425
Thereafter	8,048,686
	\$ 24,205,181

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

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.

	2018	2017
Future payments required to WSIB	\$ 1,294,019	\$ 920,515
Retiree benefits	129,568	147,663
Vacation pay	287,530	294,434
Other liabilities	26,983	28,085
Employee future benefit liability	\$ 1,738,100	\$ 1,390,697

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

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,779,826	\$ 1,462,364
Current benefit cost	343,782	344,309
Interest	51,073	44,604
Actuarial (gain) loss	(1,591,129)	35,088
Benefits paid	(123,382)	(106,539)
Balance, end of year	460,170	1,779,826
Unamortized actuarial gain (loss)	1,277,930	(389,129)
Employee future benefit liability	\$ 1,738,100	\$ 1,390,697

Included in expenses is \$75,930 loss (2017 - \$72,307 loss) for amortization of the actuarial loss/gain.

The most recent actuarial valuation was completed as at December 31, 2018 with estimates to December 31, 2022.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

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, 2018, of the present value of future liabilities and the expense for the 12 months ended December 31, 2018, were determined using a discount rate of 3.75% (2017 – 2.90%).

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, 2018, of the present value of future liabilities and the expense for the 12 months ended December 31, 2018, were determined using a discount rate of 3.75% (2017 – 2.90%).

Administration Costs

Administration costs were assumed to be 32% (2017 – 34.3%) of the compensation expense.

Compensation expense

Compensation costs, which include loss of earnings before, health care costs and include loss of non-economic loss awards, were assumed to increase at a rate of 2% per annum (2017 - 2%).

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

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, 2018, of the present value of future liabilities and the expense for the 12 months ended December 31, 2018, were determined using a discount rate of 3.75% (2017 - 3.0%).

Medical costs

Medical costs were assumed to increase at the rate of 3.42% (2017 - 6.25%) per year, reducing to 2.75% in 2022 and thereafter.

Dental costs

Dental costs were assumed to increase at the rate of 2.75% (2017 - 3%) per year.

Mortality table

The mortality table used in determining the obligation at December 31, 2018 is the Uninsured Pensioners 1994 with mortality improvement projections to 2030 (2017 - Canadian Pensioner Mortality (CPM) Private 2014 table with improvement Scale B).

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

6. Tangible capital assets:

	2018					
	Land	Land Improvements	Building	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	\$ 36,405,071	\$ 6,404,092	\$ 143,465,657	\$ 3,578,636	\$ 3,787,412	\$ 193,640,868
Additions	-	608,613	5,284,980	515,152	10,355,160	16,763,906
Disposals	-	(277,084)	(600,802)	(104,488)	-	(982,374)
Balance, end of year	36,405,071	6,735,621	148,149,835	3,989,300	14,142,573	209,422,400
Accumulated Amortization						
Balance, beginning of year	-	1,772,870	71,610,519	1,571,451	-	74,954,840
Disposals	-	(277,084)	(384,513)	(104,488)	-	(766,085)
Amortization expense	-	332,559	7,144,429	258,043	-	7,735,031
Balance, end of year	-	1,828,345	78,370,435	1,725,006	-	81,923,786
Net Book Value, end of year	\$ 36,405,071	\$ 4,907,276	\$ 69,779,400	\$ 2,264,294	\$ 14,142,573	\$ 127,498,614

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

6. Tangible capital assets (continued):

	2017					
	Land	Land Improvements	Building	Equipment	Work in progress	Total
Cost						
Balance, beginning of year	\$ 36,405,071	\$ 5,272,557	\$ 139,256,462	\$ 3,440,926	\$ 452,514	\$ 184,827,530
Additions	-	1,208,645	4,740,381	239,115	3,334,898	9,523,039
Disposals	-	(77,110)	(531,186)	(101,405)	-	(709,701)
Balance, end of year	36,405,071	6,404,092	143,465,657	3,578,636	3,787,412	193,640,868
Accumulated Amortization						
Balance, beginning of year	-	1,558,994	64,895,211	1,426,545	-	67,880,750
Disposals	-	(69,804)	(232,651)	(101,405)	-	(403,860)
Amortization expense	-	283,680	6,947,959	246,311	-	7,477,950
Balance, end of year	-	1,772,870	71,610,519	1,571,451	-	74,954,840
Net Book Value, end of year	\$ 36,405,071	\$ 4,631,222	\$ 71,855,138	\$ 2,007,185	\$ 3,787,412	\$ 118,686,028

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2017

6. Tangible capital assets (continued)

Assets under construction

Assets under construction at December 31, 2018 valued at \$14,142,573 (2017 - \$3,787,413) 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 (2017 - \$NIL).

