



**REGIONAL MUNICIPALITY OF PEEL
AUDIT AND RISK COMMITTEE
AGENDA**

Meeting #: ARC-2/2020
Date: Thursday, April 16, 2020
Time: 11:00 AM - 12:30 PM
Location: Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario
Members: S. Dasko, N. Fairhead, C. Fonseca, N. Iannicca, K. Ras, R. Santos (Vice-Chair),
I. Sinclair, R. Starr (Chair), H. Zuberi

1. CALL TO ORDER

2. DECLARATIONS OF CONFLICTS OF INTEREST

3. APPROVAL OF AGENDA

4. DELEGATIONS

- 4.1 Trevor Ferguson, Audit Partner, Deloitte LLP
Presenting the 2019 Deloitte Audit Results Report
(Related to 5.2)

5. REPORTS

- 5.1 Quality Assessment Results
(For information) (Related to 6.1)
- 5.2 2019 Deloitte Audit Results Report
(For information) (Related to 4.1)
- 5.3 2019 Region of Peel Consolidated Financial Statements
(For information)
- 5.4 2019 Peel Housing Corporation Financial Statements
(For information)

- 5.5 2019 Region of Peel Sinking Funds Financial Statements
(For information)
- 5.6 2019 Region of Peel Trust Funds Financial Statements
(For information)
- 5.7 Emergency Shelter Operations Contract Management Audit
(For information)
Presentation by Janice Sheehy, Commissioner of Human Services, Aileen Baird, Director,
Housing Services and Jennifer Weinman, Manager, Enterprise Audit Services
- 5.8 Land Use Development – Development Services Division Audit – Preliminary Objective and
Scope

6. COMMUNICATIONS

- 6.1 Elaine Maheu, Validator and Tracy Darakjian, Director, Quality, The Institute of Internal
Auditors
Certificate dated January 22, 2020, Providing a Quality Assessment Letter as Issued by the
Institute of Internal Auditors Quality Services, LLC (Receipt recommended) (Related to 5.1)
- 6.2 Michele Mark Levine, Director, Technical Services Centre, Government Finance Officers
Association
Letter dated December 17, 2019, Awarding the Regional Municipality of Peel with the 2018
Canadian Award for Financial Reporting (Receipt recommended)
- 6.3 Michele Mark Levine, Director, Technical Services Centre, Government Finance Officers
Association
Letter dated January 31, 2020, Awarding the Regional Municipality of Peel with the Popular
Annual Financial Reporting Award (Receipt recommended)

7. OTHER BUSINESS

8. IN CAMERA

9. NEXT MEETING

Thursday, May 7, 2020
Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

10. ADJOURNMENT

Request for Delegation

FOR OFFICE USE ONLY

MEETING DATE YYYY/MM/DD 2020/04/16	MEETING NAME Audit & Risk Committee
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Attention: Regional Clerk
Regional Municipality of Peel
10 Peel Centre Drive, Suite A
Brampton, ON L6T 4B9
Phone: 905-791-7800 ext. 4582
E-mail: council@peelregion.ca

DATE SUBMITTED YYYY/MM/DD 2020/03/19
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NAME OF INDIVIDUAL(S) Trevor Ferguson

POSITION(S)/TITLE(S) Audit Partner
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NAME OF ORGANIZATION(S) Deloitte LLP
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E-MAIL tferguson@deloitte.ca	TELEPHONE NUMBER (416) 643-8282	EXTENSION
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REASON(S) FOR DELEGATION REQUEST (SUBJECT MATTER TO BE DISCUSSED) Trevor Ferguson, Audit Partner, will present the 2019 Deloitte Audit Results Report.
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A formal presentation will accompany my delegation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Presentation format: <input type="checkbox"/> PowerPoint File (.ppt) <input type="checkbox"/> Adobe File or Equivalent (.pdf)		
<input type="checkbox"/> Picture File (.jpg)	<input type="checkbox"/> Video File (.avi,.mpg)	<input type="checkbox"/> Other <input type="text"/>
Additional printed information/materials will be distributed with my delegation : <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Attached		

<p>Note: Delegates are requested to provide an electronic copy of all background material / presentations to the Clerk's Division at least ten (10) business days prior to the meeting date so that it can be included with the agenda package. In accordance with Procedure By-law 56-2019 delegates appearing before Regional Council or Committee are requested to limit their remarks to 5 minutes and 10 minutes respectively (approximately 5/10 slides).</p> <p>Delegates should make every effort to ensure their presentation material is prepared in an accessible format.</p> <p>Once the above information is received in the Clerk's Division, you will be contacted by Legislative Services staff to confirm your placement on the appropriate agenda.</p>

<p align="center">Notice with Respect to the Collection of Personal Information (Municipal Freedom of Information and Protection of Privacy Act)</p> <p>Personal information contained on this form is authorized under Section 5.4 of the Region of Peel Procedure By-law 56-2019, for the purpose of contacting individuals and/or organizations requesting an opportunity to appear as a delegation before Regional Council or a Committee of Council. The Delegation Request Form will be published in its entirety with the public agenda. The Procedure By-law is a requirement of Section 238(2) of the <i>Municipal Act, 2001</i>, as amended. Please note that all meetings are open to the public except where permitted to be closed to the public under legislated authority. All Regional Council meetings are audio broadcast via the internet and will be posted and available for viewing subsequent to those meetings. Questions about collection may be directed to the Manager of Legislative Services, 10 Peel Centre Drive, Suite A, 5th floor, Brampton, ON L6T 4B9, (905) 791-7800 ext. 4462.</p>

Please complete and return this form via email to council@peelregion.ca

For Information

REPORT TITLE: Quality Assessment Results

FROM: Michelle Morris, Director, Enterprise Risk & Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the results of the 2019 Quality Assessment of the internal audit activity.

REPORT HIGHLIGHTS

- The *International Standards for the Professional Practice of Internal Auditing (Standards)* requires that an external quality assessment of the internal audit activity must be conducted at least once every five years.
 - The self-assessment results indicate the Region of Peel internal audit activity is in conformance with the Institute of Internal Auditor's *Standards* and Code of Ethics.
 - Independent validation by an external assessor concurred fully with the results of the self-assessment. The internal audit activity received the top rating achievable which is generally conforms.
 - The self-assessment process also highlights successful internal audit practices and identifies opportunities for improvements.
 - The next external assessment of the internal audit activity will be conducted in 2024.
-

DISCUSSION

1. Background

The *International Standards for the Professional Practice of Internal Auditing (Standards)* requires that an external quality assessment of an internal audit activity must be conducted at least once every five years by a qualified independent assessor outside of the organization. Further, as outlined in the Audit and Risk Committee Charter, a key objective of the Audit and Risk Committee is to review and advise on the performance of the internal audit activity. The Quality Assessment provides an independent assessment of the internal audit activity that allows the Audit and Risk Committee to conclude on its performance.

The Quality Assessment can be accomplished through a full external assessment or by a self-assessment with independent validation. As in past years, the Enterprise Risk and Audit Services division conducted a self-assessment with external validation. Staff within the Enterprise Risk and Audit Services division have the necessary skills to complete the self-assessment which represents the major component of the Quality Assessment process. The Region of Peel's self-assessment team conducted the Quality Assessment of the

Quality Assessment Results

internal audit activity in the fall of 2019 to prepare for the validation by an independent assessor.

Enterprise Risk and Audit Services engaged the services of the Institute of Internal Auditors Quality Services, LLC (IIA Quality Services) to conduct the independent validation. The IIA Quality Services has specialized knowledge, skills, and experience to conduct the work. The assigned assessor has over 30 years of internal and external audit experience and has conducted quality assessments to a broad range of industries.

2. Opinion

Independent validation by the external assessor concurred fully with the results of the self-assessment. The internal audit activity received the top rating achievable which is generally conforms. It is our overall opinion that the internal audit activity of the Region of Peel generally conforms with the *Standards* and the Code of Ethics. A detailed list of conformance with individual standards and the Code of Ethics is attached in Appendix I – Attachment A Evaluation Summary.

The IIA's Quality Assessment Manual for the Internal Audit Activity suggests a scale of three rankings when opining on the internal audit activity which are as follows:

- Generally Conforms - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics
- Partially Conforms - indicates that deficiencies in practice are noted that are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner
- Does Not Conform - means that deficiencies in practice are judged to deviate from the *Standards* and Code of Ethics and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities

The objectives, scope and methodology of the quality assessment is attached as Appendix II - Objectives, Scope and Methodology. Observations noting successful internal audit practices, items arising from partial conformance, and opportunities for continuous improvements are attached as Appendix III - Observations.

The Independent Validation Statement, which includes the external assessor's conclusion on the quality assessment, is attached as Appendix IV – Attachment B Independent Validation Statement.

CONCLUSION

Through the self-assessment and independent external validation process, the Region of Peel's internal audit activity has received the top ranking of "Generally Conforms". The internal audit activity is in compliance with the *Standards* and Code of Ethics. The opportunities for improvement will further strengthen the Enterprise Risk and Audit Services division's

Quality Assessment Results

effectiveness. The next external assessment of the internal audit activity will be conducted in 2024.

APPENDICES

Appendix I – Attachment A Evaluation Summary
Appendix II – Objectives, Scope and Methodology
Appendix III – Observations
Appendix IV - Attachment B Independent Validation Statement

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, Ext. 4247, michelle.morris@peelregion.ca.

Authored By: Michelle Morris, CPA, CGA, FCCA, CIA, CRMA, Director, Enterprise Risk and Audit Services

Reviewed and/or approved in workflow by:

Division Director.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer

Appendix I
Quality Assessment Results

Attachment A Evaluation Summary

	GC	PC	DNC
Overall Evaluation	✓		

Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	✓		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organizational Independence		✓	
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal Auditing	✓		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
		GC	PC	DNC
1300	Quality Assurance and Improvement Program	✓		

Appendix I
Quality Assessment Results

1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Program	✓		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	✓		
1322	Disclosure of Nonconformance	✓		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	n/a		

Appendix I
Quality Assessment Results

2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		

Appendix I
Quality Assessment Results

2421	Errors and Omissions	✓		
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	✓		
2431	Engagement Disclosure of Nonconformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Communicating the Acceptance of Risks	✓		

Code of Ethics		GC	PC	DNC
	Code of Ethics	✓		

Appendix II

Quality Assessment Results

Objectives, Scope and Methodology

OBJECTIVES:

- The principle objective of the Quality Assessment was to assess the internal audit activity's conformance with the *Standards* and the Code of Ethics.
- The internal audit activity evaluated its effectiveness in carrying out its mission (as set forth in the Enterprise Risk and Audit Services charter and expressed in the expectations of Regional management); identified successful internal audit practices demonstrated by the internal audit activity; and identified opportunities for continuous improvement to enhance the efficiency and effectiveness of the infrastructure, processes and the value to their stakeholders.
- An external independent assessor validated the results of the internal audit activity's self-assessment. The main focus was to validate the conclusion of the internal audit activity related to conformance with the *Standards* and the Code of Ethics. They also reviewed the internal audit activity observations related to successful internal audit practices and opportunities for continuous improvement. They offered additional observations as they deemed appropriate.

SCOPE:

- The scope of the Quality Assessment included the internal audit activity, as set forth in the Enterprise Risk and Audit Services Charter, which was approved by the Audit and Risk Committee and defines the purpose, principles, authority, scope of work, accountabilities and responsibilities of the internal audit activity.
- The Quality Assessment was concluded on January 22, 2020, and provides senior management, the Audit and Risk Committee, and Regional Council with information about the internal audit activity as of that date.
- The *Standards* and the Code of Ethics in place and effective as of January 22, 2020, were the basis for the Quality Assessment.

METHODOLOGY:

- Enterprise Risk and Audit Services compiled and prepared information consistent with the methodology established in the *Quality Assessment Manual for the Internal Audit Activity*. This information included completed and detailed planning guides, with all supporting documentation; an evaluation summary, documenting all conclusions and observations; and the self-assessment report by the internal audit activity.
- Enterprise Risk and Audit Services identified key stakeholders and sent surveys to each individual identified. The results were tabulated by IIA Quality Services, to maintain confidentiality of the responses. The survey results were shared with the Quality Assessment self-assessment team during the Quality Assessment process.

Appendix II

Quality Assessment Results

- Prior to commencement of the on-site validation portion of the internal audit activity self-assessment, IIA Quality Services held a preliminary meeting with Enterprise Risk and Audit Services to discuss the status of preparation of the self-assessment, identification of key stakeholders to be interviewed during the on-site validation, and finalization of logistics related to the Quality Assessment.
- To accomplish the objectives, IIA Quality Services through the validator reviewed information prepared by the internal audit activity and the conclusions reached in the Quality Assessment report. The validator also conducted interviews with select key stakeholders, including the Regional Chair, the Audit and Risk Committee Chair, the Interim Chief Administrative Officer, the Commissioner, Corporate Services, the Commissioner, Human Services and management and staff within Enterprise Risk and Audit Services. The validator reviewed a sample of audit projects and associated workpapers and reports; reviewed the survey data from key stakeholders; and prepared diagnostic tools consistent with the methodology established for a Quality Assessment in the *Quality Assessment Manual for the Internal Audit Activity*.
- The validator prepared an “Independent Validation Statement” to document conclusions related to the validation of the internal audit activity’s self-assessment. This statement is included as Appendix III - Attachment B Independent Validation Statement to this report.

Appendix III

Quality Assessment Results

Appendix III - Observations

Observations

Enterprise Risk and Audit Services believes that the environment in which the internal audit activity operates is well structured and progressive, where the *Standards* are understood, the Code of Ethics is being applied, and management endeavors to provide useful audit tools and implement appropriate practices. As such, the considerations provided by the external assessor are intended to build upon this foundation.

Observations are divided into three categories:

- **Successful Internal Audit Practices** – Areas where the internal audit activity is operating in a particularly effective or efficient manner. The identification of these items is intended to provide stakeholders information on leading practices within the internal audit activity. These items are noted in Part I below.
- **Items Arising from Partial Conformance** – Areas identified where the internal audit activity is operating in a manner that falls short of achieving one or more major objectives and attains an opinion of “partially conforms” or “does not conform” with the *Standards* or the Code of Ethics. Gaps in conformance and the management response are noted in Part II below.
- **Opportunities for Continuous Improvement** – Observations of opportunities to enhance the efficiency or effectiveness of the internal audit activity’s infrastructure of processes. These items do not indicate a lack of conformance with the *Standards* or the Code of Ethics but is intended to offer suggestions on how to better align with criteria defined in the *Standards* and the Code of Ethics. Opportunities for improvement and the management response are noted in Part III below.

PART I – SUCCESSFUL INTERNAL AUDIT PRACTICES

Successful internal audit practices are noted below:

- The Enterprise Risk and Audit Services business plan identified opportunities to strengthen the vision of “trusted advisor”, the ability to participate in strategy development and discussion with senior management. The Director, Enterprise Risk and Audit Services is included in strategy development and the Term of Council Priorities discussion bringing both the risk management and governance lens to the table.
- The Enterprise Risk and Audit Services has effective and direct interaction with management.
- The Enterprise Risk and Audit Services has a quality assurance internal process that is well designed and functioning as intended.
- The division has qualified, professional and competent staff. Most staff have the Certified Internal Auditors (CIA) designation and other professional designations

Appendix III

Quality Assessment Results

including Chartered Professional Accountant and Certifications in Risk Management Assurance.

- Staff are engaged and vested in the success of both the organization and their profession.
- The Enterprise Risk and Audit Services has a robust risk-based plan aligned with the organization's strategies, objectives and outcomes, and key risks. The risk-based plan is developed with engagement of management.
- The Enterprise Risk and Audit Services has developed a separate, comprehensive, and robust Information Technology risk assessment and audit plan that has been reviewed by the Audit and Risk Committee.
- Audit reports are streamlined, good quality, clear and concise.
- Audit working papers and the tracking of the Management Actions Plans are both automated.

PART II – ITEMS ARISING FROM PARTIAL CONFORMANCE

1. Standard *1110 Organizational Independence* requires that the Chief Audit Executive (Director, Enterprise Risk and Audit Services) report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The Director must confirm to the board (Audit and Risk Committee) at least annually the organizational independence of the internal audit activity. Organizational independence is achieved when the Director reports functionally to the board.

The Director reports to the Audit and Risk Committee functionally and to the Commissioner of Corporate Services administratively. As such, the relationship between the Director and the Audit and Risk Committee can be further strengthened to help ensure the independence of the function.

Consideration should be given to the following:

- Input from the Audit and Risk Committee on the hiring and removal of the Director
- Input from the Audit and Risk Committee on the performance and remuneration of the Director
- That the Audit and Risk Committee recommend for approval the budget of the Enterprise and Risk Management division
- That the Audit and Risk Committee approve significant changes to the Enterprise Audit Services Risk-Based Work Plan

Response: Internal Audit Activity

Appendix III

Quality Assessment Results

- The powers of a municipality in the Province of Ontario are exercised by council. A council may delegate powers to, among others, individuals appointed by council. In the Region of Peel, Regional Council delegated authority over recruitment, promotion, discipline and removal to the Chief Administrative Officer. Given these parameters, outlined under the *Municipal Act, 2001* coupled with Regional By-law 2015-1, Regional Council has delegated the authority over recruitment, promotion, discipline and removal of the Director to the Chief Administrative Officer and as such Council has, in effect, input on the employment and performance of the Director.
 - The internal audit activity follows the Regional annual budget process. The internal audit activity, which includes budgeted dollars and full-time equivalent is reviewed and approved by the Director, followed by review and approval of the Commissioner, Corporate Services and the Executive Leadership Team. The budget is then brought forward to Regional Council for approval. As Regional Council is the ultimate decision maker on the budget a separate approval through the Audit and Risk Committee is not sought.
 - The Audit and Risk Committee has delegated authority to the Director, Enterprise Risk and Audit Services to make changes to the approved Enterprise Audit Services Risk Based Work Plan (Work Plan) as needed. The Audit and Risk Committee Charter will be updated to include that “significant changes” to the Work Plan will be brought forward to the Audit and Risk Committee for approval. The change will be made during the regular review process of the Audit and Risk Committee Charter in December 2020.
2. Standard 2120.A2 requires that the internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

The internal audit activity leads the fraud prevention program on behalf of the organization. This includes the fraud prevention policy development and upkeep, education and training on fraud prevention to staff, reporting on fraud events to the Audit and Risk Committee and investigation services.

Response: Internal Audit Activity

The internal audit activity will evaluate the potential for the occurrence of fraud and how the Region manages fraud risk. This work may involve an independent assessment given the responsibility of the internal audit activity to lead the fraud prevention program. This assessment will be completed by July 2021.

PART III – OPPORTUNITIES FOR CONTINUOUS IMPROVEMENT

1. Part of the Enterprise Risk and Audit Services Business Plan includes initiatives to increase awareness around advisory services that the internal audit activity can provide. Advisory services are intended to add value and improve an organization’s governance, risk management and control processes. The Enterprise Audit Services Risk Based Work Plan provides time to provide advisory services.

