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**Subject:** 2019 Audited Consolidated Financial Statements

**Report to:** Corporate Services Committee

**Report date:** Wednesday, May 13, 2020

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## Recommendations

1. That the audited consolidated financial statements of the Regional Municipality of Niagara (the “Niagara Region”), including the sinking fund financial statements and the trust fund financial statements, for the year ended December 31, 2019 **BE APPROVED**;
2. That the audit findings report pertaining to the audited consolidated financial statement of the Niagara Region for the year ended December 31, 2019 **BE RECEIVED** for information; and
3. That staff **BE DIRECTED** to co-ordinate with the auditors to finalize the statements as presented.

## Key Facts

- The purpose of this report is to comply with the Audit Committee Terms of Reference that the Audit Committee satisfy itself, on behalf of Regional Council, that Niagara Region’s annual consolidated financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to Council whether the annual financial statements should be approved.
- Due to COVID-19 measures, the Niagara Region has amended its procedural by-law to allow for electronic meetings for Standing Committees and Council only therefore Audit Committee has been canceled. As all of the Audit Committee members are on Corporate Services Committee, the statements will be presented at Corporate Services Committee who will then recommend approval to Council. Our external auditors, Deloitte, do not have any concerns with this change in process as ultimate approval still rests with Council.
- 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, 2019.
- Year end funding surplus results were reported in CSD 15-2020, 2019 Year End Results and Transfer Report, and are consistent with the results reported in the consolidated financial statements adjusted for accounting presentation required of

Public Sector Accounting Standards (PSAS). A reconciliation of the two presentation methodologies is provided in Appendix 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 (used as a tool to manage funding requirements), whereas the consolidated financial statements are prepared using Public Sector Accounting Standards (PSAS). Appendix 1 reconciles the surplus per the audited Consolidated Statement of Operations to the funding surplus based on the budget approach previously presented in CSD 15-2020.

A draft copy of the Niagara Region's consolidated financial statements for the year ended December 31, 2019 is attached in Appendix 2. In addition, Deloitte's audit finding report for the year ended December 31, 2019 is also attached in 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, 2019 have been audited.

Niagara 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, 2019 includes;

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

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

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

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

During the course of the audit, Deloitte makes note of any observed internal control weaknesses and makes suggestions for improvements through management letter comments. There are no management letter points for the 2019 consolidated financial statement audit.

#### Sinking Fund Financial Statements

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

#### Trust Fund Financial Statements

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

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

Upon completion of the 2019 Annual Report, which contains the consolidated financial statements, the financial statements will be available to the public on the Niagara Region website:

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

### **Alternatives Reviewed**

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

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

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

### **Other Pertinent Reports**

CSD 15-2020, 2019 Year End Results and Transfer Report

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#### **Prepared by:**

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Corporate Services

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#### **Recommended by:**

Todd Harrison  
Commissioner/Treasurer  
Corporate Services

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#### **Submitted by:**

Ron Tripp, P.Eng.  
Acting Chief Administrative Officer

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

### **Appendices**

Appendix 1	Annual Surplus Reconciliation
Appendix 2	Draft 2019 Consolidated Financial Statements
Appendix 3	2019 Deloitte Audit Findings Report