7. Accumulated Surplus:

Accumulated surplus consists of individual fund surplus as follows:

	2018	2017
Invested in tangible capital assets	\$ 103,293,433	\$ 98,887,933
Capital fund: Unexpended capital financing/(unfunded capital outlay)	1,584,000	(1,266,955)
Contributed capital	728,761	728,761
Operating fund	152,722	152,722
Unfunded employee future benefits	(1,738,100)	(1,390,697)
Total surplus	\$ 104,020,816	\$ 97,111,674

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

8. Surplus transferred to Niagara Region

The Corporation had a current year operating surplus of \$2,634,629 (2017 - \$1,907,955) of which \$1,410,379 has been transferred to Niagara Region operations in accordance with the Niagara Region's Surplus/Deficit Policy and \$1,224,250 will be transferred to NRH's 2019 operating budget. In addition, \$369,921 (2017 - \$500,509) 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	2018 Total	2017 Total
Reserves held by Niagara Region, beginning of year	\$ 7,150,299	\$ 792,733	\$ 4,327,036	\$ 302,300	\$ 12,572,368	\$ 12,802,768
Additional yearend contribution from Niagara Region	-	-	-	-	-	2,290,000
Transfer to the Reserve for capital purposes	-	-	-	-	-	500,000
Transfer from the Reserve for capital purposes	(1,110,000)	-	(987,295)	-	(2,097,295)	(3,721,608)
Transfer to the Reserve for operating purposes	-	-	389,782	-	389,782	396,415
Transfer from the Reserve for operating purposes	-	-	-	(24,000)	(24,000)	(454,000)
Transfer to the Reserve from project closures & budget reductions	-	-	391,295	-	391,295	758,793
Reserves held by Niagara Region, end of year	\$ 6,040,299	\$ 792,733	\$ 4,120,818	\$ 278,300	\$ 11,232,150	\$ 12,572,368

9. Commitment

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 \$8,749,935 (2017 - \$10,428,761) and payments during the year of \$2,159,496 (2017 - \$2,323,329) have been charged to current operations.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

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 pay. The Corporation accounts for its participation in OMERS as a defined contribution plan. The OMERS Plan ended 2018 with a funding deficit of \$4.2 billion. The funded ratio has increased to 96% from 94% in 2017. The funded ratio has increased for the sixth consecutive year.

The amount contributed to OMERS for 2018 was \$328,884 (2017 - \$321,660) for current service and is included as an expenditure on the statement of operations. Employees' contribution to OMERS in 2018 was \$328,884 (2017 - \$321,660).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2017 – 9.0%) for earnings up to the yearly maximum pensionable earnings of \$55,900 (2017 - \$55,300) and at a rate of 14.6% (2017 – 14.6%) for earnings greater than the yearly maximum pensionable earnings.

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2017

11. Budget data

The audited budget data presented in these financial statements are based upon the 2018 operating and capital budgets approved by NRH. 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.

	Budget Amount
REVENUES	
Operating	
Approved Operating Revenue	\$ 63,865,175
Capital	13,692,943
<u>Less:</u>	
Surplus transferred from Niagara Region and transferred from reserves	(1,561,739)
Total revenue	75,996,379
EXPENSES	
Operating	
Approved Operating Expenses	63,865,175
<u>Add:</u>	
Amortization	7,735,031
Employee future benefits	347,403
Loss on Disposal	216,288
Expenditures included in capital fund	124,510
<u>Less:</u>	
Transfers to reserves	(609,782)
Debt principal payments	(2,371,548)
Total expenses	69,307,077
Annual surplus	\$ 6,689,302

Niagara Regional Housing

Notes to the Financial Statements

For the year ended December 31, 2018

12. 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.