Consideration should be given for the following:

Appendix III

Quality Assessment Results

- Increasing time allotted in the Enterprise Audit Services Risk-Based Work Plan for advisory services with a goal of adding value to stakeholders and strengthen the partnership with management

Response: Internal Audit Activity

- The internal audit activity will continue to raise awareness regarding advisory services as part of the Enterprise Audit Services Risk Based Work Plan development process. This will include identifying corporate initiatives that are suitable for advisory services. This target date for completion for this work is November 30, 2020.
2. Standard 2050 *Coordination and Reliance* allows for the Director, Enterprise Risk and Audit Services to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting providers (second and third lines of defense) to ensure proper coverage and minimize where possible duplication of efforts. One way to support this is through the development of an Assurance Map. An Assurance Map¹ is a matrix comprising a visual representation of the organization's risks and all internal and external providers of assurance services that cover those risks. The Assurance Map exposes coverage gaps and duplications and can be used to coordinate efforts to help ensure sufficient coverage and reduce duplication.

Consideration should be given to the following:

- That the internal audit activity leads the development of an assurance map with other providers of assurance; this may include partners both internal and external to the Region such as the provincial auditor general
- Development of protocols for reliance on other party's work

Response: Internal Audit Activity

- The internal audit activity will take a phased approach to the development of the Assurance Map. Phase I will involve working with internal partners who provide assurance to the respective services and sub-services. The second phase will be working with external partners that provide assurance services to the Region. This may include but not be limited to the external auditors and provincial auditors. Phase I target date is December 2020 and Phase II July 2021. The results of the Assurance Map will serve as an input into the annual Enterprise Audit Services Risk Based Work Plan.
- The protocol for the reliance on other party's work will be developed in-line with the development of the Assurance Map by December 2020.

¹(*Institute of Internal Auditors, 2018*)

Appendix IV Quality Assessment Results

Appendix IV - Attachment B Independent Validation Statement



QUALITY
Ensuring Excellence

ATTACHMENT B *INDEPENDENT VALIDATION STATEMENT*

The Validator was engaged to conduct an independent validation of the Region of Peel's internal audit (IA) activity's self-assessment. The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the IA activity and its conformity to The Institute of Internal Auditors' (The IIA's) *International Standards for the Professional Practice of Internal Auditing (Standards)*. Other matters that might have been covered in a full independent assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the chief audit executive (CAE).

In acting as Validator, I am fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. The validation, conducted from Brampton, Ontario, consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with the Regional Chair and Chief Executive Officer, the Chair, Audit and Risk Committee, the Interim Chief Administrative Officer, the Commissioner, Corporate Services, and the Commissioner, Human Services.

We concur with the IA activity's conclusions in the self-assessment report attached. Implementation of all the recommendations contained in the self-assessment report will improve the effectiveness and enhance the value of the IA activity and ensure its full conformity to the *Standards*.

A handwritten signature in blue ink, appearing to read 'Elaine Maheu'.

Elaine Maheu, CIA, CPA, CA
Independent Validator
IIA Quality Services, LLC

A handwritten signature in blue ink, appearing to read 'Tracy Darakjian'.

Tracy Darakjian, CIA
Director, Quality
IIA Quality Services, LLC

For Information

REPORT TITLE: 2019 Deloitte Audit Results Report

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To provide the Audit and Risk Committee with a summary of the external audit results for both the Region of Peel and Peel Housing Corporation, as issued by our external auditors, Deloitte, for the year ending December 31, 2019.

REPORT HIGHLIGHTS

- Deloitte has recently completed the audits of the Region of Peel and Peel Housing Corporation 2019 financial statements.
 - The 2019 Deloitte Audit Results Report summarizes the scope of Deloitte's audit and the audit findings.
 - There is one uncorrected misstatement for the Region of Peel consolidated financial statements. Management have decided not to correct this difference, as management believes it is not material to the financial statements.
 - In 2019, there are no significant internal control deficiencies identified for both Region of Peel and Peel Housing Corporation.
-

DISCUSSION

1. Background

On an annual basis, the external auditors conduct the audits of the Region of Peel and the Peel Housing Corporation, in accordance with general accepted auditing standards.

The external auditors are required to report to the Audit and Risk Committee their findings from the year-end audits.

2. Audit Results

The audits for the 2019 fiscal year have recently been completed and Deloitte has issued their annual audit results report which has been provided in Appendix I. The report highlights the scope of the audits, the main findings, audit risks identified, communication requirements and the Management Letters for both the Region and Peel Housing Corporation.

There is one uncorrected misstatement of \$38.5 million that was identified by the auditors relating to the reporting of tangible capital assets. This consists of linear assets that were

2019 Deloitte Audit Results Report

disposed of in prior years, which would have resulted in a reduction to the tangible capital asset balance reported on the Statement of Financial Position in prior years.

Management have decided not to correct the opening balance in the 2019 financial statements, and rather recognize this as an expense in the current year with a related reduction in the tangible capital asset balance. Management feels that this difference, in their judgement, is not considered to be material to the financial statements.

On a go-forward basis, accounting staff has implemented a process whereby information is collected from public works staff in relation to any linear disposals that occurred during the year, to ensure these have been recorded correctly in the financial statements.

The auditors did not identify any significant deficiencies in internal controls or any corrected misstatements for both Region of Peel and Peel Housing Corporation during the 2019 audits.

Through the audit process, the auditors identified two recommendations related to internal control matters that have been brought to management's attention. The recommendations related to staff access to the Customer Care and Billing (CC&B) application system and the timely removal of network access for terminated employees. Management has responded to these recommendations and will be reviewing staff access to the CC&B application system and the practices and policies within IT regarding disabling accounts for terminated staff. The details of these recommendations and management's response are discussed further in the Region's Management Letter in Appendix I.

CONCLUSION

Deloitte's Audit Results report, attached as Appendix I, is presented for the Audit and Risk Committee's review.

APPENDICES

Appendix I – Report to the Audit and Risk Committee on the 2019 Audits

For further information regarding this report, please contact Stephanie Nagel, Director, Corporate Finance and Treasurer, Ext. 7105, stephanie.nagel@peelregion.ca.

Authored By: Sandy Calandra, Manager, Accounting Services

Reviewed and/or approved in workflow by:

Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer



**Regional Municipality of Peel and
Peel Housing Corporation**
Report to the Audit and Risk
Committee on the 2019 audits

To be presented on April 16, 2020



March 23, 2020

Private and confidential

Members of the Audit and Risk Committee
Regional Municipality of Peel
10 Peel Centre Drive
Brampton ON L6T 4B9

Re: Report on audited annual financial statements

Dear Audit and Risk Committee Members:

We are pleased to submit this report on the results of our audit of the consolidated financial statements of the Regional Municipality of Peel (the "Region") and the financial statements of Peel Housing Corporation ("PHC") as at, and for the year ended December 31, 2019. This report summarizes the scope of our audits, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our Master Services Agreement dated July 22, 2016, and our confirmation of changes letter dated November 19, 2018, we have performed audits of the following, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"):

- Consolidated financial statements of the Region prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS")
- Financial statements of PHC prepared in accordance with PSAS
- Financial statements of the Regional Municipality of Peel Trust Funds (the "Trust Funds") prepared in accordance with Canadian accounting standards for not-for-profit organizations, and
- Financial statements of the Regional Municipality of Peel Debt Retirement and Sinking Funds (the "Debt Retirement and Sinking Funds") prepared in accordance with PSAS.

Herein after, collectively referred to as the "Financial Statements".

We expect to issue our Independent Auditor's Reports on the financial statements of the Region, the Trust Funds, and the Debt Retirement and Sinking Funds upon approval of the financial statements by the Treasurer. Our Independent Auditor's Report on the financial statements of PHC will be issued upon approval of the financial statements by PHC's Board of Directors.

Our audit has been conducted in accordance with the audit plan dated July 31, 2019 that was presented to the Audit and Risk Committee.

This report is intended solely for the information and use of the Regional Council through the Audit and Risk Committee, PHC Board of Directors, management and others within the Region and PHC, and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

"Original signed by Deloitte"

Chartered Professional Accountants
Licensed Public Accountants

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Our audit explained

This report summarizes the main findings arising from our audits.

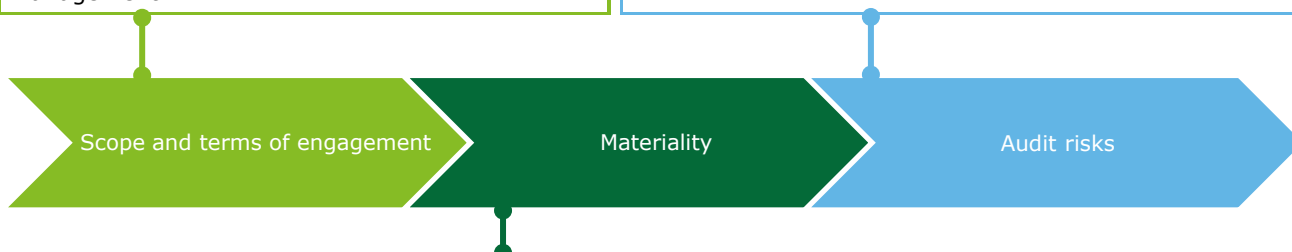
Audit scope and terms of engagement

We have been asked to perform audits of the financial statements of the Region, PHC, the Trust Funds and the Debt Retirement and Sinking Funds (collectively, the "Region") in accordance with the applicable accounting frameworks as at and for the year ended December 31, 2019. Our audits were conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the Master Services Agreement dated July 22, 2016, and the confirmation of changes letter dated November 19, 2018, which were signed on behalf of the Committee and management.

Audit risks

Through our risk assessment process, we have identified the audit risks. These risks of material misstatement and related audit responses are discussed in the Audit Risks section of this report.



Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

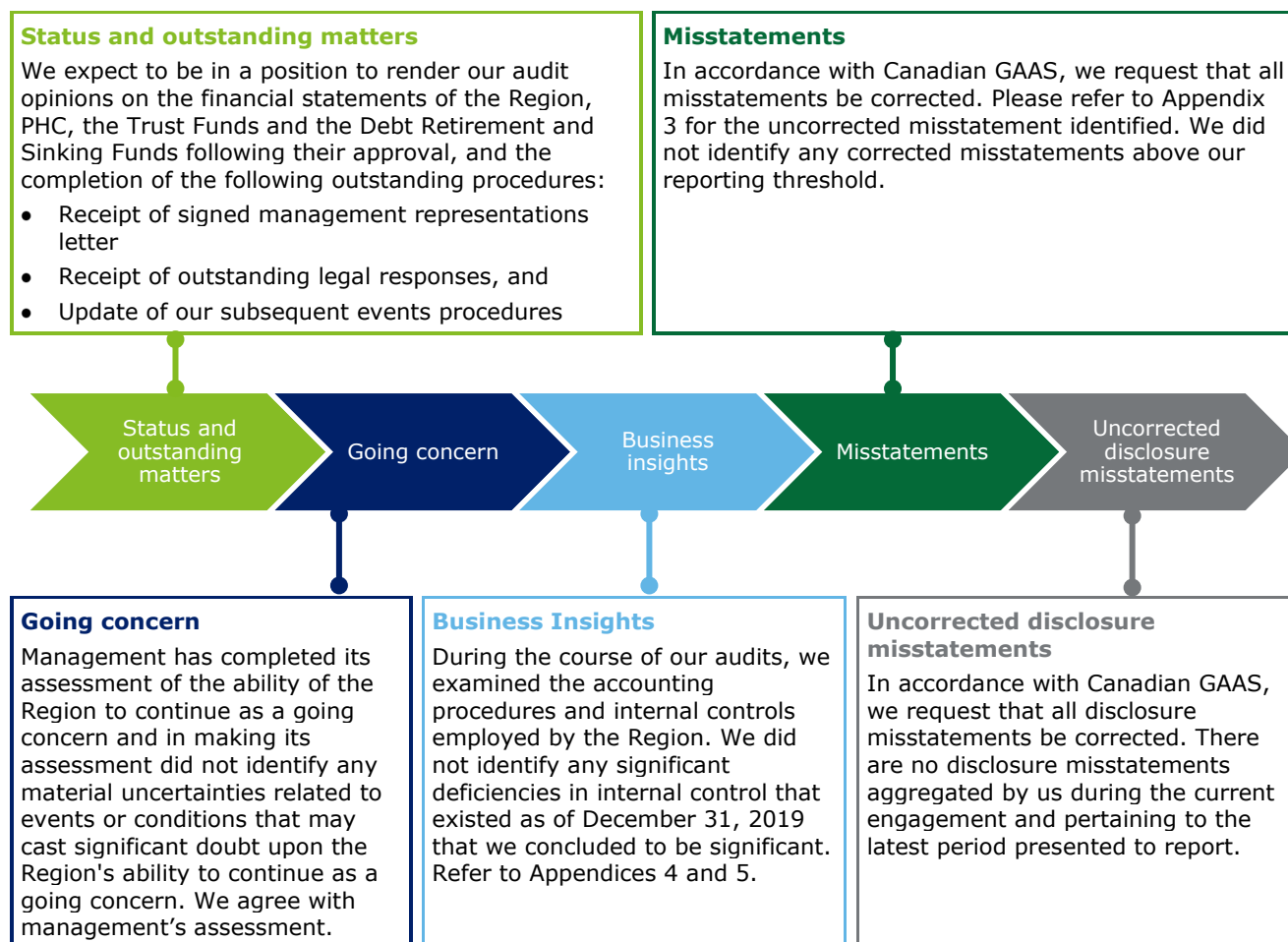
Materiality levels were determined on the basis of total expenses.

We have informed the Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

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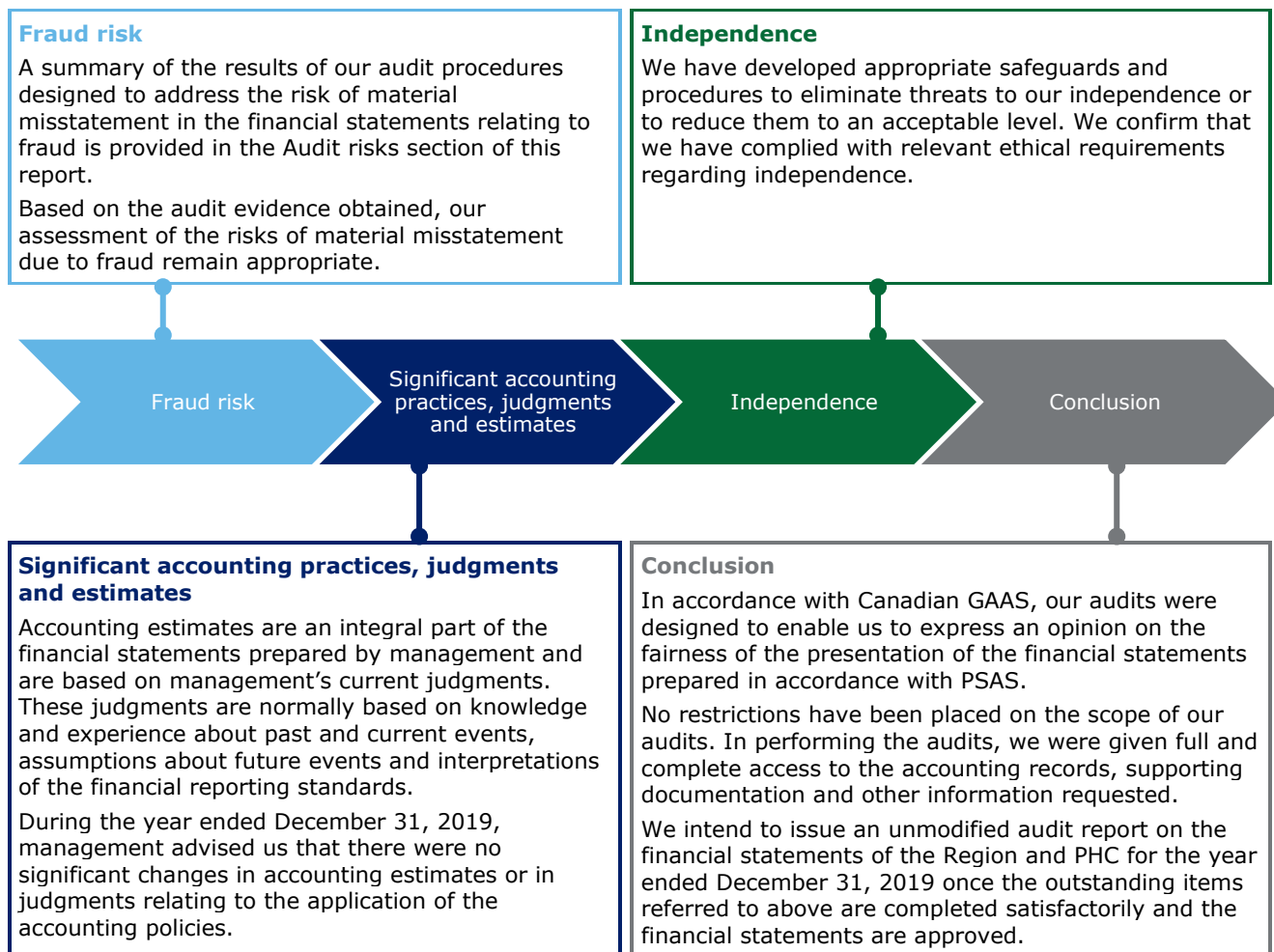
Regional Municipality of Peel and Peel Housing Corporation | Our audit explained



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Regional Municipality of Peel and Peel Housing Corporation | Our audit explained



Audit risks

Region of Peel

Revenue and deferred revenue amounts*

Audit risk

Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition.

Our audit response

- Substantive testing to determine if restricted contributions (i.e., development charges, gas tax, conditional grants, etc.) have been recognized as revenue in the appropriate period.

Audit results

No significant issues were noted as a result of this testing.

Year-end cut-off

Audit risk

Determine if cut-off of revenues and expenses is appropriate.

Our audit response

- Substantive testing on accounts payable, accrued liabilities, deferred revenue and accounts receivable, and
- Test disbursements subsequent to year-end.

Audit results

No significant issues were noted as a result of this testing.

Tangible capital assets

Risk identified

Appropriate accounting and disclosure.

Our audit response

- Test assumptions used in determining completeness, valuation, recording and cut-off of 2019 additions and disposals, and
- Testing of calculations of amortization.

Audit results

Please refer to Appendix 3.

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Regional Municipality of Peel and Peel Housing Corporation | Audit risks

Year-end accruals and other estimates (including salaries, employee future benefits, landfill closure and post-closure liability, contaminated sites, and allowance for doubtful accounts)

Audit risk	Our audit response	Audit results
Estimates require management judgments and assumptions.	<ul style="list-style-type: none">• Obtain documentation on management’s control over accounting estimates and assess risk• Review and assess the consistency of major assumptions used to develop significant accounting estimates• Compare actual historical experience to models employed in such calculations• Obtain calculations from experts for accruals such as employee future benefit liability and landfill liability, and assess assumptions and data used to prepare the report, and• Review actual outcome of prior year estimates.	No significant issues were noted as a result of this testing.

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Regional Municipality of Peel and Peel Housing Corporation | Audit risks

Management override of controls*

Audit risk

Management override of controls is a presumed area of risk in a financial statement audit due to management's ability to override controls that otherwise appear to be operating effectively.

