
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

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