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

Report to: Public Works Committee

Report date: Tuesday, April 13, 2021

Recommendations

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

Key Facts

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

Financial Considerations

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

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

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

Analysis

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

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

Alternatives Reviewed

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

Relationship to Council Strategic Priorities

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

Other Pertinent Reports

None

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Recommended by:

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

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

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

Appendices

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

Statement of Contributions and Expenditures

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

December 31, 2017

Draft

The Regional Municipality of Niagara

Niagara-on-the-Lake Wastewater Treatment Plant Project
December 31, 2017

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Draft

Independent Auditor's Report

To Infrastructure Canada

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management and Those Charged with Governance for the Statement

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

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

Auditor's Responsibilities for the Audit of the Statement

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

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

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

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

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

Chartered Professional Accountants
Licensed Public Accountants
_____, 2021

Draft

The Regional Municipality of Niagara

Niagara-on-the-Lake Wastewater Treatment Plant Project

Statement of Contributions and Expenditures

Project claim start date to December 31, 2017

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

Government of Canada Contributions

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

The Regional Municipality of Niagara

Niagara-on-the-Lake Wastewater Treatment Plant Project

Notes to the Statement of Contributions and Expenditures

December 31, 2017

1. Summary of significant accounting policies

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

Significant accounting policies are as follows:

a) Revenue and expenses

Revenue is recorded when received.

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

b) Tangible capital assets

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

c) Use of estimates

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

2. Funding agreement

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

3. Estimated total expenditures and contributions by Canada

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