Our audit response

- Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements
- We will obtain an understanding of the business rationale for significant transactions that we become aware of that are outside of the normal course of business, or that otherwise appear to be unusual given our understanding of the Region and its environment
- We will review accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement
- In addition, experienced Deloitte personnel will be assigned to the testing and review of journal entries and areas of estimates, and
- Professional skepticism will be maintained throughout the audit.

Audit results

Management has represented to us that they have not identified any fraud or illegal items and our audit procedures support this assessment.

Peel Housing Corporation

Tenant and other receivables/revenue*

Audit risk

Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition. Valuation of tenant and other receivables.

Our audit response

- Review aging reports and estimate allowance for doubtful tenant receivables for reasonableness
- Confirm subsidies received from the Service Manager, and
- Perform detail testing of tenant and other receivables and related revenue.

Audit results

No significant issues were noted as a result of this testing.

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Tangible capital assets

Audit risk	Our audit response	Audit results
Appropriate accounting and disclosure.	<ul style="list-style-type: none">Substantive testing of capital asset additions and disposals, andTesting of calculations of amortization.	No significant issues were noted as a result of this testing.

Long-term debt

Audit risk	Our audit response	Audit results
Appropriate accounting and disclosure.	<ul style="list-style-type: none">Confirm long-term debt balances, andRecalculate interest.	No significant issues were noted as a result of this testing.

*These areas have been identified as areas of significant risk.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Audit and Risk Committee as part of the audit plan.

	Comment
Changes to the audit plan	The audits were conducted in accordance with our audit plan, which was communicated to the Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audits. There were no significant delays in receiving information from management required for the audits nor was there an unnecessarily brief timetable in which to complete the audits.
Related party transactions	Related party transactions or balances have been properly disclosed in the financial statements. We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.
Disagreements with management	During the course of our audits, there were no disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has informed us that the Region and PHC has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Region and PHC.
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events.

Appendix 1 – Communication requirements

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14	Master services agreement dated July 22, 2016, and confirmation of changes letter dated November 19, 2018
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk d. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit 	CAS 260.15	Audit service plan dated July 31, 2019.
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	Audit service plan dated July 31, 2019.
Enquiries of those charged with governance		
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.20	We are not aware of any fraudulent events
5. Any known suspected or alleged fraud affecting the Region	CAS 240.21	None noted
6. Whether the Region is in compliance with laws and regulations	CAS 250.14	Other reportable matters section
Year End Communication		
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	None noted
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	Other reportable matters section

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

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Regional Municipality of Peel and Peel Housing Corporation | Appendix 1 – Communication requirements

Required communication	Reference	Refer to this report or document described below
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	Other reportable matters section
10. Matters related to going concern	CAS 570.23	Page 2 of this report
11. Management judgments and accounting estimates	CAS 260.16 a.	Other reportable matters section
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	Other reportable matters section
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Master services agreement dated July 22, 2016, confirmation of changes letter dated November 19, 2018, audit service plan dated August 3, 2018, and Management representation letter – Appendix 6
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16d.	None
15. Modifications to our Independent Auditor's Reports.	CAS 260.A18	None
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19	None
17. Significant matters discussed with management	CAS 260.A.19	None
18. Matters involving non-compliance with laws and regulations that come to our attention.	CAS 250.23	None noted
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	None noted
20. Uncorrected misstatements and disclosure items	CAS 450.12-13	Appendix 3 of this report
21. Any significant matters arising during the audit in connection with the Region's related parties	CAS 550.27	None noted

Appendix 2 – Independence letter



March 23, 2020

Private and confidential

The Members of the Audit and Risk Committee
Regional Municipality of Peel
10 Peel Centre Drive
Brampton ON L6T 4B9

Dear Audit and Risk Committee Members:

We have been engaged to audit the consolidated financial statements of Regional Municipality of Peel (the "Region") and the financial statements of Peel Housing Corporation ("PHC") for the year ended December 31, 2019.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Region, PHC, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a. Holding a financial interest, either directly or indirectly, in a client.
- b. Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c. Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d. Economic dependence on a client.
- e. Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the Firm as appropriate, the Firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 8, 2019, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities (defined as the Member Firms of Deloitte Touche Tohmatsu Limited and their respective affiliates) and the Region, PHC and its affiliates, or persons in financial reporting oversight roles at the Region and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 8, 2019 to March 6, 2020.

We hereby confirm that we are independent with respect to the Region and PHC in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of March 6, 2020.

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This letter is intended solely for the information and use of the Committee, management, and others within the Region and PHC and is not intended to and be should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on.

Yours truly,

"Original signed by Deloitte"

Chartered Professional Accountants
Licensed Public Accountants

Appendix 3 – Summary of misstatements

Uncorrected misstatement (Region of Peel)

	Debit \$ (000's)	Credit \$ (000's)
January 1, 2019		
Accumulated surplus	38,495	
Tangible capital assets		38,498
To adjust the opening tangible capital assets and accumulated surplus balances for linear assets that were disposed of in prior years.		

Appendix 4 – Region management letter



March 23, 2020

Private and confidential

Mr. Stephen VanOfwegen
Commissioner of Finance and Chief Financial Officer
Regional Municipality of Peel
10 Peel Centre Drive
Brampton ON L6T 4B9

Dear Mr. VanOfwegen:

We have audited the financial statements (hereinafter referred to as "annual financial statements") of Regional Municipality of Peel (the "Region") as at and for the year ended December 31, 2019 and will issue our Independent Auditor's Report thereon upon approval by the Treasurer. In planning and performing our audit of the Regions' annual financial statements, we reviewed the Region's systems and internal controls to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian generally accepted auditing standards. Under these standards, the fundamental purpose of the evaluation is to assess audit risk and to establish a basis for reliance on the internal controls in determining the nature, extent and timing of other auditing procedures, which are necessary for the expression of an opinion on the financial statements; it is not to determine whether internal controls are adequate for management's purposes.

The maintenance of adequate controls designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time, may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the Region.

Our consideration of internal control over financial reporting in our audit of the annual financial statements would not necessarily disclose all internal control matters that might be weaknesses under Canadian Auditing Standards. A weakness in internal control is a deficiency in the design or effective operation of internal control. A weakness in internal control is significant if the deficiency is such that a material misstatement is not likely to be prevented or detected in the financial statements being audited.

This letter is intended solely for the purposes of management and those charged with governance and is not suitable for any other purposes. We shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, any other purposes.

Definitions

A control deficiency is a deficiency in the design or effective operation of internal control. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Canadian Auditing Standards

A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that a material misstatement of Region's annual financial statements is not likely to be prevented or detected.

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Professional standards

Professional standards require us to communicate significant deficiencies identified during the audit to management and those charged with governance.

Material weaknesses

While the audit did not include an in-depth evaluation of all systems or all aspects of any individual system, we undertake to report any internal control matters which come to our attention during the audit. During the audit, we did not identify any control deficiencies that, individually or in the aggregate, we consider to be a material weaknesses as defined above. However, our comments and recommendations set out in the attached report relate to internal control matters that we wanted to bring to your attention.

We would be pleased to discuss our recommendations and provide any assistance you may wish in their implementation.

Yours truly,

"Original signed by Deloitte"

Chartered Professional Accountants
Licensed Public Accountants

Enclosure

c: Members of the Audit and Risk Committee

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1. Privileged access

Observation

During our review of privileged access, we noted that 3 individuals have been granted SYSADMIN (System Administration) privileges to the CC&B billing application system, resulting in a segregation of duties conflict as access to such privileges should be limited to IT and security personnel.

Impact

There is a risk that the level of security is insufficient as business users having privileges that are not part of their job responsibilities. For example, these business users have access privileges that grant them the ability to make user access and system modifications to the application, which could result in unauthorized changes.

Recommendation

We recommend that management review its users to the CC&B system to ensure that access is appropriately provisioned based on the principle of least-privileged access and enforcing segregation of duties.

In certain instances, we recognize that this may not be possible due to the size of the team. Accordingly, we recommend that appropriate logging mechanisms are in place to allow for independent monitoring of activity performed on the system. Documentation related to the review of activity performed on the system should be retained for future reference.

Management response

Analytical support is a small team of individuals taking care of CC&B from the business side. Their job roles require privileged access to troubleshoot and maintain the system. However, we will once again review the access and monitoring activities to achieve segregation of duties.

2. User access revocation process

Observation

For 5 of 25 sampled terminated employees, we noted that there was a more than 15-day delay (based on the Region of Peel's existing policy) in revoking access from the Windows network (Active Directory).

We further noted that the Windows network (Active Directory) user accounts associated with these 5 individuals were not accessed after their last working date.

Impact

If Network access is not revoked in a timely manner it could result in unauthorized access.

Recommendation

We recommend that management conduct a review of existing users on the system to determine if other terminated employees continue to have access to data and systems.

Management may also want to consider reviewing its termination practices and policies to determine whether a 15 day window is appropriate in light of cybersecurity risks.

Management response

IT will review the practices and policies to ensure notice of terminations are submitted to IT on a timely basis and accounts are disabled immediately.

Appendix 5 – Peel Housing Corporation management letter



March 23, 2020

Private and confidential

Ms. Andrea Warren
General Manager
Peel Housing Corporation
10 Peel Centre Drive
Brampton ON L6P 4B9

Dear Ms. Warren:

We have audited the financial statements (hereinafter referred to as "annual financial statements") of Peel Housing Corporation ("PHC") as at and for the year ended December 31, 2019 and will issue our Independent Auditor's Report thereon upon approval of the Board of Directors. In planning and performing our audit of PHC's annual financial statements, we considered PHC's internal control over financial reporting in order to determine the nature, extent and timing of our auditing procedures for the purpose of expressing our opinion on the annual financial statements. A financial statement audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

The maintenance of adequate controls designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time, may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in PHC.

Our consideration of internal control over financial reporting in our audit of the annual financial statements would not necessarily disclose all internal control matters that might be weaknesses under Canadian Auditing Standards. A weakness in internal control is a deficiency in the design or effective operation of internal control. A weakness in internal control is significant if the deficiency is such that a material misstatement is not likely to be prevented or detected in the financial statements being audited.

This letter is intended solely for the purposes of management and those charged with governance and is not suitable for any other purposes. We shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, any other purposes.

Definitions

A control deficiency is a deficiency in the design or effective operation of internal control. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Canadian Auditing Standards

A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that a material misstatement of PHC's annual financial statements is not likely to be prevented or detected.

Professional standards

Professional standards require us to communicate significant deficiencies identified during the audit to management and those charged with governance.

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Material weaknesses

During the audit, we did not identify any control deficiencies that, individually or in the aggregate, we consider to be material weaknesses as defined above.

Yours very truly,

"Original signed by Deloitte"

Chartered Professional Accountants
Licensed Public Accountants

c: Members of the Audit and Risk Committee

Appendix 6 – Draft management representation letter

Regional Municipality of Peel

_____, 2020

Private and confidential

Mr. Trevor Ferguson
Deloitte LLP
400 Applewood Crescent
Suite 400
Vaughan ON L4K 0C3

Dear Mr. Ferguson:

Subject: Consolidated financial statements of Regional Municipality of Peel for the year ended December 31, 2019

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of the Regional Municipality of Peel (the "Region" or "we" or "us") for the year ended December 31, 2019, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Region in accordance with Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the Master Services Agreement between the Region and Deloitte dated July 22, 2016, and amended November 19, 2018, for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Region as at December 31, 2019 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Region has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2019 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

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3. The Region has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200.
4. We have determined that the Financial Statements are complete as of date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2019 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

Internal Controls

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

9. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
13. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Region.

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14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

17. Prior to the Region having any substantive employment conversations with a former or current Deloitte engagement team member, the Region has held discussions with Deloitte and obtained approval from the Audit and Risk Committee.
18. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit and Risk Committee in accordance with its established approval policies and procedures.

Other matters

19. The Region has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
21. We have disclosed to you, and the Region has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
22. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

Selection of accounting policies and recording of transactions

23. The Region's accounting policies and their method of application have been applied on a basis consistent with that of the audited consolidated financial statements as at and for the year ended December 31, 2018.

Work of management's experts

24. We agree with the work of management's experts in evaluating the landfill liability and employee future benefits liability, and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Plans or intentions affecting carrying value/classification of assets and liabilities

25. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

Loans and receivables

26. The Region is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
27. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

Investments

28. With regard to the Region's investments, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would indicate any other than temporary impairment of the investment's value.

Employee future benefits

29. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.
30. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
31. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
32. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.

Liabilities for contaminated sites

33. We have evaluated all of our tangible capital assets that we own or accept responsibility, and have not identified any sites in which contamination exceeds an environmental standard.

Deferred revenue relating to York-Peel Water Supply Agreement

34. With respect to the deferred revenue amount relating to the York-Peel Water Supply Agreement, we believe that the amount represents management's best estimate of the liability as at December 31, 2019, and incorporates our best judgment and assumptions about the transaction up to the date of this letter. Management believes the deferred revenue amount adequately represents the Region's liability.

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_____, 2020
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Various matters

35. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:

- a. Economic dependence on another party;
- b. Losses arising from sale and purchase commitments;
- c. Agreements to buy back assets previously sold;
- d. Provisions for future removal and site restoration costs;
- e. Sales with recourse provisions
- f. Sales incentives, including cash consideration provided to customers and vendor rebates
- g. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.
- h. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
- i. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
- j. All impaired loans receivable;

36. We have not provided you access to review certain minutes and reports which may violate the solicitor-client privilege. The Regional Solicitor has reviewed all minutes and reports impacted by the solicitor-client privilege, and has concluded that there are no material liabilities or contractual obligations included in them which are not already reflected in the consolidated financial statements of the Region.

Yours truly,
Regional Municipality of Peel

Nancy Polsinelli
Chief Administrative Officer

Stephen VanOfwegen
Chief Financial Officer and Commissioner of Finance

Stephanie Nagel
Treasurer and Director, Corporate Finance

Appendix A

Summary of uncorrected financial statement misstatements

Regional Municipality of Peel
Year ended December 31, 2019

Uncorrected misstatement

	Debit \$ (000's)	Credit \$ (000's)
January 1, 2019		
Accumulated surplus	38,495	
Tangible capital assets		38,498
To adjust the opening tangible capital assets and accumulated surplus balances for linear assets that were disposed of in prior years.		

Peel Housing Corporation

_____, 2020

Private and confidential

Mr. Trevor Ferguson
Deloitte LLP
400 Applewood Crescent
Suite 400
Vaughan ON L4K 0C3

Dear Mr. Ferguson:

**Subject: Financial statements of Peel Housing Corporation for the year ended
December 31, 2019**

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the financial statements of the Peel Housing Corporation (the "Corporation" or "we" or "us") for the year ended December 31, 2019, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Corporation in accordance with Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the Master Services Agreement between the Corporation and Deloitte dated July 22, 2016, and amended November 19, 2018, for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Corporation as at December 31, 2019 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Corporation has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2019 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

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3. The Corporation has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200.
4. We have determined that the Financial Statements are complete as of date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2019 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

Internal Controls

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

9. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
13. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Corporation.

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14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

17. Prior to the Corporation having any substantive employment conversations with a former or current Deloitte engagement team member, the Corporation has held discussions with Deloitte and obtained approval from the Audit and Risk Committee.
18. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit and Risk Committee in accordance with its established approval policies and procedures.

Other matters

19. The Corporation has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
21. We have disclosed to you, and the Corporation has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
22. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

Selection of accounting policies and recording of transactions

23. The Corporation's accounting policies and their method of application have been applied on a basis consistent with that of the audited financial statements as at and for the year ended December 31, 2018.

Work of management's experts

24. We agree with the work of management's experts in evaluating the landfill liability and employee future benefits liability, and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Plans or intentions affecting carrying value/classification of assets and liabilities

25. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

Investments

26. With regard to the Corporation's investments, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would indicate any other than temporary impairment of the investment's value.

Employee future benefits

27. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.
28. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
29. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
30. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.

Liabilities for contaminated sites

31. We have evaluated all of our tangible capital assets that we own or accept responsibility, and have not identified any sites in which contamination exceeds an environmental standard.

Various matters

32. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. Economic dependence on another party;
 - b. Losses arising from sale and purchase commitments;
 - c. Agreements to buy back assets previously sold;
 - d. Provisions for future removal and site restoration costs;
 - e. Sales with recourse provisions
 - f. Sales incentives, including cash consideration provided to customers and vendor rebates
 - g. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

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- h. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
 - i. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
 - j. All impaired loans receivable;
33. We have not provided you access to review certain minutes and reports which may violate the solicitor-client privilege. The Corporation Solicitor has reviewed all minutes and reports impacted by the solicitor-client privilege, and has concluded that there are no material liabilities or contractual obligations included in them which are not already reflected in the financial statements of the Corporation.

Yours truly,
Peel Housing Corporation

Andrea Warren, General Manager, Peel Living

Stephanie Nagel, Treasurer, Peel Living

Patricia Caza, Acting Chair of the Board of Directors, Peel Living

Appendix 7 – New and Revised Accounting and Auditing Standards

The following is a summary of certain new standards, amendments and proposals that will become effective in 2021 and beyond.

To review all recent amendments that will impact your organization in the foreseeable future, we invite you to review our revamped [Standard-setting Activities Digest](http://www.cfr.deloitte.ca), included in our Centre for Financial Reporting (www.cfr.deloitte.ca).

Public Sector Accounting Standards

Topic	Description	Effective Date
Section PS 1201 - Financial statement presentation	This new section was published by PSAB in June 2011. It revises and replaces Section PS 1200 Financial statement presentation. It establishes general reporting principles and standards for the disclosure of information in government financial statements.	This Section is effective when Sections PS 2601 and PS 3450 are adopted.
Section PS 2601 Foreign currency translation.	This section revises and replaces PS 2600, Foreign currency translation. It establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.	This Section is effective for fiscal years beginning on or after April 1, 2019. For government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook, this Section applies to fiscal years beginning on or after April 1, 2012. Governments and government organizations would also adopt Section <u>PS 3450</u> at the same time. Earlier adoption is permitted.
Section PS 3041 - Portfolio investments	This section revises and replaces PS 3040, Portfolio investments. It establishes standards on how to account for and report portfolio investments in government financial statements.	This Section is effective when Sections PS 1201, PS 2601 and PS 3450 are adopted.
Section PS 3450 - Financial instruments	This new section was published by PSAB in June 2011. It establishes standards on how to account for and report all types of financial instruments including derivatives.	This section is effective for fiscal years beginning on or after April 1, 2019. For government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook, this Section applies to fiscal years beginning on or after April 1, 2012. Governments and government organizations would also adopt <u>PS 2601</u> at the same time. Earlier adoption is permitted.

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2019 Deloitte Audit Results Report

Regional Municipality of Peel and Peel Housing Corporation | Appendix 7 – New and Revised Accounting and Auditing Standards

Topic	Description	Effective Date
Section PS 3280 - Asset retirement obligations	This Section establishes standards on how to account for and report a liability for asset retirement obligations.	Effective April 1, 2021, earlier application is permitted.
Section PS 3400 - Revenue	This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.	Effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted. The Section may be applied retroactively or prospectively.