Niagara Regional Housing

Schedule of Financial Activities – Operating Fund

For the year ended December 31, 2018

	2018 Budget	2018 Actual	2017 Actual
REVENUES			
Rental revenue	\$ 13,502,966	\$ 14,191,739	\$ 13,694,243
Subsidies			
Niagara Region	34,552,488	34,552,488	33,424,589
Federal and Provincial Government	15,438,529	14,496,473	18,378,427
Investment income	150,000	376,440	317,874
Sundry revenue	221,192	671,661	545,426
	\$ 63,865,175	64,288,801	66,360,559
EXPENSES			
Property taxes	4,853,492	4,741,493	4,777,686
Support services – Niagara Region	3,798,188	3,750,354	2,934,714
Bad debts	203,000	177,769	37,749
Wages, salaries and benefits	5,149,325	5,264,115	5,185,457
Utilities	5,039,566	4,664,433	4,594,717
Materials and services	4,411,883	5,242,994	4,628,924
Interest on debenture and mortgage payments	550,397	659,264	566,247
Debenture payments	2,159,500	2,159,496	2,323,329
Portable Housing Allowance - Survivors of Domestic Violence Pilot	-	114,004	202,658
Rent supplement program	3,133,168	3,051,259	2,759,176
Rent supplement program - In-situ	24,000	18,111	19,347
Rent supplement – Strong Communities	1,682,788	1,636,366	1,713,602
Rent supplement - Investment in Affordable Housing	1,163,240	1,017,109	1,064,157
New Development Subsidy - Investment in Affordable Housing	-	-	1,278,535
Niagara Renovates - Investment in Affordable Housing	1,126,300	687,736	570,014
Niagara Renovates - Investment in Affordable Housing	-	33,427	-
Welcome Home Niagara - Investment in Affordable Housing	180,000	401,152	192,805
Administration	864,157	812,800	573,966
Supplies and equipment	386,659	327,778	280,123
Non-profit and co-op provider subsidies	22,189,400	20,278,771	21,998,423
Federal provider subsidies	1,268,064	1,163,568	1,285,938
Rent supplement - Social Infrastructure Fund	1,919,486	470,805	236,297
Welcome Home Niagara - Social Infrastructure Fund	40,000	274,911	225,122
Housing Allowance - Social Infrastructure Fund	-	436,355	52,082
Niagara Renovates - Social Infrastructure Fund	50,000	132,369	303,031
Capital Repair Subsidies - Social Housing Improvement Program	1,007,393	1,092,393	3,582,607
Repair Costs - Social Housing Electricity Efficiency Program	-	-	268,843
Government land lease	41,040	51,289	41,028
	61,241,046	58,660,121	61,696,577
Annual surplus	2,624,129	5,628,680	4,663,982
Financing and transfer			
Transfer to reserves (note 8)	(609,782)	(979,703)	(898,924)
Transfer of 2018 Year End Surplus to 2019 Operating Budget (note 8)	-	(1,224,250)	-
Transfer to Niagara Region (note 8)	-	(1,410,379)	(1,907,955)
Debt principal payments	(2,361,750)	(2,361,751)	(2,213,784)
Employee benefits	347,403	347,403	354,681
	(2,624,129)	(5,628,680)	(4,663,982)
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 Board of Directors on the
2018 audit



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April 12, 2019

Private and confidential

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 2018 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 the confirmation of changes letter dated January 30, 2019, we have performed an audit of the financial statements of Niagara Regional Housing as of and for the year ended December 31, 2018, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated April 26, 2019.

