

Schedule of revenues, expenses and funds available for distribution

The Regional Municipality of Niagara Court Services

December 31, 2020

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Draft

Independent Auditor's Report

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management and the Board of Directors for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

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

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

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

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

Chartered Professional Accountants
Licensed Public Accountants
April xx, 2021

The Regional Municipality of Niagara

Court Services

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

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

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

The Regional Municipality of Niagara Court Services

Notes to the schedule

December 31, 2020

1. Significant accounting policies

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

Significant accounting policies are as follows:

Revenues

Revenues are recorded on a cash basis.

Expenses

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

Uncontrollable expenses are recorded on a cash basis.

Capital assets

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

Transfers to reserves

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

Employee future benefits

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

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

2. Transfer to Niagara Region

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

The following represents the transactions through the reserve:

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

The Regional Municipality of Niagara Court Services

Notes to the schedule

December 31, 2020

3. Distribution to area municipalities

Court Services revenue distribution by municipality is as follows:

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

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

The Regional Municipality of Niagara Court Services

Notes to the schedule

December 31, 2020

4. Program support costs

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

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

Program support costs which have been allocated are:

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