Appendix 8 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies (www.bestmanagedcompanies.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO 	The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.
<input type="checkbox"/> Centre for financial reporting (www.cfr.deloitte.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
<input type="checkbox"/> Financial Reporting Insights (www.iasplus.com/fri)	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> • Directors • CEO/CFO 	Bi-monthly publication examining a key topic in detail, including the perspectives of a Deloitte professional with deep expertise in the subject matter as well as the views of an experienced external director.
<input type="checkbox"/> State of change (www.iasplus.com/StateOfChange)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Bi-monthly newsletter providing insights into key trends, developments, issues and challenges facing the not-for-profit sector in Canada, with a Deloitte point of view.
<input type="checkbox"/> Deloitte Financial Reporting Update (www.deloitte.com/ca/update)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.

For Information

REPORT TITLE: **2019 Region of Peel Consolidated Financial Statements**

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To present the 2019 Region of Peel unaudited consolidated financial statements.

REPORT HIGHLIGHTS

- The 2019 Region of Peel consolidated financial statements reflect the financial position, financial operations, and cash flows of all Region of Peel consolidated entities.
 - The 2019 consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.
 - There is one uncorrected misstatement that was identified during the 2019 audit.
 - Deloitte has completed the annual audit of the consolidated financial statements and is expected to issue an unmodified audit opinion on April 16, 2020.
-

DISCUSSION

1. Background

The 2019 consolidated financial statements and related notes have been prepared by Regional staff and are in accordance with the Canadian public sector accounting standards financial reporting framework, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The statements reflect the financial activities of all entities which are accountable to the Region of Peel including the Peel Regional Police Services Board and the Peel Housing Corporation (PHC).

2. Findings

a) Highlights from the 2019 Consolidated Financial Statements

The 2019 consolidated financial statements have been provided in Appendix I.

The tables below present highlights from the 2019 consolidated financial statements, along with comments on the major variances.

2019 Region of Peel Consolidated Financial Statements

i. Statement of Financial Position (In \$000s)

	2019 Actuals	2018 Actuals	Favourable/ (Unfavourable)
Financial Assets (A)	2,854,611	2,723,142	131,469
Liabilities (B)	2,519,697	2,503,133	(16,564)
Net Financial Assets C = (A-B)	334,914	220,009	114,905
Non-Financial Assets (D)	11,658,221	11,331,897	326,324
Accumulated Surplus (C+D)	11,993,135	11,551,906	441,229

Financial assets include cash and assets that can be quickly converted to cash. The increase in financial assets of \$131.4 million is due to an increase in cash and portfolio investments balances, resulting from growth in the Region's investment portfolio. The remaining variance relates to an increase in the gross long-term debt recoverable from the local municipalities due to new debt issued on behalf of all three local municipalities.

Liabilities represent obligations that require future payment or services. Most of the \$16.5 million increase relates to an accrual for the development charge refunds owed to developers as a result of the Local Planning Appeal Tribunal appeal. This is slightly offset by a decrease in long-term debt and mortgages payable, as a result of repayments made during the year.

Net Financial Assets are an indicator of the Region's ability to finance future activities and meet its liabilities and commitments. The increase in this amount reflects the Region's strong cash management practices and ability to meet future financial obligations.

Non-Financial Assets are physical assets that are owned and used to deliver future programs and services. The increase in this balance reflects the Region's continued investment in both new infrastructure and the replacement of existing infrastructure required to deliver services to Peel residents and business, now and in the future.

2019 Region of Peel Consolidated Financial Statements

ii. Statement of Operations (In \$000s)

	2019 Actuals	2018 Actuals	Favourable/ (Unfavourable)
Total Revenues	2,901,736	2,805,275	96,461
Total Expenses	2,460,507	2,345,496	(115,011)
Annual Surplus	441,229	459,779	(18,550)

Total Revenues represents the money received or revenues earned during the year. Revenues are higher in 2019 due to increases in investment income, levies, water and wastewater billing, as well as an increase in the amount of assets donated to the Region by developers during the year.

Total Expenses represents the money spent or costs incurred during the year. Expenses are higher in 2019 due to the following: top up received in federal gas tax funds that were flowed through to the local municipalities, increases in spending on PHC and Region of Peel housing capital projects that did not meet tangible capital asset criteria, as well as a write-down related to water and wastewater linear assets that were disposed of and not previously recorded. This is discussed further under the Audit Results section of this report.

iii. Budget Reconciliation

The budget reported in the consolidated financial statements differs from the budget book approved by Council in the annual budget process. Adjustments are needed to convert the budget reported in the budget book from a modified accrual basis to a full accrual basis for financial statement purposes. Note 13 in the consolidated financial statements reconciles the approved budget to the budget amounts presented in the consolidated financial statements.

b) Adoption of New Accounting Standard

Effective January 1, 2019, the Region adopted a new Canadian public sector accounting standard PS 3430 Restructuring Transactions on a prospective basis. The new standard provides guidance on accounting for, and reporting assets and liabilities transferred in restructuring transactions by both transferors and recipients. The adoption of this new standard has not had a material impact on these financial statements.

c) Government Finance Officers Association (GFOA) Awards

The Region of Peel received two awards from the Government Finance Officers Association (GFOA) of the United States and Canada for its 2018 financial reporting. The Region has earned the Canadian Award for Financial Reporting for the 18th

2019 Region of Peel Consolidated Financial Statements

consecutive year. This award recognizes excellence in governmental accounting and financial reporting. The second award that Peel earned this year is the Popular Annual Financial Reporting Award. This is the first time Peel has earned this award, which encourages local governments to extract information from their annual financial report to produce a high quality popular annual financial report that is designed to be readily accessible and easily understandable to the general public.

Staff are currently preparing the 2019 Community for Life Report and the annual popular report which will be submitted for the GFOA awards this year.

d) Audit Results

The *Municipal Act, 2001*, as amended, requires that the Region's consolidated financial statements be audited on an annual basis. Deloitte conducts the audit of the annual consolidated financial statements.

The 2019 Auditor's Report reflects Deloitte's opinion that the financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Peel as at December 31, 2019, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

An uncorrected misstatement of \$38.5 million was identified during the 2019 audit, which related to the disposal of water and wastewater linear assets that were not previously removed from the tangible capital asset balance. This is discussed further in the companion report "Deloitte Audit Results Report" presented to Audit and Risk Committee on April 16, 2020.

It is anticipated that the unmodified audit opinion will be issued by Deloitte on April 16, 2020.

CONCLUSION

The 2019 consolidated financial statements are presented for the Audit and Risk Committee's review and demonstrate a strong, healthy and financially responsible position.

APPENDICES

Appendix I - 2019 Region of Peel Consolidated Financial Statements

For further information regarding this report, please contact Stephanie Nagel, Director, Corporate Finance and Treasurer, Ext. 7105, stephanie.nagel@peelregion.ca.

Authored By: Sandy Calandra, Manager, Accounting Services

2019 Region of Peel Consolidated Financial Statements

Reviewed and/or approved in workflow by:

Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.

A handwritten signature in black ink, reading "Nancy Polsinelli". The signature is written in a cursive style with a large initial "N" and "P".

N. Polsinelli, Interim Chief Administrative Officer

(Unaudited)

Consolidated financial statements of

The Regional Municipality of Peel

December 31, 2019

Consolidated financial statements of

The Regional Municipality of Peel

December 31, 2019

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Regional Municipality of Peel

Opinion

We have audited the consolidated financial statements of the Regional Municipality of Peel, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Peel as at December 31, 2019, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 consolidated financial statements* section of our report. We are independent of The Regional Municipality of Peel in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements 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.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Regional Municipality of Peel's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional Municipality of Peel or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Municipality of Peel's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 these consolidated financial statements.

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 consolidated financial statements, 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 Regional Municipality of Peel's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Municipality of Peel's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Municipality of Peel to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Regional Municipality of Peel to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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
April 16, 2020

The Regional Municipality of Peel Consolidated Statement of Financial Position

As at December 31, 2019

(All dollars in \$000)

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 543,539	\$ 475,921
Accounts receivable (Note 4)	161,700	166,166
Loans receivable (Note 5)	13,660	11,886
Portfolio investments (Note 3)	1,894,325	1,874,678
Recoverable gross long-term debt from area municipalities (Note 10)	241,387	194,491
	2,854,611	2,723,142
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	686,027	639,945
Deferred revenue (Note 7)	119,467	139,987
Landfill closure and post-closure liability (Note 8)	56,904	43,778
Employee future benefits and post-employment liabilities (Note 9)	131,212	121,178
Other liabilities	4,277	4,179
Long-term debt (Note 10)	1,389,327	1,402,458
Mortgages payable on income-producing properties (Note 10)	132,483	151,608
	2,519,697	2,503,133
NET FINANCIAL ASSETS	334,914	220,009
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	11,627,537	11,298,558
Prepaid expenses	24,707	27,749
Inventory	5,977	5,590
	\$ 11,658,221	\$ 11,331,897
ACCUMULATED SURPLUS (Note 11)	\$ 11,993,135	\$ 11,551,906

The accompanying notes are an integral part of these consolidated financial statements.

The Regional Municipality of Peel

Consolidated Statement of Operations

For the year ended December 31, 2019

(All dollars in \$000)

	2019 Budget (Note 13)	2019	2018
REVENUES			
Levies on area municipalities	\$ 1,082,016	\$ 1,083,265	\$ 1,043,679
Direct charges on ratepayers	413,683	412,930	401,482
Contributions – other governments	724,379	798,861	796,150
Contributions – developers	486,832	252,359	257,130
Contributed tangible capital assets	-	105,973	64,734
Investment income	63,775	78,220	67,559
Fees, service charges and other	154,692	170,128	174,541
Total revenues	2,925,377	2,901,736	2,805,275
EXPENSES (Note 15)			
General government	55,430	56,248	80,068
Protection to property and persons	504,573	502,822	480,911
Transportation services	138,696	138,264	149,139
GO Transit	-	12,301	14,470
Gas tax transferred to area municipalities	34,791	69,712	34,283
Environmental services	604,171	651,305	585,966
Health services	187,511	184,608	175,352
Social and family services	626,044	584,757	605,922
Social housing	261,847	231,060	190,749
Planning and development	10,336	9,999	9,656
Assessment/other	19,448	19,431	18,980
Total expenses	2,442,847	2,460,507	2,345,496
Annual surplus	482,530	441,229	459,779
Accumulated surplus, beginning of year	11,551,906	11,551,906	11,092,127
ACCUMULATED SURPLUS, END OF YEAR (Note 11)	\$ 12,034,436	\$ 11,993,135	\$ 11,551,906

The accompanying notes are an integral part of these consolidated financial statements.

The Regional Municipality of Peel

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2019
(All dollars in \$000)

	2019 Budget (Note 13)	2019	2018
ANNUAL SURPLUS	\$ 482,530	\$ 441,229	\$ 459,779
Acquisition of tangible capital assets	(549,810)	(551,620)	(559,463)
Amortization of tangible capital assets	265,208	284,890	279,267
Contributed tangible capital assets	-	(105,971)	(64,734)
Write-down of tangible capital assets	-	41,514	-
Loss on sale of tangible capital assets	-	958	162
Proceeds on sale of tangible capital assets	-	1,250	1,336
	197,928	112,250	116,347
Acquisition of inventory	-	(11,545)	(11,850)
Acquisition of prepaid expenses	-	(13,238)	(5,023)
Consumption of inventory	-	11,158	11,505
Use of prepaid expenses	-	16,280	4,613
Change in net financial assets	\$ 197,928	\$ 114,905	\$ 115,592
Net financial assets, beginning of year	220,009	220,009	104,417
NET FINANCIAL ASSETS, END OF YEAR	\$ 417,937	\$ 334,914	\$ 220,009

The accompanying notes are an integral part of these consolidated financial statements.

The Regional Municipality of Peel

Consolidated Statement of Cash Flows

For the year ended December 31, 2019
(All dollars in \$000)

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 441,229	\$ 459,779
Items not involving cash		
Amortization of tangible capital assets	284,890	279,267
Loss on sale of tangible capital assets	958	162
Contributed tangible capital assets	(105,971)	(64,734)
Write-down of tangible capital assets	41,514	-
Change in non-cash assets and liabilities		
Accounts receivable	4,466	(8,179)
Recoverable gross long-term debt from area municipalities	9	9
Accounts payable and accrued liabilities	46,082	46,793
Deferred revenue	(20,520)	21,882
Change in landfill closure and post-closure liability	13,126	5,966
Change in employee future benefits and post-employment liabilities	10,034	9,940
Other liabilities	98	(304)
Prepaid expenses	3,042	(410)
Inventory	(387)	(345)
Net change in cash and cash equivalents from operating activities	718,570	749,826
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	1,250	1,336
Cash used to acquire tangible capital assets	(551,620)	(559,463)
Net change in cash and cash equivalents from capital activities	(550,370)	(558,127)
INVESTING ACTIVITIES		
Proceeds from disposals and redemptions of investments	369,376	763,305
Acquisition of investments	(389,023)	(1,217,260)
(Increase) in loans receivable	(1,774)	(601)
Net change in cash and cash equivalents from investing activities	(21,421)	(454,556)
FINANCING ACTIVITIES		
Repayment of long-term debt	(4,168)	(4,051)
Accrual for interest payments	671	671
Contributions to sinking fund	(46,688)	(46,683)
Investment income earned on sinking fund	(9,851)	(7,788)
Repayment of mortgages payable	(19,125)	(22,113)
Net change in cash and cash equivalents from financing activities	(79,161)	(79,964)
Net change in cash and cash equivalents	67,618	(342,821)
Cash and cash equivalents, beginning of year	475,921	818,742
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 543,539	\$ 475,921
Cash paid for interest	\$ 68,335	\$ 81,024
Cash received from interest	60,410	68,191

The accompanying notes are an integral part of these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF PEEL

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019
(All dollars in \$000)

The Regional Municipality of Peel ("Region") is an upper-tier municipality in the Province of Ontario ("Province"), Canada. The provisions of provincial statutes such as the [Municipal Act](#), [Municipal Affairs Act](#) and related legislation guide its operations.

1. Significant Accounting Policies

The consolidated financial statements ("financial statements") of the Region are the representation of management and are prepared in accordance with Canadian public sector accounting standards ("PSAS"), as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada").

The focus of these financial statements is on the financial position of the Region and the changes thereto. The consolidated statement of financial position includes all the financial assets and liabilities of the Region as well as non-financial assets. Financial assets are those assets that could provide resources to discharge existing liabilities or finance future operations. Net financial assets form a part of the financial position and are the difference between financial assets and liabilities. This provides information about the Region's overall future revenue requirements and its ability to finance activities and meet its obligations. Non-financial assets are normally used to deliver services. Their value lies with their service potential rather than their ability to generate future cash inflows. They form part of the financial position, as they provide resources that the Region can employ in the future to meet its objectives. The accumulated surplus is made up of the combination of net financial assets and non-financial assets.

Significant aspects of the accounting policies adopted by the Region are as follows:

a) Basis of Presentation

The financial statements reflect the financial activities of all entities that are accountable to and controlled by the Region, which include:

- Peel Police Services Board ("Peel Police")
- Peel Housing Corporation ("PHC")

All inter-departmental and inter-organizational transactions are eliminated on consolidation. Also included are the Regional contributions to the local conservation authorities, and the funding thereof. The Region is required, by legislation, to reimburse the Municipal Property Assessment Corporation for the cost of Assessment Services that are not administered or controlled by the Region.

Funds held in trust by the Region for residents of Peel Manor and Sheridan Villa Senior Citizens' Residences, the Tall Pines and Malton Village Long-Term Care Centres, and the Vera M. Davis Community Care Centre in the amount of \$213 (2018 – \$218), are not

included in the financial statements. The financial activity and position of the trust funds are reported separately in the trust funds financial statements.

The Region maintains separate funds for the purpose of providing for periodic repayments on debt to be retired by means of sinking funds. The financial activity and position of this fund are disclosed separately in the debt retirement funds and the sinking funds financial statements.

b) Basis of Accounting

i) Accrual Method of Accounting

The Region follows the accrual method of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are the cost of goods or services acquired in the period, whether or not payment has been made or invoices received.

ii) Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a term to maturity of 90 days or less as at December 31.

iii) Investment Income

Investment income earned on surplus current fund, capital fund, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income on unspent obligatory reserve funds is added to obligatory reserve fund balances.

Temporary investments are carried at the lower of cost and market value. Portfolio investments are carried at cost, unless there are impairments in value, at which time they are written down to recognize the loss in value. Discounts or premiums are amortized using the effective interest method.

iv) Loans Receivable

Loans receivable are valued at cost. Recoverability is reviewed annually and a valuation allowance is recorded when recoverability is impaired. A loan receivable is written off when it is no longer recoverable. Recoveries of loans receivable previously written off are recognized in the year received. Interest revenue is recognized as it is earned.

v) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

a. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The Region does not have any tangible capital assets recognized at nominal value. The cost, less residual value, of tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

(Unaudited)

Assets	Useful life – years
Land improvements	5 – 99
Buildings	20 – 100
Building improvements	8 – 100
Leasehold improvements	2 – 40
Equipment and furnishings	3 – 80
Linear	15 – 90
Linear improvements	50
Structures	20 – 60
Vehicles	3

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is in service.

b. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

c. Interest Capitalization

The Region capitalizes interest costs associated with the acquisition or construction of a tangible capital asset relating to certain projects.

d. Natural Resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

vi) Deferred Revenue – Development Charges

Development charges, collected under the authority of Sections 33 to 35 of the [Development Charges Act, 1997](#), are reported as deferred revenue in the consolidated statement of financial position in accordance with PSAS. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period in which the funds are expended on qualifying capital projects. Development charges will also be applied to cover costs for servicing debt including interest on borrowings and contributions to sinking funds to retire debt.

vii) Tax Revenue

Property tax revenue is recognized on an accrual basis when the tax is authorized by the passing of the tax levy by-law. Taxes are levied on properties listed on the assessment roll at the time the by-law is passed based on the approved budget and tax rates. Supplementary taxation is recognized as additional billings issued to properties that are added to the assessment roll during the year.

At year-end, the Region evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognizes a liability if the amount can be reasonably estimated.

viii) Government Transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, and there are no stipulations that give rise to a liability.

ix) Employee Future Benefits and Post-Employment Liabilities

The Region accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

Vacation entitlements are accrued for as entitlements are earned.

Other post-employment benefits and compensated absences are accrued in accordance with the projected benefit method, pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are generally performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to the Region's short and long-term rate of borrowing. Unamortized actuarial gains/losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to Workplace Safety and Insurance Board ("WSIB"), are recorded when determined.

Costs related to prior-period employee services arising out of plan amendments are recognized in the period in which the plan is amended.

