



Regional Municipality of Waterloo

Audit Committee

Minutes

Tuesday, April 26, 2016

3:36 p.m.

Room 218

150 Frederick Street, Kitchener

Present were: Chair S. Strickland, K. Redman and K. Seiling

Members absent: T. Galloway, G. Lorentz

Declarations of Pecuniary Interest under the “Municipal Conflict Of Interest Act”

None declared.

Reports

COR-TRY-16-47, Financial Statements for Region of Waterloo Community Housing Inc. for the Fiscal Year Ended December 31, 2015

Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer, provided highlights of the staff report, noting that the Consolidated Financial Statements include Region of Waterloo Community Housing Inc. (ROWCHI).

Received for information

Presentation

Regional Municipality of Waterloo 2015 Audit Results

Elaine Read, Deloitte LLP, provided a summary of the audit report, noting that the audit is substantially completed. She stated that there are no uncorrected misstatements and no disclosure misstatements. There are no changes in the materiality or the scope and

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there are no issues of going concern. She stated that there are no significant items related to internal controls or audit risk, with only a few suggestions made to the Management team regarding Information Technology Services (ITS) practices. She noted the one change in accounting policy, being the new standard for liability of contaminated sites. She added that Deloitte LLP will be issuing a standard clean and unmodified opinion for the 2015 audit.

Jennifer Gruber, Deloitte LLP, outlined the audit risks reviewed, noting that there are no areas of concern related to revenue recognition and management override of control. She stated that information regarding liability for contaminated sites standard has been appropriately implemented and the liability for contaminated sites is not materially misstated. She added that the figures for the inactive sites are consistent with other municipalities. C. Dyer clarified that the sites reviewed are non-landfill sites.

J. Gruber stated that there are no issues with the Rapid Transit project and advised that compliance and financial audits will take place in the spring. E. Read added that the audit requirements and the prescribed timelines are in alignment with federal and provincial requirements and procedures.

J. Gruber summarized the audit review of the consolidation and reporting for ROWCHI; the management estimates and actuarially determined liabilities; contingencies and commitments; and, tangible capital assets.

In response to a Committee concern about the verbiage used in relation to 'risk identified', E. Read advised these are standard audit/accounting wording statements but the issue can be considered when preparing future financial statements. C. Dyer noted that a notice regarding the availability of the consolidated financial statements will be published in the local newspapers.

In response to a Committee question about contingent liabilities, J. Gruber advised that if the liabilities are not determinable and can't be quantified, they are not reflected in the financial statements. E. Read added that Note 18 in the report addresses the issues of legal claims and expropriations.

In response to a Committee question about how liabilities are funded, C. Dyer stated that the source of funding for a settled claim would be from a capital project, the Region's operating budget or some other form and would then be recorded as an expense for the year in which the claim was settled.

E. Read summarized the Statements of Financial Position, the Statement of Operations and the Statement of Change in Net Debt; a [copy of the Statements](#) is appended to the original minutes. She noted that the net debt has increased, due to significant capital spending and that the accumulated surplus has also increased, as a resource for future

services and is driven in part by the federal and provincial contributions for the Light Rail Transit (LRT) project.

C. Dyer distinguished the difference between net debt and long-term borrowing; the Region's long-term borrowing has essentially stayed at the same level as in 2014. He responded to a Committee question about amortization in the Statement of Operations, noting that the amortization is based on historical capital expenses.

COR-FSD-16-11, Financial Statements for the Fiscal Year Ending December 31, 2015

Moved by K. Seiling

Seconded by K. Redman

That the Regional Municipality of Waterloo approve the Consolidated Financial Statements, the Sinking Fund Financial Statements, and the Trust Fund Financial Statements, all for the fiscal year ending December 31, 2015 as set out in Report COR-FSD-16-11 dated April 26, 2016.

Carried

C. Dyer acknowledged the efforts of Peter Holling and his staff for providing the draft Financial Statements to the Audit Committee earlier than in past years.

Motion to go into Closed Session

Moved by K. Redman

Seconded by K. Seiling

That a closed meeting of the Audit Committee be held on Tuesday, April 26, 2016 at 4:15 p.m. in Room 218 in accordance with Section 239 of the "Municipal Act, 2001", for the purposes of considering the following subject matters:

- a) the security of the property of the municipality
- b) personal matters about an identifiable individual, including municipal employees

Carried

Staff left the meeting room prior to the start of the Closed Session.

Motion to Reconvene into Open Session

Moved by K. Redman

Seconded by K. Seiling

That the Audit Committee reconvene into Open Session.

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Carried

Reports

COR-TRY-16-48, Licensing Cash Handling

Received for information

COR-FSD-16-12, Request for Proposal for External Audit Services (2016-2020 fiscal years)

C. Dyer provided summary comments about the report. He proposed a revision to the timelines, specifically holding an Audit Committee meeting on August 9th rather than in September. The Committee agreed to this change; the meeting will begin at 8:30 a.m. ahead of the other Standing Committee meetings planned for that date.