This report is intended solely for the information and use of Board of Directors, 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,

A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants
Licensed Public Accountants

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Our audit explained

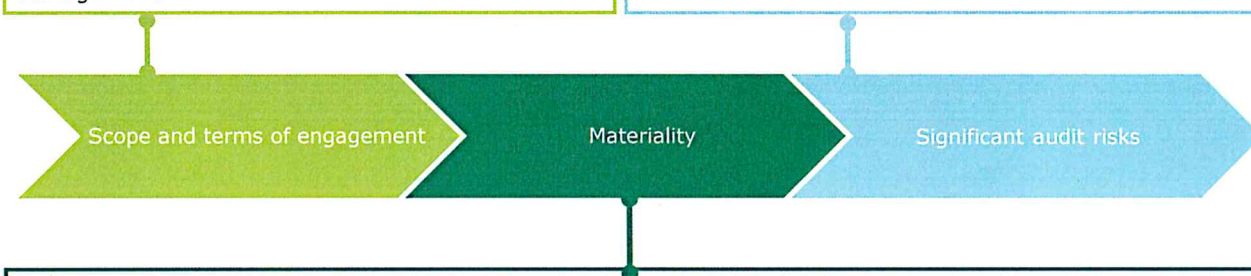
Audit scope and terms of engagement

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, 2018. 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 dated November 8, 2016, and the confirmation of changes letter dated January 30, 2019, which was signed on behalf of the board and management.

Audit risks

Through our risk assessment process, we have identified the audit risks. These risks of material misstatement and related audit responses are discussed in the Audit Risks section of this report.