Where applicable, the Region has set aside Reserves intended to fund these obligations, either in full or in part. These Reserves were created under municipal by-law and do not meet the definition of a plan asset under *PSAS 3250 Retirement Benefits*. Therefore, for the purposes of these financial statements, the plans are considered unfunded.

x) Landfill Liability

The costs to close an existing landfill site and to maintain closed landfill sites are based on the future estimated expenditures required over a twenty-five year period, discounted using the Region's long-term borrowing rate. These costs are reported as a liability on the consolidated statement of financial position. Landfill sites are amortized using the units of production method based upon capacity used during the year.

xi) Liability for Contaminated Sites

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when the following specified criteria are present:

- Contamination exceeding an environmental standard exists,
- The Region is either directly responsible or accepts responsibility,
- It is expected that the future economic benefit will be given up, and
- A reasonable estimate of the amount is determinable.

If the likelihood of the Region's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the Notes to the financial statements.

xii) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the year-end date. Revenue and expenses are translated at the exchange rate prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in the consolidated statement of operations.

xiii) Use of Estimates

The preparation of these financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Significant estimates relate to accounts receivable, accrued liabilities, landfill closure and post-closure liability, liabilities for contaminated sites, employee future benefits and post-employment liabilities and expenses. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Adoption of Accounting Policies

Effective January 1, 2019, the Region adopted a new Canadian public sector accounting standard PS 3430 Restructuring Transactions on a prospective basis. The new standard provides guidance on accounting for, and reporting assets and liabilities transferred in restructuring transactions by both transferors and recipients. The adoption of this new standard has not had a material impact on these financial statements.

3. Cash and Cash Equivalents and Portfolio Investments

Cash and cash equivalents and portfolio investments reported on the consolidated statement of financial position have cost and market values as follows:

2019		
	Cost	Market Value
Cash	\$ 537,816	\$ 537,816
Cash equivalents	5,723	5,734
Cash and cash equivalents	\$ 543,539	\$ 543,550
Portfolio investments	\$1,894,325	\$1,941,361
2018		
	Cost	Market Value
Cash	\$ 448,933	\$ 485,645
Cash equivalents	26,988	27,198
Cash and cash equivalents	\$ 475,921	\$ 512,843
Portfolio investments	\$1,874,678	\$1,897,374

Included in the Region's investment portfolio are Region of Peel debentures at coupon rates that vary from 1.96 to 4.53 per cent (2018 – 1.57 to 6.70 per cent) with a carrying value \$3,037 (2018 – \$7,934).

4. Accounts Receivable

The balance for accounts receivable is comprised of the following:

	2019	2018
Federal and provincial governments	\$ 33,441	\$ 45,573
Other municipalities	20,638	20,518
Wastewater and water billings	66,815	61,305
Accrued interest	9,249	7,394
Sundry	31,557	31,376
Total	\$ 161,700	\$ 166,166

5. Loans Receivable

The balance for loans receivable includes the following:

- a) A 30-year memorandum of understanding at 5.196 per cent with Credit Valley Conservation ("CVC") to be used to finance the renovation of their head office facility.
- b) A 20-year loan agreement at 5.12 per cent with Abbeyfield Houses of Caledon to be used to finance the construction of affordable housing for senior citizens.
- c) A loan to Shalimar International Housing Corporation; interest to be charged based on the prevailing capital market rate beginning September 1st, 2031; all principal and interest owing to be repaid by September 2nd, 2046.
- d) A loan to Ahneen Co-operative Homes; interest to be charged based on the prevailing capital market rate beginning February 1st, 2027; all principal and interest owing to be repaid by February 2nd, 2042.
- e) A loan to Forum Italia Non-Profit Housing Corporation; interest to be charged based on the prevailing capital market rate beginning July 2nd, 2025; all principal and interest owing to be repaid by July 2nd, 2040.
- f) A loan to Grace Retirement and Community Enterprises Inc.; interest to be charged based on the prevailing capital market rate beginning August 2nd, 2018; all principal and interest owing to be repaid by August 2nd, 2033.
- g) A loan to Chegoggin Co-operative Homes; interest to be charged based on the prevailing capital market rate beginning December 2nd, 2027; all principal and interest owing to be repaid by December 2nd, 2042.
- h) A loan to Indo-Canadian Non-Profit Housing; interest to be charged based on the prevailing capital market rate beginning September 2nd, 2026; all principal and interest owing to be repaid by September 2nd, 2041.
- i) An interest-free subsidy agreement with Erin Court Co-operative Homes; repayable through future operational surpluses.

(Unaudited)

	2019	2018
CVC – memorandum of understanding	\$ 5,695	\$ 5,831
Abbeyfield Houses of Caledon – loan agreement	192	206
Shalimar International Housing – loan agreement	767	767
Ahneen Co-operative Homes – loan agreement	671	671
Forum Italia Non-Profit Housing – loan agreement	1,500	1,449
Grace Retirement and Community Enterprises Inc. – loan agreement	2,471	2,518
Cheggoggin Co-operative Homes – loan agreement	1,647	-
Indo-Canadian Non-Profit Housing – loan agreement	296	-
Erin Court Co-operative Homes – subsidy agreement	421	444
Total	\$ 13,660	\$ 11,886

j) Future Repayments

Estimated future receipts of loans receivable are as follows:

	Total
2020	\$ 156
2021	163
2022	174
2023	182
2024	192
Subsequent to 2024	12,793
Total	\$ 13,660

6. Accounts Payable and Accrued Liabilities

The balance for accounts payable and accrued liabilities is comprised of the following:

	2019	2018
Trade accounts payable	\$ 429,906	\$ 386,758
Provincial government	236,754	236,554
Other municipalities	19,367	16,633
Total	\$ 686,027	\$ 639,945

7. Deferred Revenue

Deferred revenues set aside for specific purposes by legislation, regulation or agreement as at December 31, are composed of the following:

	Balance at December 31, 2018	Inflows	Revenue Earned	Development Charge Remittances	Balance at December 31, 2019
Development Charges	\$ -	\$ 307,367	\$ 252,359	\$ 55,008	\$ -
Federal Gas Tax	31,597	85,158	89,893	-	26,862
Provincial Gas Tax	82	777	775	-	84
General – Region	73,720	75,511	86,528	-	62,703
General – PHC	4,408	170	-	-	4,578
	109,807	161,616	177,196	-	94,227
York/Peel Water Supply Agreement	30,180	510	5,450	-	25,240
Total	\$ 139,987	\$469,493	\$435,005	\$ 55,008	\$119,467

In 2019, the Region received a decision from the Local Planning Appeal Tribunal regarding an amendment to the Region's Development Charges By-law No. 46-2015 to reduce development charges collected for certain services. The Tribunal's Decision requires the Region to remit a portion of previously collected development charges retroactive to the date the By-law was originally enacted. The amount owing in development charge remittances of \$55,008 as of December 31, 2019 has been reflected in Contributions – developers in the consolidated statement of operations and included in Accounts payable and accrued liabilities in the consolidated statement of financial position as at December 31, 2019.

In 2001, the Region entered into a Long-Term Water Supply Agreement ("Agreement") with the Region of York ("York") to supply potable water. The Agreement stipulates a maximum day water demand in each year to be supplied to York. New infrastructure, constructed and used jointly by both Regions since the inception of the Agreement, has been funded through agreed cost-sharing based on allocating the flow capacity available to the Region and York on a project-by-project basis.

In 2013, negotiations with York on the cost-share split for the Hanlan Feedermain resulted in a reduction to the maximum day water demand supplied to York. The reduction in flow requirement impacts the majority of infrastructure which forms part of this agreement. As such, a credit for the investment made by York to-date for this jointly used infrastructure was warranted. The credit in the amount of \$25,240 (2018 – \$30,180) will be used to fund York's share of the construction costs of jointly used infrastructure in the future. In 2017, it was agreed that the remaining balance of the credit will be paid to York upon completion of the Hanlan Feedermain project.

8. Landfill Closure and Post-Closure Liability

The Environmental Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites.

Landfill closure and post-closure care are activities for landfill sites that are expected to occur in perpetuity and requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of groundwater and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance.

The Region has twenty landfill sites, nineteen of which are closed. The Caledon site has capacity but is not currently accepting waste. To fill the remaining unused 5 per cent capacity would result in an estimated remaining life of one year. For the Caledon site and the closed sites, the estimated liability for these expenditures is calculated for a twenty-five year period.

The estimated liability of \$56,904 (2018 – \$43,778) included in the financial statements represents the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Region's long-term borrowing rate of 4.00 per cent (2018 – 4.00 per cent).

As at December 31, the Region maintained a reserve of \$15,297 (2018 – \$16,172), which will be used to fund expected future costs.

9. Employee Future Benefits and Post-Employment Liabilities

Employee future benefits and post-employment liabilities reported on the consolidated statement of financial position consist of the following:

	2019	2018
Retirement benefits:		
- Peel Police	\$ 77,675	\$ 72,936
- Peel Police (LTD recipients)	3,808	4,036
- Peel Region	10,149	9,427
- Peel Region (LTD recipients)	3,865	4,004
	95,497	90,403
Workplace Safety and Insurance Board	35,715	30,775
Total	\$131,212	\$121,178

a) Retirement Benefits

The liability for retirement benefits is for the Region's and the Peel Police's share of costs associated with extending the coverage for health, dental, and life insurance benefits to qualifying employees. Benefit coverage, except for life insurance coverage, and health care spending account for Peel Police, ceases at the age of 65. The valuation treats enrolled members in receipt of long-term disability for two years or less, or WSIB benefits, as continuing to receive active service benefits.

The liability is based on the actuarial valuations as at December 31, 2017, with estimates to December 31, 2019.

The following significant actuarial assumptions adopted in the valuations were based on management's best estimates.

- Future discount rates 3.65 per cent per year for Peel Police
 4.0 per cent per year for Peel Region
- Future inflation rate 1.75 per cent per year
- Future salaries Escalate at 2.75 per cent per year
- Future dental premium rates:
 - Peel Police Escalate at 2.75 per cent per annum
 - Peel Region Escalate at 3.75 per cent per annum
- Future health care premium rates:
 - Peel Police Initial rate of 6.0 per cent decreasing
 by 0.25 per cent per year to the ultimate
 rate of 4.0 per cent
 - Peel Region Initial rate of 6.75 per cent decreasing by
 0.33 per cent per year to the ultimate rate of
 3.75 per cent

The following are the actuarial results for the accrued benefit liability reported on the consolidated statement of financial position:

Retirement Benefits Liability

	2019	2018
Accrued benefit obligation at January 1	\$ 100,147	\$ 95,757
Add: benefit service cost	4,827	4,650
Add: interest accrued	3,789	3,627
Deduct: benefit payments	(4,190)	(3,887)
Accrued benefit obligation at December 31	104,573	100,147
Deduct: unamortized actuarial loss	(9,076)	(9,744)
Liability at December 31	\$ 95,497	\$ 90,403

Retirement Benefits Expense

	2019	2018
Current period benefit cost	\$ 4,827	\$ 4,650
Interest on accrued benefit obligation	3,789	3,627
Amortization of actuarial losses	668	668
Total	\$ 9,284	\$ 8,945

The actuarial loss is the result of assumptions used in the above noted valuations that varied from assumptions used in prior valuations. These assumptions pertained to the distribution of covered employees, discount rate, escalation of health care rates, projected mortality rates, and benefit coverage. The actuarial loss will be amortized over the expected average remaining service life of employees.

b) **Workplace Safety and Insurance Board**

The Region is a Schedule II employer under the *Workplace Safety and Insurance Act*, and, therefore, self-insures the entire risk of their own WSIB claims and is responsible for reimbursing the WSIB for all costs relating to its workers' claims.

The liability reported in the consolidated statement of financial position is based on the actuarial valuation as at December 31, 2017, with estimates to December 31, 2019, that estimated potential liabilities of the Region under the provisions of the *Workplace Safety and Insurance Act*.

The result of the actuarial valuation is as follows:

WSIB Liability

	2019	2018
Accrued benefit obligation at January 1	\$ 47,975	\$ 45,031
Add: estimated cost of claims (service cost)	6,881	6,683
Add: interest accrued	1,821	1,712
Deduct: expected benefits paid	(5,700)	(5,451)
Accrued benefit obligation at December 31	50,977	47,975
Deduct: unamortized actuarial loss	(15,262)	(17,200)
Liability at December 31	\$ 35,715	\$ 30,775

WSIB Benefits Expense

	2019	2018
Current period benefit cost	\$ 6,881	\$ 6,684
Interest on accrued benefit obligation	1,821	1,712
Amortization of actuarial losses	1,938	1,938
Total	\$ 10,640	\$ 10,334

10. Long-Term Debt

Under the terms of the *Municipal Act, 2001*, Regional Council has approved the issuing of debentures to finance its own capital expenses and tangible capital assets, and those of the area municipalities within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs. Debentures issued for such purposes are direct, joint and several obligations of the Region and local municipalities.

In 2019, the Region issued \$74,760 (2018 – \$53,270) in debenture debt, of which \$48,150 (2018 – \$46,270) was on behalf of the City of Mississauga, \$23,000 (2018 - \$Nil) was on behalf of the City of Brampton, and \$3,610 (2018 – \$7,000) was on behalf of the Town of Caledon.

a) **Net Long-Term Debt**

The total for long-term liabilities reported in the consolidated statement of financial position consists of the following:

	2019	2018
Total long-term liabilities incurred by the Region including amounts incurred on behalf of area municipalities	\$1,715,821	\$1,672,413
Less: Total value of Region's sinking fund deposits	(325,452)	(269,046)
Less: Value of Town of Caledon sinking fund assumed by the Region	(1,042)	(909)
Total long-term liabilities	1,389,327	1,402,458
Mortgages payable by Peel Housing Corporation	132,483	151,608
Total mortgages payable on income-producing properties	132,483	151,608
Recoverable from lower-tiers		
City of Mississauga	205,193	181,491
City of Brampton	23,004	-
Town of Caledon	18,138	17,948
Less: Town of Caledon debt assumed by Region	(4,948)	(4,948)
Total recoverable gross long-term debt from area municipalities	241,387	194,491
Net Long-Term Debt at December 31	\$1,280,423	\$1,359,575

Serial debt and sinking fund debentures issued by the Region mature between December 2020 and June 2053 and have interest rates ranging between 1.45 per cent and 5.10 per cent.

Mortgages of \$132,483 (2018 – \$151,608) on PHC properties are secured by a first charge on specific assets of PHC with amortization periods ranging from five to fifty years and interest rates ranging from 1.04 per cent to 6.75 per cent.

Sinking funds were established to provide for the orderly retirement of sinking fund debentures issued by the Region totaling \$1,433,000 (2018 – \$1,433,000). These debentures mature between December 2021 and June 2053.

b) Future Principal Repayments

Estimated future principal repayments for the Region, including sinking fund contributions and PHC, are as follows:

	Peel Housing Corporation	Region of Peel	Total
2020	\$ 18,176	\$ 50,950	\$ 69,126
2021	18,362	161,264	179,626
2022	18,286	42,403	60,689
2023	17,648	42,539	60,187
2024	16,466	42,681	59,147
Subsequent to 2024	43,545	415,836	459,381
Net sinking fund debt repayable	-	392,267	392,267
Total	\$ 132,483	\$1,147,940	\$ 1,280,423

Total interest charges in the amount of \$66,724 (2018 – \$68,002) are reported in the consolidated statement of operations. The charges consist of \$4,707 (2018 – \$5,810) for interest on PHC mortgages and \$62,018 (2018 – \$62,192) for debenture debt.

11. Accumulated Surplus

The accumulated surplus consists of the following balances:

	2019	2018
Investment in tangible capital assets and social housing	\$ 11,486,601	\$ 11,141,972
Reserves and reserve funds	2,130,555	1,952,537
Capital fund	(1,547,397)	(1,471,423)
Current fund	37,022	27,064
Less: unfunded liabilities		
Retiree benefits:		
– Peel Police	(38,110)	(35,932)
– Peel Region	(5,843)	(5,843)
Workplace Safety and Insurance Board	(8,512)	(8,512)
Landfill closure and post-closure costs	(56,904)	(43,778)
Other	(4,277)	(4,179)
Total Accumulated Surplus	\$ 11,993,135	\$ 11,551,906

a) Surplus Management Strategy

The Region has a surplus management strategy that permits year-end transfers to and from reserves to manage the level of surplus carried forward into the next fiscal year. Such transfers are made to ensure that future commitments of the Region can be met, and are based on management's planning of infrastructure replacement, property tax rate and user rate stabilization, potential exposure to program funding shortfalls and contingent liabilities. The allocation of these transfers and their purpose is disclosed annually to Regional Council following completion of the year-end audit. The financial statements include the transfers made to reserves under the surplus management strategy.

b) Reserves and Reserve Funds

Reserves and reserve funds are established by Regional Council as appropriate, and are included in the accumulated surplus position of the Region.

12. Pension Agreements

The Region makes contributions to OMERS on behalf of approximately 8,400 eligible employees. OMERS is a defined benefit pension plan, fully funded by equal contributions from participating employers and employees, and by the investment earnings of the OMERS Fund. OMERS pensions are calculated using a defined benefit formula, taking into account length of service and average annual wage (based upon the highest 60 consecutive months of earnings), that is designed to integrate with the pension payable from the Canada Pension Plan.

During the year, the Region's contribution to OMERS for current service was \$71,499 (2018 – \$69,386). The Region's contributions are reported in the consolidated statement of operations. Employee contributions also amount to \$71,499 (2018 – \$69,386).

For the December 31, 2019 year end, the funded portion of the OMERS pension plan increased to 97 per cent (2018 – 96 per cent). Pension plan assets increased to \$109,000,000 (2018 – \$97,000,000) primarily due to strong investment returns.

13. Budget Data

The budget amounts presented in the consolidated financial statements are based on the 2019 operating and capital budgets approved by Regional Council on January 31, 2019. The following reconciles the approved budget to the budget amounts presented in the consolidated financial statements using the accrual basis of accounting, in accordance with PSAS. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried over one or more fiscal years. Where amounts were budgeted for on a project-oriented basis, the budget amounts used are based on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results.