C. Dyer summarized a revised timeline for the 2016 External Audit Services RFP, as follows:

May 13	Audit Services RFP issued by Purchasing
June 3	Deadline for questions by proponents
June 15	Last day for auditing firms to submit proposals
June/July	Review and evaluate submissions, conduct interviews and make recommendation
August 9 8:30 a.m.	Staff recommends Audit Services RFP selection to Audit Committee for approval
August 9	Administration & Finance Committee approval for Audit Services
August 18	Council approval for Audit Services
November/December	2016 Audit planning session with Audit Committee and Interim Audit Work completed

Mike Murray, Chief Administrative Officer, provided an overview of the proposed selection/interview team, noting that political involvement has been eliminated which is consistent with how the Region undertakes other consultant selections.

Moved by K. Seiling

Seconded by K. Redman

That the Regional Municipality of Waterloo approve the timeline and evaluation team membership for the Request for Proposal for External Audit Services (2016-2020 fiscal years) as set out in Report COR-FSD-16-12 dated April 26, 2016, as amended.

Carried

Information/Correspondence

Memo: Follow-Up Information Re: November 14, 2015 Audit Committee

M. Murray responded to a Committee question about protection provisions for employees coming forward, as noted in the Memo.

Received for information

Council Enquiries and Requests for Information Tracking List was received for information.

Other Business

The Committee discussed the processes related to the LRT compliance and financial audits and agreed that staff will review options with the Rapid Transit Steering Committee.

Adjourn

Moved by K. Seiling

Seconded by K. Redman

That the meeting adjourn at 4:34 p.m.

Carried

Committee Chair, S. Strickland

Committee Clerk, S. Natolochny

Region of Waterloo
Statement of Financial Position - Summary
as at December 31, 2015

	2015	2014
Financial Assets		
Cash		
Accounts receivable		
Investments		
Total financial assets	734,711	714,377
Liabilities		
Accounts payable and accrued liabilities		
Deferred revenue		
Employee future benefits liability		
Long-term liabilities		
	1,303,341	1,245,426
Net Debt	(568,630)	(531,049)
Non-financial assets		
Tangible capital assets	2,571,864	2,304,618
Prepaid expenses	6,076	5,495
Inventory of supplies	10,739	13,600
	2,588,679	2,323,713
Accumulated Surplus	2,020,049	1,792,664

A point in time assessment based on historical cost. To be reviewed in the context of a long-term view of financial health

- In 2015 there are more assets that can be used to discharge existing liabilities or finance future operations than 2014
- Represents items that will convert to cash

2015 Liabilities have increased due to:

- Monetary liabilities – known billed costs to be paid and debt arrangements
- Non-monetary liabilities – estimates of funds to be spent in the future for activities incurred in 2015 (ie. employee future benefits, environmental costs)

Key indicator
Represents an increase in the future revenue which is required to be raised to pay for past transactions

Assets available for provision of services typically not used for discharging existing liabilities or financing future operations

Key indicator

- Represents the Region's net economic resources
- Resources the Region has to provide future services

Region of Waterloo
Statement of Operations
 Year ended December 31, 2015

	Budget	2015	2014
Revenues			
Property taxes			
Government transfers (Fed/ON grants)			
User fees and service charges			
Development charges (DCs)			
Other fees			
	1,127,573	1,141,472	971,012

Prior year comparatives are presented as well as original approved budget (in PSA format – which requires adjustment from Municipal budget for the year)

Represents revenue earned in the year to cover expenses of the period:

- Transfers only recognized if the transfer requirements are met
- DCs recognized as expenses incurred for which the DCs were collected
- Taxes/User fees based on the amount levied for the year

Expenses			
General government			
Protection to persons & property			
Transportation services			
Social & family services			
	913,897	914,087	883,728

- Expenses reported by function or major program
- Note disclosure required to report expenses by object (salaries, supplies)
- Expenses increase as service requirements increase

Annual surplus	213,676	227,385	87,284
Accumulated surplus, beginning of year		1,792,664	1,705,380
Accumulated surplus, end of year		2,020,049	1,792,664

Key indicator

- Revenue > Expenses for the year largely due to Transfers related to tangible capital assets which are not expensed until depreciated
- Reports accumulated surplus available to service activities of the future

Region of Waterloo
Statement of Change in Net Debt
 Year ended December 31, 2015

	2015	2014
Annual surplus	227,385	87,284
Acquisition of tangible capital assets	(364,907)	(308,770)
Amortization and other	97,661	92,258
Change due to tangible capital assets	(267,246)	(216,512)
Inventory purchases net of consumption	(581)	(791)
Prepaid expenses incurred and used	2,861	(5,264)
Change in inventory & prepaid expenses	2,280	(6,055)
Change in net debt	(37,581)	(135,283)
Net debt, beginning of year	(531,049)	(395,766)
Net debt, end of year	(568,630)	(531,049)

Significant funds were spent in the current year to acquire tangible capital assets. The acquisitions exceeded the annual surplus, thus represents an increase in the net debt.

Shows other non-financial assets impact on the difference between surplus for year and change in net debt

Shows that revenues of the period were insufficient to cover spending of the period. Thus represents an increase in future revenue requirements to cover existing debts