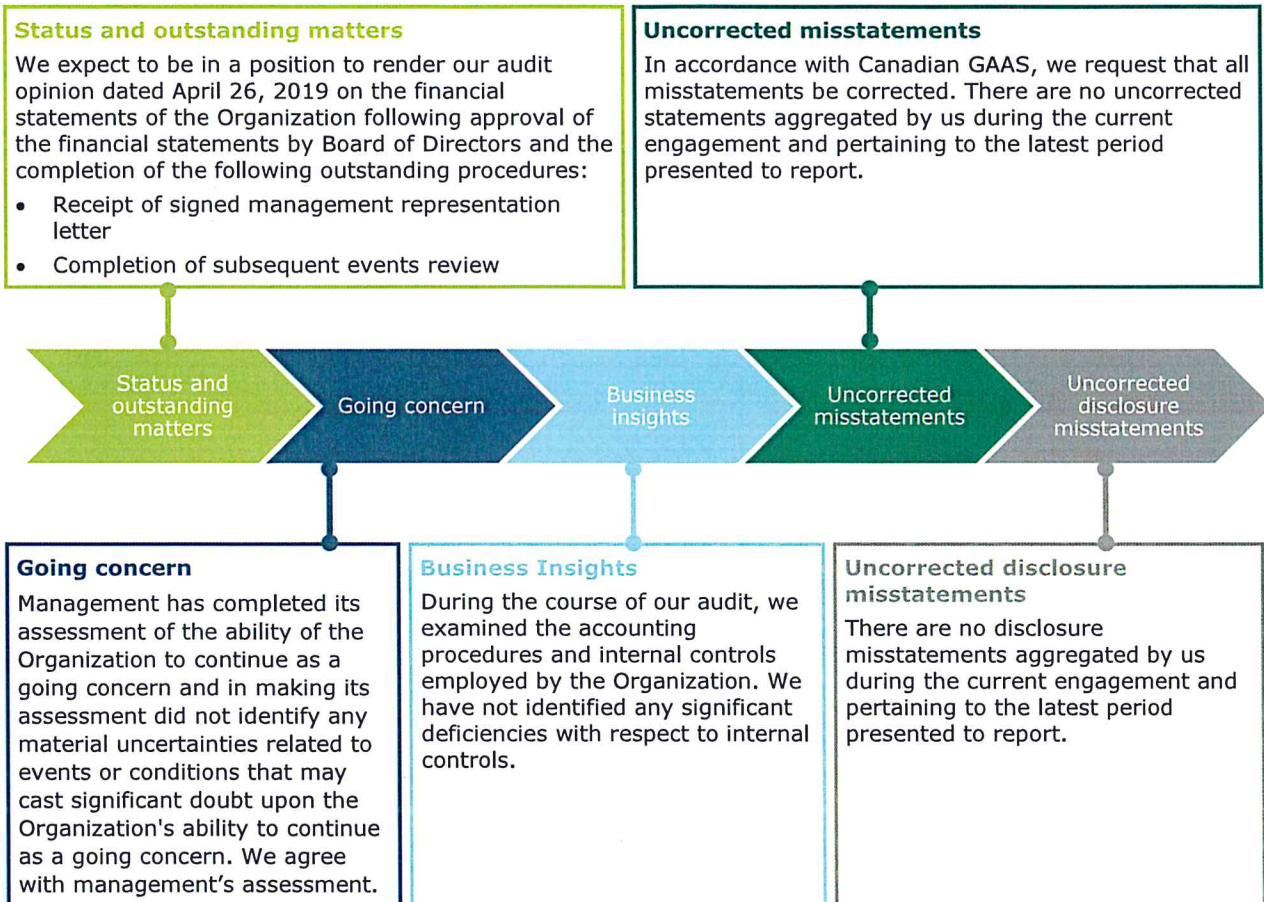


Materiality

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 expenditures.

We have informed The Board of Directors 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.



Fraud risk

A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the Audit risks section of this report.

Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remain appropriate.

Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

**Significant accounting practices, judgments and estimates**

The significant accounting practices, judgments and estimates include:

- Estimated useful life of tangible capital assets
- Accrued liabilities
- Deferred revenue

Our assessment of these items is included in the Significant accounting practices, judgments and estimates section of this report.

Conclusion

In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the Organization's annual financial statements prepared in accordance with PSAS.

No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.

We intend to issue an unqualified audit report on the financial statements of the Organization for the year ended December 31, 2018 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by Board of Directors.

Audit risks

The significant 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

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.

Our audit response

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.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Management override of controls

Audit risk

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.

Our audit response

- We engaged in periodic fraud discussions with certain members of senior management and others
- We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.
- We evaluated the business rationale for any significant unusual transactions.
- We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Significant accounting practices, judgments and estimates

The accounting policies of the Organization are set out in Note 2 of the financial statements.

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.

Significant accounting policies

During the year ended December 31, 2018 the Organization adopted the following new accounting standards:

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

There was no impact to the Organization's financial statements as a result of the adoption of these standards.

Management judgment and accounting estimates

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, 2018, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit.

	Comment
Significant difficulties encountered in performing the audit	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Concerns regarding management competence and integrity	We do not have any concerns regarding management's competency and integrity.
Related party transactions	We have not identified any related party transactions during the course of our audit.
Litigation	We are not aware of any significant litigation or claims made against the entity.
Legal and regulatory compliance	<p>Management is responsible for ensuring that the Organization's operations are conducted in accordance with the laws and regulations applicable to the Organization in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>The legal and regulatory non-compliance matters reported below are restricted to those that came to our attention during the course of our substantive procedures and should not be considered to be exhaustive.</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Organization.</p>
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events that would require disclosure in the financial statements.

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Appendix 3: Annual Surplus Reconciliation

	<u>Approved Budget</u>	<u>2018</u>	<u>2017</u>
Based on budget approach			
Niagara Regional Housing Operating Surplus per CSD 21-2019	\$ -	\$ 2,634,629	\$ 1,907,955
PSAS Presentation Adjustments:			
Capital			
Recognize amortization	(7,735,031)	(7,735,031)	(7,477,950)
Recognize in year capital program revenues	13,692,943	13,692,693	5,795,243
Recognize capital fund expenditures resulting in operating expenses	(465,719)	(465,719)	(822,682)
Recognize operating fund expenditures resulting in capital assets	341,208	341,208	1,082,404
Recognize loss on disposal of assets	(216,288)	(216,288)	(305,841)
Capital Subtotal	<u>5,617,113</u>	<u>5,616,863</u>	<u>(1,728,826)</u>
Funded			
Remove principal debt repayments	2,371,549	2,371,549	2,213,784
Remove net transfers to reserves	(951,957)	(3,366,586)	(3,294,370)
Funded Subtotal	<u>1,419,592</u>	<u>(995,037)</u>	<u>(1,080,586)</u>
Unfunded			
Recognize change in unfunded employee future benefits liability	(347,403)	(347,403)	(354,681)
Unfunded Subtotal	<u>(347,403)</u>	<u>(347,403)</u>	<u>(354,681)</u>
Annual surplus (deficit) per PSAS financial statements	<u>\$ 6,689,302</u>	<u>\$ 6,909,052</u>	<u>\$ (1,256,138)</u>

A balanced operating budget was approved by Council on December 7, 2017. 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.