	Revenues	Expenses
Operating Budget		
Council Approved Budget	\$ 2,496,064	\$ 2,496,064
In-year budget adjustments	900	900
Board Approved Peel Housing Corporation	135,684	135,684
Adjustment for intercompany transactions	(86,704)	(86,704)
PSAB Adjustments		
Contributions to reserves/reserve funds	-	(462,495)
Contributions from reserves/reserve funds	(56,983)	-
Payment to sinking fund for debt retirement	-	(46,683)
Other liabilities	-	(13,126)
Other adjustments	(14,141)	(14,141)
Adjusted Operating Budget	2,474,820	2,009,499
Capital Budget		
Council Approved Budget	1,270,891	1,270,891
Timing difference between budget and spending	(597,991)	(597,991)
Board Approved Peel Housing Corporation	45,050	45,050
PSAB Adjustments		
Contributions from reserves/reserve funds	(327,848)	-
Acquisition of tangible capital assets	-	(549,810)
Amortization	-	265,208
Adjusted Capital Budget	390,102	433,348
Other		
Reserve fund interest and other revenue	60,455	-
Budget as presented in Financial Statements	\$ 2,925,377	\$ 2,442,847

Appendix I
2019 Region of Peel Consolidated Financial Statements

(Unaudited)

14. Tangible Capital Assets

2019

(All dollars in \$000)

Cost	Balance at December 31, 2018	Additions	Disposals & Write-downs	Balance at December 31, 2019
Land	\$ 1,198,182	\$ 23,329	\$ -	\$ 1,221,511
Land improvements	41,387	-	-	41,387
Buildings and building improvements	2,432,436	75,595	(3,633)	2,504,398
Leasehold improvements	28,117	1,581	-	29,698
Linear and linear improvements	8,173,877	438,361	(99,507)	8,512,731
Structures	237,931	-	-	237,931
Vehicles	93,860	18,284	(9,391)	102,753
Equipment and furnishings	2,095,723	68,178	(30,001)	2,133,900
Construction work in progress	1,190,334	32,263	-	1,222,597
Total cost	\$ 15,491,847	\$ 657,591	\$ (142,532)	\$ 16,006,906

Accumulated Amortization	Balance at December 31, 2018	Disposals	Amortization	Balance at December 31, 2019
Land improvements	\$ 17,830	\$ -	\$ 1,273	\$ 19,103
Buildings and building improvements	722,872	(1,943)	47,126	768,055
Leasehold improvements	13,348	-	1,093	14,441
Linear and linear improvements	2,422,168	(59,683)	142,348	2,504,833
Structures	106,933	-	5,691	112,624
Vehicles	50,669	(8,022)	10,248	52,895
Equipment and furnishings	859,469	(29,162)	77,111	907,418
Total accumulated amortization	\$ 4,193,289	\$ (98,810)	\$ 284,890	\$ 4,379,369

Net Book Value	Balance at December 31, 2019
Land	\$ 1,221,511
Land improvements	22,284
Buildings and building improvements	1,736,343
Leasehold improvements	15,257
Linear and linear improvements	6,007,898
Structures	125,307
Vehicles	49,858
Equipment and furnishings	1,226,482
Construction work in progress	1,222,597
Total net book value	\$ 11,627,537

Appendix I
2019 Region of Peel Consolidated Financial Statements

(Unaudited)

14. Tangible Capital Assets (Continued)

2018

(All dollars in \$000)

Cost	Balance at December 31, 2017	Additions	Disposals & Write-downs	Balance at December 31, 2018
Land	\$ 1,171,054	\$ 27,512	\$ (384)	\$ 1,198,182
Land improvements	41,387	-	-	41,387
Buildings and building improvements	2,387,055	45,381	-	2,432,436
Leasehold improvements	25,650	2,467	-	28,117
Linear and linear improvements	7,933,055	240,822	-	8,173,877
Structures	231,884	6,047	-	237,931
Vehicles	87,920	12,725	(6,785)	93,860
Equipment and furnishings	2,049,402	51,154	(4,833)	2,095,723
Construction work in progress	952,245	238,089	-	1,190,334
Total cost	\$ 14,879,652	\$ 624,197	\$ (12,002)	\$ 15,491,847

Accumulated Amortization	Balance at December 31, 2017	Disposals	Amortization	Balance at December 31, 2018
Land improvements	\$ 16,550	\$ -	\$ 1,280	\$ 17,830
Buildings and building improvements	677,176	-	45,696	722,872
Leasehold improvements	12,270	-	1,078	13,348
Linear and linear improvements	2,282,147	-	140,021	2,422,168
Structures	101,276	-	5,657	106,933
Vehicles	47,555	(5,674)	8,788	50,669
Equipment and furnishings	787,552	(4,830)	76,747	859,469
Total accumulated amortization	\$ 3,924,526	\$ (10,504)	\$ 279,267	\$ 4,193,289

Net Book Value	Balance at December 31, 2018
Land	\$ 1,198,182
Land improvements	23,557
Buildings and building improvements	1,709,564
Leasehold improvements	14,769
Linear and linear improvements	5,751,709
Structures	130,998
Vehicles	43,191
Equipment and furnishings	1,236,254
Construction work in progress	1,190,334
Total net book value	\$ 11,298,558

- a) **Construction in Progress**
Assets under construction having a value of \$1,222,597 (2018 – \$1,190,334) have not been amortized. Amortization of these assets will commence when the asset is put into service.
- b) **Contributed Tangible Capital Assets**
Contributed tangible capital assets transferred to the Region in 2019 amounted to \$105,971 (2018 – \$64,734). The majority of tangible capital assets transferred were from developers, and included water and wastewater local mains as well as land.
- c) **Works of Art and Cultural Assets**
The Region manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Region sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.
- d) **Write-Downs**
The write-down of tangible capital assets during the year was \$41,514 (2018 – \$Nil). The write-downs related to water and wastewater linear assets disposals that were not previously recorded and the reduction in the useful life of a building owned by PHC.
- e) **Interest Capitalization**
In 2019, the Region capitalized \$183 (2018 – \$151) of interest cost.

15. Expenses by Object

The consolidated statement of operations reports expenses for the Region by functions or by business programs. The following is a summary of expenses by object.

	2019	2018
Salary and wages	\$ 882,412	\$ 850,232
Services and rents	391,886	371,743
Materials and supplies	85,633	88,592
Grants and transfer payments	601,144	594,364
Debt charges	66,724	68,002
Intra-government transfers	(44,995)	(42,571)
Amortization	284,890	279,267
Other operational expenses	192,813	135,867
Total	\$ 2,460,507	\$ 2,345,496

16. Contractual Obligations and Contingent Liabilities

- a) As at December 31, 2019 outstanding contractual obligations for capital works amounted to approximately \$533,832 (2018 – \$557,399). Regional Council has authorized the financing of these obligations.

- b) As at December 31, 2019 the Region has been named as defendant or co-defendant in a number of outstanding legal actions. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable. A provision of \$8,642 (2018 – \$8,997) has been made for those claims not expected to be covered by insurance.
- c) Under the terms of various operating lease agreements, future minimum payments are as follows:

2020	\$ 2,347
2021	1,252
2022	767
2023	664
2024	332
Subsequent to 2024	2,257
Total	\$ 7,619

- d) Under a 10-year service agreement, effective January 1, 2010, the Region has contracted the operations of the South Peel wastewater and water treatment systems to the Ontario Clean Water Agency ("OCWA").

Included in the consolidated statement of operations are the 2019 charges from OCWA totaling \$40,300 (2018 – \$38,495). The consolidated statement of financial position reflects only the capital assets of the wastewater and water treatment facilities and the service charges due to or from OCWA.

- e) The Peel Regional Police provide policing services to the Greater Toronto Airports Authority ("GTAA"). Under a service agreement, the GTAA provides funding to fully offset any costs incurred by the Peel Regional Police. In 2019, the Peel Regional Police received \$17,035 (2018 – \$16,561) from the GTAA.
- f) Under contracts approved by the Region in 2005 with amendments in 2012 and 2016, Waste Management of Canada Corporation ("WMCC") will provide waste disposal capacity at current market rates (additional 23 years until December 31, 2042) in addition WMCC and another private third party corporation will provide waste transfer services to the Region. The 2019 annual cost is \$16,600.
- g) Under separate contracts approved by the Region in 2014, two private waste management companies provide services including, but not limited to: bi-weekly, alternating garbage cart and recycling cart collection, bi-weekly bulky item collection, weekly organics cart collection, seasonal yard waste collection, garbage exemption collection periods, and manual (bag based) garbage, recycling and organics bin collection at specified locations. Each contract term is for an eight-year-plus-nine-month period which began on January 2016, with two additional, separate twelve-month period extension options, based on satisfactory service, performance and pricing. The 2019 annual cost for the two contracts is \$42,900.

- h) The Region has issued letters of credit for \$24,931 (2018 – \$13,685) in order to meet the credit requirements and conditions of certain agreements related to capital projects.
- i) The Region has identified a contaminated site on a piece of land downloaded from the federal government. The Region is currently working with the federal government to determine who accepts responsibility for the remediation of this site and has, therefore, not recognized a liability for this site in the consolidated statement of financial position.

17. Liability for Contaminated Sites

As at December 31, 2019, management has not identified any contaminated sites that meet the specified criteria and no liability (2018 – \$Nil) for contaminated sites has been recorded in these consolidated financial statements.

18. Municipal Act, 2001

Since the introduction of Current Value Assessment (“CVA”) taxation in 1998, provincial legislation mandates a limit to assessment-related tax increases for the commercial, industrial and multi-residential classes. The purpose of this limit is to ensure that the impact of CVA reform is manageable for taxpayers in these three property classes. These assessment-related tax adjustments are capped using a number of Council-adopted parameters which include the optional capping tools and capping program enhancements. Adoption of the capping parameters is designed to maximize the number of properties moving to full CVA-based taxation with the capping enhancements providing a four-year phase-out and/or immediate exit from the capping program for an eligible municipality. In 2018, the Province provided municipalities with additional flexibility such as the option to limit the capping protection to reassessment-related changes prior to 2018, and exclusion of vacant land from the four-year phase-out eligibility criteria providing that the remaining properties are within 50 per cent of CVA level taxes. The Region’s 2018 Tax Capping Policy – Selection of Options staff report presented to Regional Council on May 10, 2018 details the capping options selected for implementation in the 2018 taxation year. The legislation permits the costs of capping to be funded by limiting the property tax decreases within the subject property class.

While the local municipalities have the jurisdiction responsibility for managing the tax collection system, the Region is responsible for acting as the “banker” in order to balance out the overall impact of the capping initiative on a broader Regional basis. Implementation may cause some year-to-year variances. Such post-billing capping variances are written-off at the local municipal level and funded between the Region, the local municipality and the school board based on the tax rate prorated shares of the write-offs.

19. Segmented Information

The Region of Peel is a diversified municipal government institution providing a wide range of services to its residents that include: general government, protection to property and persons, transportation, environmental, health and social and family services. The Region also controls and administers Peel Housing Corporation, a non-profit housing organization.

For management reporting purposes, the Region's operations and activities are reported by Program Services. Program Services were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations. Regional services are provided by divisions and their activities are reported in Program Services.

Divisions disclosed in the Segmented Information, along with the services they provide, are as follows:

General Government

General government comprises divisions under Finance, Corporate Services and the Executive Office, Council and Digital & Information Services. The divisions provide direct support to the various citizen-facing Regional services, as well as Council and Committee. These divisions also supply financial and administrative leadership for the Regional Corporation.

Also included are corporate expenses and revenues that are not directly attributable to any individual service, but do impact the overall tax requirement.

Protection to Property and Persons

Protection to property and persons consists of Police Services and the conservation authorities. Police Services partners with the community to maintain social order and contribute to a safe environment in which to live, work and visit. Funding is provided to support the operating costs, special projects and land purchases for three conservation authorities in the Region.

Transportation Services

Transportation services is responsible for Roads and TransHelp services. The mandate of the Roads division is to provide safe, reliable and secure roads while respecting the environment. TransHelp provides transit services to Peel residents unable to utilize conventional modes of public transportation.

GO Transit

GO Transit includes the Region's apportionment of capital costs billed by GO Transit.

Gas Tax Transferred to Local Municipalities

This segment includes the Federal Gas Tax revenue that is transferred to local municipalities.

Environmental Services

Environmental services is responsible for Water, Wastewater and Waste Management Services. The Water Program sustainably delivers high quality drinking water, and the related support services, in an efficient and reliable manner. The mandate of Wastewater is to manage, collect and treat municipal wastewater. Waste Management provides

environmentally sustainable waste management services to residents and small businesses while maximizing recovery of valuable resources.

Health Services

Health services includes Public Health and Paramedic Services. Public Health is mandated by the [Ontario Health Protection and Promotion Act](#) and other legislation. Public Health provides programs and services in six key areas: communicable disease control and prevention; clinical services; enforcement; youth and adult illness prevention; early childhood development; and health surveillance. The mandate of Paramedic Services is to decrease suffering and improve and promote community safety.

Social and Family Services

Children's services plans, manages and coordinates a Region-wide early learning and child care system. Long-Term Care operates five long-term care facilities for seniors. Ontario Works delivers a range of programs providing employment and financial assistance to residents in need.

Social Housing

Social housing is responsible for administering social housing providers, the rent supplement programs, and managing a social housing waiting list.

Peel Housing Corporation is a non-profit housing company providing over 16,000 residents with affordable rental units.

Planning and Development

Regional planning provides planning policy and research and development planning services that respond to the growth and change experienced in Peel.

Assessment Services

Assessment Services is the funding to the Municipal Property Assessment Corporation, which administers province-wide property assessment services for municipalities.

Appendix I
2019 Region of Peel Consolidated Financial Statements

Segmented Information

For the year ended December 31, 2019

(All dollars in \$000)

	General Government		Protection to Property & Persons		Transportation Services		Go Transit		Gas Tax Transferred To Area Municipalities		Environmental Services	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operations Revenue												
Levies on area municipalities	1,083,265	1,043,679	-	-	-	-	-	-	-	-	-	-
Direct charges on ratepayers	-	-	-	-	-	-	-	-	-	-	412,930	401,482
Contributions - other governments	17,946	16,529	17,439	18,935	28,745	22,518	-	-	69,712	34,283	39,116	72,048
Contributions - developers	516	450	1,182	2,672	30,570	49,594	-	1,500	-	-	206,207	189,219
Contributed capital assets	-	-	-	-	4,114	2,956	-	-	-	-	99,048	61,778
Investment income	15,611	16,225	6,689	5,561	6,823	5,696	-	-	-	-	33,410	26,757
Fees and service charges	15,705	29,656	29,025	27,736	5,069	7,434	-	-	-	-	17,167	25,815
	1,133,043	1,106,539	54,335	54,904	75,321	88,198	-	1,500	69,712	34,283	807,878	777,099
Expenses												
Salaries and wages	68,051	72,682	396,140	386,122	46,115	44,392	-	-	-	-	65,258	60,252
Services and rents	30,308	26,421	32,735	30,698	35,040	31,985	-	-	-	-	182,139	173,269
Materials and supplies	2,738	3,348	13,217	12,181	8,662	9,157	-	-	-	-	45,876	48,849
Grants and transfer payments	32,397	30,430	48,271	47,596	16	48	-	-	69,712	34,283	-	-
Debt charges	2,330	2,966	-	-	566	586	-	-	-	-	57,783	57,882
Intra-government transfers	(100,853)	(88,558)	(15,453)	(16,968)	(27,352)	(26,890)	-	-	-	-	54,224	50,704
Amortization	9,444	10,368	13,533	12,614	53,946	54,291	-	-	-	-	181,116	176,715
Other operating expenses	11,833	22,411	14,379	8,668	21,271	35,570	12,301	14,470	-	-	64,909	18,295
	56,248	80,068	502,822	480,911	138,264	149,139	12,301	14,470	69,712	34,283	651,305	585,966
Annual Surplus (Deficit)	1,076,795	1,026,471	(448,487)	(426,007)	(62,943)	(60,941)	(12,301)	(12,970)	-	-	156,573	191,133

Appendix I
2019 Region of Peel Consolidated Financial Statements

Segmented Information

For the year ended December 31, 2019

(All dollars in \$000)

	Health Services		Social & Family Services		Social Housing		Planning & Development		Assessment Services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operations Revenue												
Levies on area municipalities	-	-	-	-	-	-	-	-	-	-	1,083,265	1,043,679
Direct charges on ratepayers	-	-	-	-	-	-	-	-	-	-	412,930	401,482
Contributions - other governments	96,995	95,703	462,319	486,325	66,589	49,809	-	-	-	-	798,861	796,150
Contributions - developers	483	625	168	52	13,233	13,018	-	-	-	-	252,359	257,130
Contributed capital assets	-	-	-	-	2,811	-	-	-	-	-	105,973	64,734
Investment income	1,692	1,713	3,559	3,093	10,125	8,256	-	-	311	258	78,220	67,559
Fees and service charges	1,145	1,323	20,419	18,612	78,919	60,797	2,679	3,168	-	-	170,128	174,541
	100,315	99,364	486,465	508,082	171,677	131,880	2,679	3,168	311	258	2,901,736	2,805,275
Expenses												
Salaries and wages	138,191	130,322	138,035	136,501	21,320	10,328	9,302	9,633	-	-	882,412	850,232
Services and rents	10,349	11,725	14,082	13,084	67,480	65,105	322	476	19,431	18,980	391,886	371,743
Materials and supplies	6,375	7,595	7,815	7,379	921	50	29	33	-	-	85,633	88,592
Grants and transfer payments	2,360	664	394,359	423,067	53,999	58,246	30	30	-	-	601,144	594,364
Debt charges	-	-	-	0	6,045	6,568	-	-	-	-	66,724	68,002
Intra-government transfers	18,398	16,994	19,456	16,872	6,879	6,303	(294)	(1,028)	-	-	(44,995)	(42,571)
Amortization	7,999	6,585	3,620	3,645	15,214	15,031	18	18	-	-	284,890	279,267
Other operating expenses	936	1,467	7,390	5,374	59,202	29,118	592	494	-	-	192,813	135,867
	184,608	175,352	584,757	605,922	231,060	190,749	9,999	9,656	19,431	18,980	2,460,507	2,345,496
Annual Surplus (Deficit)	(84,293)	(75,988)	(98,292)	(97,840)	(59,383)	(58,869)	(7,320)	(6,488)	(19,120)	(18,722)	441,229	459,779



REPORT
Meeting Date: 2020-04-16
Audit and Risk Committee

For Information

REPORT TITLE: **2019 Peel Housing Corporation Financial Statements**

FROM: Andrea Warren, General Manager, Peel Housing Corporation
 Stephanie Nagel, Treasurer, Peel Housing Corporation

OBJECTIVE

To present the 2019 Peel Housing Corporation unaudited financial statements.

REPORT HIGHLIGHTS

- The 2019 Peel Housing Corporation financial statements reflect the financial position, financial operations, and cash flows of Peel Housing Corporation.
 - The 2019 financial statements have been prepared in accordance with Canadian public sector accounting standards.
 - There are no uncorrected or corrected misstatements identified during the 2019 audit.
 - Deloitte has completed the annual audit of the financial statements and is expected to issue an unmodified audit opinion on April 16, 2020.
-

DISCUSSION

1. Background

The 2019 Peel Housing Corporation financial statements and related notes have been prepared by Regional staff and are in accordance with the Canadian public sector accounting standards financial reporting framework, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

2. Findings

a) Highlights from the 2019 Peel Housing Corporation Financial Statements

The 2019 Peel Housing Corporation financial statements have been provided in Appendix I.

The tables below present highlights from the 2019 financial statements, along with comments on the major variances.

2019 Peel Housing Corporation Financial Statements

i. Statement of Financial Position (In \$000s)

	2019 Actuals	2018 Actuals	Favourable/ (Unfavourable)
Financial Assets (A)	45,103,472	43,559,175	1,544,297
Liabilities (B)	192,991,588	209,070,828	16,079,240
Net Debt C = (A-B)	(147,888,116)	(165,511,653)	17,623,537
Non-Financial Assets (D)	399,210,846	410,798,184	(11,587,338)
Accumulated Surplus (C+D)	251,322,730	245,286,531	6,036,199

Financial assets include cash and assets that can be quickly converted to cash. The \$1.5 million increase relates to an increase in the receivables balance at year-end.

Liabilities represent obligations that require future payment or services. The \$16.0 million decrease is attributable to loan and mortgage repayments made during the year.

Net Debt is an indicator of the Corporation's ability to finance future activities and meet its liabilities and commitments. The reduction in Peel Housing Corporation's net debt position is a positive signal, as it continues to pay down its long-term debt and mortgage balances.

Non-Financial Assets are physical assets that are owned and used to deliver future programs and services. The \$11.5 million reduction in the non-financial assets balance relates to annual amortization recorded on the tangible capital assets during the year, as well as a write-down to the Corporation's East Ave. building tangible capital asset value.

ii. Statement of Operations (In \$000s)

	2019 Actuals	2018 Actuals	Favourable/ (Unfavourable)
Total Revenues	105,255,214	103,451,155	1,804,059
Total Expenses	99,826,002	89,181,847	(10,644,155)
Annual Surplus	5,429,212	14,269,308	(8,840,096)

2019 Peel Housing Corporation Financial Statements

Total Revenues represents the money received or revenues earned during the year. The \$1.8 million increase mainly relates to higher rental revenues resulting from increased market rents, as well as increases in capital project funding and investment income.

Total Expenses represents the money spent or costs incurred during the year. The \$10.6 million increase during the year is attributable to increase capital spending on projects that do not meet the tangible capital asset criteria, as well as the write-down to the Corporation's East Ave. building tangible capital asset value.

iii. Budget Reconciliation

The budget reported in the financial statements differs from the budget book approved by the Board in the annual budget process. Adjustments are needed to convert the budget reported in the budget book from a modified accrual basis to a full accrual basis for financial statement purposes. Note 20 in the financial statements reconciles the approved budget to the budget amounts presented in the financial statements.

b) Adoption of New Accounting Standard

Effective January 1, 2019, the Corporation adopted a new Canadian public sector accounting standard PS 3430 Restructuring Transactions on a prospective basis. The new standard provides guidance on accounting for, and reporting assets and liabilities transferred in restructuring transactions by both transferors and recipients. The adoption of this new standard has not had a material impact on these financial statements.

c) Audit Results

Deloitte conducts the audit of the annual Peel Housing Corporation financial statements.

The 2019 Auditor's Report reflects Deloitte's opinion that the financial statements present fairly, in all material respects, the financial position of the Peel Housing Corporation as at December 31, 2019, and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

CONCLUSION

The 2019 financial statements for Peel Housing Corporation are presented for the Audit and Risk Committee's review.

APPENDICES

Appendix I - 2019 Peel Housing Corporation Financial Statements

For further information regarding this report, please contact Stephanie Nagel, Director, Corporate Finance and Treasurer, Ext. 7105, stephanie.nagel@peelregion.ca.

2019 Peel Housing Corporation Financial Statements

Authored By: Sandy Calandra, Manager, Accounting Services

Reviewed and/or approved in workflow by:

Treasurer and General Manager of Peel Housing Corporation.

Final approval is by the Chief Administrative Officer.

A handwritten signature in black ink, reading "Nancy Polsinelli". The signature is written in a cursive style with a large initial "N" and a stylized "P".

N. Polsinelli, Interim Chief Administrative Officer

Financial statements of

Peel Housing Corporation

December 31, 2019

Financial statements of

Peel Housing Corporation

December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Peel Housing Corporation

Opinion

We have audited the financial statements of Peel Housing Corporation, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, remeasurement gains and losses, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Peel Housing Corporation as at December 31, 2019, and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Financial Statements* section of our report. We are independent of Peel Housing Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Peel Housing Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Peel Housing Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Peel Housing Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 these financial statements.

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 financial statements, 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 Peel Housing Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Peel Housing Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Peel Housing Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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
April 16, 2020

Peel Housing Corporation Statement of Financial Position

As at December 31, 2019

	2019	2018
Financial assets		
Investments, unrestricted (Note 4)	\$ 20,209,305	\$ 19,391,497
Accounts receivable (Note 5)	7,858,444	5,289,830
Investments, restricted (Note 4)	17,035,723	18,877,848
	45,103,472	43,559,175
Liabilities		
Accounts payable and accrued liabilities (Note 8)	12,432,659	10,017,220
Deferred revenue	9,261,650	9,586,274
Post-employment liabilities (Note 9)	120,507	114,303
Mortgages payable on income producing properties (Note 10)	132,483,983	151,608,261
Long term debt (Note 11)	38,692,789	37,744,770
	192,991,588	209,070,828
Net debt	(147,888,116)	(165,511,653)
Non-financial assets		
Tangible capital assets (Note 6)	397,825,127	409,572,386
Prepaid expenses	1,385,719	1,225,798
	\$ 399,210,846	\$ 410,798,184
Accumulated surplus (Note 13)	\$ 251,322,730	\$ 245,286,531
Accumulated surplus comprising:		
Accumulated operating surplus	\$ 249,610,188	\$ 244,180,976
Accumulated remeasurement gains	1,712,542	1,105,555
	\$ 251,322,730	\$ 245,286,531

The accompanying notes are an integral part of these financial statements.

Peel Housing Corporation Statement of Operations

For the year ended December 31, 2019

	2019 Budget (Note 20)	2019 Actual	2018 Actual
Revenues			
Rental income	\$ 62,444,950	\$ 63,537,710	\$ 62,019,467
Non-rental income	4,934,831	4,822,568	5,205,720
Interest income from operations	251,258	518,228	475,308
Government grants (Note 17)	32,052,790	35,631,868	35,237,679
Investment income	721,090	721,090	489,231
Contributed capital (Note 12)	23,750	23,750	23,750
Total revenues	100,428,669	105,255,214	103,451,155
Expenses (Note 15)			
Social housing	121,225,811	99,826,002	89,181,847
Total expenses	121,225,811	99,826,002	89,181,847
Annual operating surplus (deficit)	(20,797,142)	5,429,212	14,269,308
Accumulated operating surplus, beginning of year	244,180,976	244,180,976	229,911,668
Accumulated operating surplus, end of year	\$ 223,383,834	\$ 249,610,188	\$ 244,180,976

The accompanying notes are an integral part of these financial statements.

Peel Housing Corporation

Statement of Remeasurement Gains and Losses

For the year ended December 31, 2019

	2019	2018
Accumulated remeasurement gain, beginning of year	\$ 1,105,555	\$ 1,415,262
Unrealized gain (loss) attributable to:		
Investments	606,987	(309,707)
Remeasurement gain (loss) for the year	606,987	(309,707)
Accumulated remeasurement gain, end of year	\$ 1,712,542	\$ 1,105,555

The accompanying notes are an integral part of these financial statements.

Peel Housing Corporation Statement of Change in Net Debt

For the year ended December 31, 2019

	2019 Budget (Note 20)	2019 Actual	2018 Actual
Annual operating surplus	\$ (20,797,142)	\$ 5,429,212	\$ 14,269,308
Acquisition of tangible capital assets	-	(983,461)	(1,077,928)
Amortization of tangible capital assets	11,203,950	11,039,920	11,076,961
Write-down of tangible capital assets	-	1,690,800	-
	(9,593,192)	17,176,471	24,268,341
Acquisition of prepaid expenses	-	(167,208)	(1,502,328)
Use of prepaid expenses	-	7,287	1,437,401
	\$ -	\$ (159,921)	\$ (64,927)
Net remeasurement gains (losses)	-	606,987	(309,707)
	(9,593,192)	17,623,537	23,893,707
Net debt, beginning of year	(165,511,653)	(165,511,653)	(189,405,360)
Net debt, end of year	\$ (175,104,845)	\$ (147,888,116)	\$ (165,511,653)

The accompanying notes are an integral part of these financial statements.

Peel Housing Corporation

Statement of Cash Flows

As at December 31, 2019

	2019	2018
Operating activities		
Annual operating surplus	\$ 5,429,212	\$ 14,269,308
Items not involving cash		
Amortization of tangible capital assets	11,039,920	11,076,961
Write-down of tangible capital assets	1,690,800	-
Change in post-employment liabilities	6,204	5,104
Change in non-cash assets and liabilities		
Accounts receivable	(2,568,614)	(484,805)
Accounts payable and accrued liabilities	2,415,439	(1,453,088)
Deferred revenue	(324,624)	5,296,415
Prepaid expenses	(159,921)	(64,927)
Net change in cash from operating activities	17,528,416	28,644,968
Capital activity		
Acquisition of tangible capital assets	(983,461)	(1,077,928)
Net change in cash from capital activity	(983,461)	(1,077,928)
Investing activities		
Investment income earned during the year	721,090	489,231
Acquisitions (net of disposals) of unrestricted investments	(817,807)	(5,498,230)
Acquisitions (net of disposals) of restricted investments	1,728,022	(3,682,153)
Net change in cash from investing activities	1,631,305	(8,691,152)
Financing activities		
Proceeds from Peel Region loan	2,321,068	4,272,572
Repayment of long-term debt	(1,373,050)	(1,035,578)
Repayment of mortgages payable	(19,124,278)	(22,112,882)
Net change in cash from financing activities	(18,176,260)	(18,875,888)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
Cash paid for interest	\$ 4,706,867	\$ 5,809,870
Cash received from interest	1,080,690	742,897

The accompanying notes are an integral part of these financial statements.

Peel Housing Corporation

Notes to the Financial Statements

For the year ended December 31, 2019

1. Introduction

Peel Housing Corporation (the "Corporation") was incorporated under the Ontario Business Corporations Act in 2003. The Corporation has issued 100 common shares which are owned entirely by The Regional Municipality of Peel (the "Region"). The Corporation was formed as a result of the amalgamation effective January 1, 2003 of Peel Non-Profit Housing Corporation with Peel Regional Housing Corporation. The Corporation is a not-for-profit organization that provides and operates housing accommodation for people with low and modest income in the Region of Peel.

Effective October 1, 2001, the Region assumed from the Province of Ontario (the "Province") responsibility as Service Manager for social housing located in the Region of Peel. Effective January 1, 2012, the Corporation manages and operates its social housing units under the provisions of *Housing Services Act* ("HSA") and related regulations.

The Corporation's Board of Directors is comprised of 5 Region of Peel staff. The purpose of the Board is to fulfill the functions of a Board of Directors for the Corporation and to implement the direction provided by the Shareholder.

2. Accounting Policies

The financial statements of the Corporation are the representation of management and are prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada").

The focus of PSAB financial statements is on the financial position of the Corporation and the changes thereto. The statement of financial position reports the financial assets and liabilities, and the non-financial assets of the Corporation. Financial assets are those assets that could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the Corporation's overall future revenue requirements and its ability to finance activities and meet its obligations.

a) Basis of Accounting

i. *Accrual Method of Accounting*

The Corporation follows the accrual method of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are the cost of goods or services acquired in the period, whether or not payment has been made or invoices received.

ii. *Recognition of Rental Income*

Rental income relates to rent revenue earned on the lease of the Corporation's social housing units. Revenue is recognized as earned over the term of the lease.

iii. *Recognition of Government Grants*

Government transfers are received from the Service Manager and the Province for the provision of social housing services, building construction and other capital expenditures.

(Unaudited)

Government grants are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, reasonable estimates of the amounts can be made, and there are no stipulations which give rise to a liability.

iv. Recognition and Measurement of Financial Instruments

The Corporation accounts for its accounts receivable, investments, accounts payable and accrued liabilities, and long term debt according to PSAB's standards for accounting and reporting financial instruments. Portfolio investments held in equity instruments that are quoted in an active market are reported at fair market value in the financial statements.

The fair value of investments is determined by the combination of the fair market value of investments with Encasa Financial Inc. ("Encasa") and a pro-rated portion of the Region's investments to reflect the fact that the balance of the Corporation's investments is pooled with the Region. Only the Encasa investment is reported at market value in the financial statements. Transaction costs are expensed as incurred.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate respective fair values due to their relatively short-term maturity. The carrying value of long term debt and vendor mortgage approximate fair value due to the terms and conditions of the borrowing arrangements compared to current market conditions of similar items.

v. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Assets	Useful life – years
Buildings	20 – 100
Building improvements	8 – 100
Equipment and furnishings	3 – 80
Vehicles	3

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is in service.

vi. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the time of contribution. Revenue at an equal amount is recognized at the time of contribution.

vii. Accounts Receivable

The rent receivable portion of accounts receivable includes backdated rent receivables as determined in accordance with the HSA. These are established at the point of discovery.

viii. Capitalization of Costs

The Corporation capitalizes all development or construction related direct costs to income-producing property under construction. These costs include realty tax, project management fees, interest on construction loans and/or the interest relating to short-term bridge financing.

ix. Reserves

The capital replacement reserves for projects governed by the HSA, are established according to the terms of the agreements with the Service Manager. The remaining unallocated operating

(Unaudited)

surpluses (including non-HSA projects) are transferred to reserves designated for capital expenditures and working funds.

The working fund reserves were established by the Board of Directors to provide for unforeseen operating and capital expenditures for which alternative financing cannot be arranged.

The energy conservation reserve was established by the Board of Directors with a view to reduce utility costs. Interest is to be paid calculated on 100 basis points above the Canada Bond Yield's rate having a term to maturity equivalent to the term the reserve is being asked to invest.

x. *Mortgages Payable on Income Producing Property*

On the interest adjustment date, construction loans payable are transferred to mortgages payable on income-producing property. The interest adjustment date represents the effective date for commencement of mortgage payments and receipt of government grants based on the original mortgage commitment obtained to finance the project. To the extent that final mortgage requirements may differ from the original mortgage commitment when final construction costs are known, mortgages payable on income-producing property are adjusted accordingly.

xi. *Liability for Contaminated Sites*

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when a site is not in productive use and the following criteria are met:

- a) an environmental standard exists,
- b) contamination exceeds the environmental standard,
- c) the Corporation is directly responsible or accepts responsibility for the liability,
- d) future economic benefits will be given up, and,
- e) a reasonable estimate of the liability can be made.

A liability is recognized as management's estimate of the cost directly attributable to remediation activities and would include post-remediation operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

xii. *Use of Estimates*

The preparation of financial statements in conformity with the Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the period. Significant estimates relate to accounts receivable, accrued liabilities and amortization. Actual amounts could differ from those estimates.

3. Adoption of New Accounting Policy

Effective January 1, 2019, the Corporation adopted a new Canadian public sector accounting standard PS 3430 Restructuring Transactions on a prospective basis. The new standard provides guidance on accounting for, and reporting assets and liabilities transferred in restructuring transactions by both transferors and recipients. The adoption of this new standard has not had a material impact on these financial statements.

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

4. Investments

Unrestricted and restricted investments reported on the statement of financial position have cost and market values as follows:

2019		
	Cost	Market Value
Investments, unrestricted	\$ 20,209,305	\$ 20,547,374
Investments, restricted	17,035,723	17,243,601
Total investments	\$ 37,245,028	\$ 37,790,975

2018		
	Cost	Market Value
Investments, unrestricted	\$ 19,391,497	\$ 19,593,541
Investments, restricted	18,877,848	19,032,841
Total investments	\$ 38,269,345	\$ 38,626,382

The Corporation's investments of \$2,896,596 (2018 – \$2,896,596) with Encasa had a fair market value of \$4,609,138, as at December 31, 2019 (2018 – \$4,002,151). The net accumulated unrealized gain of \$1,712,542 (2018 – \$1,105,555) for restricted investments is reported in the statement of re-measurement gains and losses and in the statement of financial position as an increase to restricted investments. The balance of the Corporation's funds are held with the Region for investment purposes which earn interest based on the Region's investment yield.

5. Accounts Receivable

Accounts receivable consists of the following:

	2019	2018
Rents	\$ 1,436,653	\$ 791,236
HST receivable	1,826,806	937,544
Other	3,903,628	3,561,050
Region of Peel	691,357	-
Total	\$ 7,858,444	\$ 5,289,830

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

6. Tangible Capital Assets

2019

(All dollars in \$000)

Cost	Balance at December 31, 2018	Additions	Disposals & Write-downs	Balance at December 31, 2019
Land	\$ 142,174,480	\$ 78,599	\$ -	\$ 142,253,079
Buildings and building improvements	543,340,362	-	(1,690,800)	541,649,562
Vehicles	21,961	-	-	21,961
Equipment and furnishings	676,811	-	-	676,811
Construction work in progress	3,285,329	904,862	-	4,190,191
Total cost	\$ 689,498,943	\$ 983,461	\$ (1,690,800)	\$ 688,791,604

Accumulated Amortization	Balance at December 31, 2018	Disposals	Amortization	Balance at December 31, 2019
Land	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	279,627,138	-	11,012,988	290,640,126
Vehicles	19,436	-	329	19,765
Equipment and furnishings	279,983	-	26,603	306,586
Total accumulated amortization	\$ 279,926,557	\$ -	\$ 11,039,920	\$ 290,966,477

Net Book Value	Balance at December 31, 2019
Land	\$ 142,253,079
Buildings and building improvements	251,009,436
Vehicles	2,196
Equipment and furnishings	370,225
Construction work in progress	4,190,191
Total net book value	\$ 397,825,127

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

2018

(All dollars in \$000)

Cost	Balance at December 31, 2017	Additions	Disposals & Write-downs	Balance at December 31, 2018
Land	\$ 142,095,880	\$ 78,600	\$ -	\$ 142,174,480
Buildings and building improvements	543,340,362	-	-	543,340,362
Vehicles	21,961	-	-	21,961
Equipment and furnishings	676,811	-	-	676,811
Construction work in progress	2,286,001	999,328	-	3,285,329
Total cost	\$ 688,421,015	\$ 1,077,928	\$ -	\$ 689,498,943

Accumulated Amortization	Balance at December 31, 2017	Disposals	Amortization	Balance at December 31, 2018
Land	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	268,578,757	-	11,048,381	279,627,138
Vehicles	17,459	-	1,977	19,436
Equipment and furnishings	253,380	-	26,603	279,983
Total accumulated amortization	\$ 268,849,596	\$ -	\$ 11,076,961	\$ 279,926,557

Net Book Value	Balance at December 31, 2018
Land	\$ 142,174,480
Buildings and building improvements	263,713,224
Vehicles	2,525
Equipment and furnishings	396,828
Construction work in progress	3,285,329
Total net book value	\$ 409,572,386

During the year, the Corporation capitalized \$182,966 (2018 – \$151,042) of interest relating to various capital projects. The write-down of tangible capital assets during the year of \$1,690,800 (2018 – \$Nil) was recorded in the statement of operations. The Corporation has no tangible capital assets recognized at a nominal value.

7. Contaminated Sites

As at December 31, 2019, there are no contaminated sites that meet the specified criteria and no liability (2018 – \$Nil) for contaminated sites has been recorded in these financial statements. It is the Corporation's practice to remediate all properties to an acceptable level based on the environmental standards for the intended use of the land.

(Unaudited)

8. Accounts Payable and Accrued Liabilities

The amount due to the Region as at December 31, 2019 of \$Nil (2018 – \$224,858) is not included in accounts payable and accrued liabilities and does not bear interest and has no specific terms of payment.

Long term debt payable to the Region is disclosed in Note 11.

9. Post-Employment Liabilities

The liability for retirement benefits on the statement of financial position is the result of a full actuarial valuation as at December 31, 2017, with an estimate as at December 31, 2019 for the Corporation's share of costs associated with extending the coverage for health, dental and life insurance benefits to qualifying employees, with estimates to December 31, 2020. Benefit coverage, except for life insurance coverage, ceases at the age of 65.

The following significant actuarial assumptions adopted in the valuation were based on management's best estimates.

• Future discount rates	4.0 per cent per year
• Future inflation rate	1.75 per cent per year
• Future salaries	Escalate at 2.75 per cent per year
• Future dental premium rates	Escalate at 3.75 per cent per year
• Future health care premium rates	Initial rate of 6.75 per cent decreasing by 0.33 per cent per year to the ultimate rate of 3.75 per cent

The following are the actuarial results for the accrued benefit liability reported on the statement of financial position:

Retirement Benefits Liability	2019	2018
Accrued benefit obligation at January 1	\$ 166,880	\$ 168,724
Add: benefit service cost	3,448	3,250
Add: interest accrued	6,530	6,580
Deduct: benefit payments	(10,722)	(11,674)
Expected accrued benefit obligation at December 31	166,136	166,880
Actual accrued benefit obligation at December 31	166,136	166,880
Deduct: unamortized actuarial loss	(45,629)	(52,577)
Liability at December 31	\$ 120,507	\$ 114,303

Appendix I
2019 Peel Housing Corporation Financial Statements

		(Unaudited)
Retirement Benefits Expense	2019	2018
Current period benefit cost	\$ 3,448	\$ 3,250
Interest on accrued benefit obligation	6,530	6,580
Amortization of actuarial losses	6,948	6,948
Total	\$ 16,926	\$ 16,778

10. Mortgages Payable on Income Producing Properties

Mortgages are secured by a first charge on specific assets of the Corporation with amortization periods that range from 5 to 50 years and interest ranging from 1.04 per cent to 6.75 per cent. Generally, interest rates are fixed for either 5 or 10 years.

Estimated principal repayments in respect to these mortgages for the years 2020-2024 and thereafter are as follows:

	Principal Repayments
2020	\$ 18,176,320
2021	18,360,139
2022	18,285,184
2023	17,647,027
2024	16,464,486
Subsequent to 2024	43,550,827
Total	\$ 132,483,983

Interest paid during the year amounted to \$4,706,867 (2018 – \$5,809,870).

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

11. Long Term Debt

Long term debt consists primarily of four loans from the Region and forgivable loans with the Province associated with some of the properties developed with the Region.

	2019	2018
Region of Peel Loans:		
2005 Summerville Pines Current term is 2.9 per cent for ten years from March 6, 2016 to March 5, 2026, amortized over 35 years; payments made are based on the operating surplus of the project.	\$ 5,218,123	\$ 6,233,522
Service Manager Capital/Infrastructure Repayable Subsidy Interest rates currently range from 2.99 to 3.85 per cent payable over 15 years commencing with the various property locations' respective Operating Agreement end dates.	25,678,929	23,982,247
2013 Land Acquisition Purchase of land adjacent to Twin Pines, with an interest rate of 3.2 per cent, with an open term to repay.	2,999,160	2,920,561
Twin Pines Site Development Development of the Twin Pines site, with an interest rate of 2.95 per cent, with an open term to repay.	2,901,077	2,689,190
Provincial loans (forgivable):		
Forgiven after 20 years once program requirements have been met.	1,895,500	1,919,250
Total	\$ 38,692,789	\$ 37,744,770

Interest paid during the year amounted to \$1,043,626 (2018 – \$971,227).

12. Contributed Capital

The following summarizes changes to the balance for contributed capital.

	2019	2018
Balance at the beginning of the year	\$ 18,878,754	\$ 18,855,004
Assisted Housing in Peel forgivable loan	23,750	23,750
Total	\$ 18,902,504	\$ 18,878,754

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

13. Accumulated Surplus

The accumulated surplus consists of the following:

	2019	2018
Accumulated operating surplus:		
Investment in tangible capital assets	\$ 232,219,185	\$ 224,117,252
Reserves	23,563,575	24,557,157
Contributed capital	18,902,504	18,878,754
Capital fund	(25,678,929)	(23,982,244)
Accumulated surplus from operations	724,260	724,260
Unfunded liability – retiree benefits	(120,507)	(114,303)
Common shares	100	100
	249,610,188	224,180,976
Unrealized gain on restricted investments	1,712,542	1,105,555
Total Accumulated Surplus	\$ 251,322,730	\$ 245,286,531

14. Surplus / (Deficit) from Housing Program Administration

Overhead costs are related to administrative functions performed by the Region and are allocated based on the buildings' weighted unit count.

	2019	2018
Total revenue	\$ 1,180,084	\$ 833,773
Less: expenses	12,985,987	11,395,186
Deficit before the under noted items	(11,805,903)	(10,561,413)
Transfer of investment income to reserve funds	(282,049)	(253,666)
Transfer of investment revenue to last month's rent	(77,550)	(77,512)
Transfer of investment income to operations	(721,090)	(489,231)
Administrative expense recovered from operations	11,813,033	10,273,533
Administrative allocation to Region of Peel buildings	1,073,559	1,108,289
Surplus/deficit from housing program administration	\$ -	\$ -

(Unaudited)

15. Expenses by Object

The statement of operations reports expenses for the Corporation by function. The following is a summary of expenses by object.

	2019	2018
Salary and wages	\$ 4,320,478	\$ 4,642,359
Municipal taxes	13,398,487	12,983,393
Amortization	11,039,920	11,076,961
Debt interest charges	5,830,656	6,782,737
Other operating expenses	65,236,461	53,696,397
Total	\$ 99,826,002	\$ 89,181,847

16. Contingent Liabilities

As at December 31, 2019, the Corporation has certain legal disputes outstanding that have arisen in the ordinary course of operations. No provision has been made in 2019 for costs or losses, as all claims are expected to be covered by insurance or the consequences are undeterminable at this time.

17. Government Grants

The following represents three grants where funding was received up to December 31, 2019 from the Region's Social Housing Improvement Program ("SHIP"), the Social Housing Apartment Improvement Program ("SHAIP"), and the Early Learning Child Care Canada ("ELCC") Grants Program. SHIP and SHAIP grants were approved by the Service Manager and made available for eligible project costs that meet the conditions as specified in each respective grant agreement.

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

SHIP Projects

<i>Property</i>	<i>Project Description</i>	<i>SHIP Grant Approved</i>	<i>SHIP Eligible Expenses Incurred Prior to January 1, 2019</i>	<i>2019 SHIP Eligible Expenses Incurred January 1, 2019 to December 31, 2019</i>	<i>Excess of Approved SHIP Grant Over Expenses</i>
Britannia Place	Roofing Replacement	\$ 334,252	\$ 334,252	\$ -	\$ -
Castlebrooke	Elevators Modernization and Cab Retrofits	564,857	524,419	40,438	-
Conover	Roofing Replacement	276,461	276,461	-	-
Fairview Place	Balcony Remediation	747,269	622,215	125,054	-
Lakeside Court - TH	Asphalt Shingles, Eavestroughs and Downspouts Replacement and Assoc Works	52,867	52,867	-	-
Lakeview Promenade - APT	Elevators Modernization and Cab Retrofits	597,296	535,933	41,528	19,835
Meadows	Asphalt Shingles, Eavestroughs and Downspouts Replacement and Assoc Works	571,528	536,458	35,070	-
Whillan's Gate	Elevators Modernization	501,847	466,777	35,070	-
Chelsea Gardens	UPG Repairs and Associated Works	978,606	804,624	173,982	-
Maple Avenue	Generator / Fuel System Compliance Upgrade	44,961	44,961	-	-
	Total	\$ 4,669,944	\$ 4,198,967	\$ 451,142	\$ 19,835

The total amount of SHIP funding spent on the approved Eligible Project Costs in 2019 is \$451,142 (2018 - \$2,087,382).

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

SHAIP Projects

<i>Property</i>	<i>Project Description</i>	<i>SHAIP Grant Approved</i>	<i>SHAIP Eligible Expenses Incurred Prior to January 1, 2019</i>	<i>2019 SHAIP Eligible Expenses Incurred January 1, 2019 to December 31, 2019</i>	<i>Excess of Approved SHAIP Grant Over Expenses</i>
Bella Vista	Replacement of Unit and Site Lighting and Fixtures with LED	\$ 270,000	\$ -	\$ 220,194	\$ 49,806
Bella Vista	Underground Parking Garage (UPG) - 5 exhaust fans and Carbon Monoxide (CO) detectors	115,000	-	63,426	51,574
Gardenview Court	Exhaust Ventilation - Garage (5 Units)	65,000	-	39,626	25,374
Gardenview Court	Replacement with energy-efficient windows and doors, and associated exterior works	1,969,397	18,927	1,831,299	119,171
Gardenview Court	Replacement of Unit and Site Lighting and Fixtures with LED	250,000	-	180,145	69,855
Surveyors Point	Replacement of Unit and Site Lighting and Fixtures with LED	177,000	-	139,989	37,011
Surveyors Point	Replacement with energy efficient Cooling Tower	88,000	-	120,670	(32,670)
Surveyors Point	Underground Parking Garage (UPG) - 2 exhaust fans	25,000	-	-	25,000
Surveyors Point	Replacement with energy-efficient windows and doors, and associated exterior works	1,340,000	18,927	1,268,148	52,925
	Total	\$ 4,299,397	\$ 37,855	\$ 3,863,496	\$ 398,046

The total amount of SHAIP funding spent on the approved Eligible Project Costs in 2019 is \$3,863,496 (2018 - \$37,855).

ELCC Project

<i>Property</i>	<i>Project Description</i>	<i>ELCC Grant Approved</i>	<i>ELCC Eligible Expenses Incurred Prior to January 1, 2019</i>	<i>2019 ELCC Eligible Expenses Incurred January 1, 2019 to December 31, 2019</i>	<i>Excess of Approved ELCC Grant Over Expenses</i>
Bella Vista	Creating new child care spaces in PHC Bella Vista building	\$ 500,000	-	\$ 3,016	\$ 496,984
	Total	\$ 500,000	-	\$ 3,016	\$ 496,984

The total amount of ELCC funding spent on approved Eligible Project Costs in 2019 is \$3,016 (2018 - \$Nil).

(Unaudited)

18. Risks

a) Credit Risk

The Corporation is subject to credit risks from its tenants as a result of counterparty default. This risk is mitigated by prudent monitoring procedures.

b) Interest Rate Risk

The Corporation is subject to interest rate fluctuations on its mortgages and long term debt. The Corporation currently does not use any hedging strategies to mitigate this interest rate exposure.

c) Market Risk

Market risk arises as a result of trading in fixed income securities and equities. Fluctuations in the market expose the Corporation to a risk of loss. The Corporation mitigates this risk through cash management processes and compliance to the approved investment policy.

19. Commitments

The Corporation has obligations under non-cancellable operating leases with the Region of Peel for various service agreements.

The expected payments to the expiry of leases and agreements are as follows:

	Payments
2020	\$ 2,055,469
2021	2,055,469
2022	2,055,469
2023	2,055,469
2024	2,055,469
Subsequent to 2024	47,249,382
Total	\$ 57,526,727

Appendix I
2019 Peel Housing Corporation Financial Statements

(Unaudited)

20. Budget Reconciliation

The budget amounts presented in the financial statements are based on the 2019 operating and capital budgets approved by the Board on March 11, 2019. The following reconciles the approved budget to the budget amounts presented in the financial statements using the accrual basis of accounting, in accordance with PSAS.

	Revenues	Expenses
Board Approved Operating Budget	99,830,894	99,830,894
Board Approved Capital Budget	45,050,445	45,050,445
PSAB Adjustments		
Contributions to reserves/reserve funds	-	(14,137,784)
Contributions from reserves/reserve funds	(20,890,269)	-
Amortization	-	(7,765,358)
Loan principal repayments	-	(1,752,386)
Acquisition of tangible capital assets	-	-
Capital projects funded by loans	(24,307,241)	-
Other Adjustments		
Investment income	721,090	-
Contributed Capital	23,750	-
Budget as presented in Financial Statements	\$ 100,428,669	\$ 121,225,811

For Information

REPORT TITLE: **2019 Region of Peel Sinking Funds Financial Statements**

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To present the unaudited 2019 Region of Peel Sinking Funds financial statements.

REPORT HIGHLIGHTS

- The 2019 Sinking Funds financial statements reflect the financial position, financial operations, and cash flows of the Region's Sinking Funds.
 - The 2019 Sinking Funds financial statements have been prepared in accordance with Canadian public sector accounting standards.
 - The Region of Peel Sinking Funds are separate funds maintained for the purpose of providing periodic payments for debt to be retired by means of sinking funds.
 - Deloitte has completed their annual audit of the Sinking Funds financial statements and is expected to issue an unmodified audit opinion on April 16, 2020.
-

DISCUSSION

1. Background

Sinking Funds are established upon the issuance of sinking fund debentures, and managed separately, as per *Municipal Act, 2001* (section 409), with an estimated amount contributed annually to the Sinking Fund which, with interest compounded annually, will be sufficient to pay the principal of the debentures at maturity.

The Region maintains sinking funds for its own debt, as well as sinking fund debt issued on behalf of the Town of Caledon and City of Brampton.

The Region's Treasurer and the Director, Treasury Services meet annually with the Sinking Funds Retirement Committee. The Committee composed of the Region's Treasurer, Director, Treasury Services and the Treasurers of the three local municipalities review and receive the Auditor's Report and Sinking Funds financial statements.

2. Findings

a) Highlights from the 2019 Sinking Funds Financial Statements

The 2019 Sinking Funds financial statements have been provided in Appendix I.

2019 Region of Peel Sinking Funds Financial Statements

The table below presents highlights from the 2019 Sinking Funds Statement of Financial Position, along with comments on the major variances.

Statement of Financial Position (In \$000s)

	2019 Actuals	2018 Actuals	Favourable/ (Unfavourable)
Financial Assets (A)	327,430	270,146	57,284
Liabilities (B)	321,780	265,817	(55,963)
Net Financial Assets C = (A-B)	5,650	4,329	1,321

Financial assets include cash and assets that can be quickly converted to cash. The increase in the financial assets during the year relates to sinking fund contributions made by the Region, Town of Caledon and City of Brampton, as well as investment income earned during 2019.

Liabilities represent obligations that require future payment or services. For the Sinking Fund, this represents the estimated Sinking Fund balance required as of December 31, 2019, using a target rate of return for each debt series and the annual sinking fund contributions.

Net Financial Assets are an indicator of the Sinking Funds ability to finance future activities, such as the repayment of the related debt.

b) Audit Results

The *Municipal Act, 2001* requires that the sinking funds be audited on an annual basis by the external auditor who audits the municipality. Deloitte conducts the audit of the annual Sinking Funds financial statements.

The 2019 Auditor's Report reflects Deloitte's opinion that the financial statements present fairly, in all material respects, the financial position of the sinking funds of the Regional Municipality of Peel as at December 31, 2019, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

It is anticipated that the signed Auditor's Report will be issued by Deloitte on April 16, 2020.

CONCLUSION

The 2019 Region of Peel Sinking Funds financial statements are presented for the Audit and Risk Committee's review.

2019 Region of Peel Sinking Funds Financial Statements

APPENDICES

Appendix I – 2019 Region of Peel Sinking Funds Financial Statements

For further information regarding this report, please contact Stephanie Nagel, Director, Corporate Finance and Treasurer, Ext. 7105, stephanie.nagel@peelregion.ca.

Authored By: Sandy Calandra, Manager, Accounting Services

Reviewed and/or approved in workflow by:

Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer

Sinking funds financial statements of

The Regional Municipality of Peel

December 31, 2019

Sinking funds financial statements of

The Regional Municipality of Peel

December 31, 2019

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the
Regional Municipality of Peel

Opinion

We have audited the financial statements of the debt retirement and sinking funds of the Regional Municipality of Peel, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the debt retirement and sinking funds of the Regional Municipality of Peel as at December 31, 2019, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Financial Statements* section of our report. We are independent of the debt retirement and sinking funds of the Regional Municipality of Peel in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional Municipality of Peel's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional Municipality of Peel or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the debt retirement and sinking funds of the Regional Municipality of Peel's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 these financial statements.

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 financial statements, 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 debt retirement and sinking funds of the Regional Municipality of Peel's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Municipality of Peel's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Municipality of Peel to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the debt retirement and sinking funds of the Regional Municipality of Peel to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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
April 16, 2020

The Regional Municipality of Peel
Sinking Funds Statement of Financial Position

For the year ended December 31, 2019

(All dollars in \$000)

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 44,105	\$ 13,411
Accrued interest	871	646
Long-term investments (Note 7)		
(Fair value 2019 – \$301,691 ; 2018 – \$257,929)	282,454	256,089
TOTAL FINANCIAL ASSETS	327,430	270,146
LIABILITY		
Actuarial requirements for retirement of sinking fund debt (Note 2d)	321,780	265,817
NET FINANCIAL ASSETS	5,650	4,329
ASSET ALLOCATION		
Region of Peel	326,408	269,879
City of Brampton	714	-
Town of Caledon	308	267
	\$ 327,430	\$ 270,146

The accompanying notes are an integral part of these financial statements.

The Regional Municipality of Peel
Sinking Funds Statement of Operations

For the year ended December 31, 2019

(All dollars in \$000)

	2019	2018
REVENUE		
Contributions (Note 6)	\$ 47,426	\$ 46,708
Investment income	9,858	7,793
TOTAL REVENUE	57,284	54,501
EXPENSES		
Provision for actuarial requirements	55,963	53,696
TOTAL EXPENSES	55,963	53,696
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	1,321	805

The accompanying notes are an integral part of these financial statements.

The Regional Municipality of Peel Sinking Funds Statement of Cash Flows

For the year ended December 31, 2019

(All dollars in \$000)

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 1,321	\$ 805
Change in non-cash assets and liabilities		
Accrued interest	(225)	(338)
Increase in actuarial requirements	55,963	53,696
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	57,059	54,163
INVESTING ACTIVITIES		
Acquisition of investments	(26,365)	(85,632)
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	(26,365)	(85,632)
Net change in cash	30,694	(31,469)
Cash, beginning of year	13,411	44,880
CASH, END OF YEAR	\$ 44,105	\$ 13,411

The accompanying notes are an integral part of these financial statements.

The Regional Municipality of Peel Sinking Funds Statement of Change in Net Financial Assets

For the year ended December 31, 2019

(All dollars in \$000)

	2019	2018
Excess of revenues over expenses for the year	\$ 1,321	\$ 805
Net financial assets, beginning of year	4,329	3,524
NET FINANCIAL ASSETS, END OF YEAR	\$ 5,650	\$ 4,329

The accompanying notes are an integral part of these financial statements.

The Regional Municipality of Peel Sinking Funds

Notes to the Financial Statements

For the year ended December 31, 2019

(All dollars in \$000)

1. Purpose of Funds

The Region of Peel Sinking Funds are separate funds maintained for the purpose of providing periodic repayments for debt to be retired by means of sinking funds.

2. Summary of Significant Accounting Policies

These financial statements are the representation of management and are prepared by management in accordance Canadian public sector accounting standards, as recommended by Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada ("CPA Canada"). The significant accounting policies are summarized below:

(a) **Basis of Accounting**

The Region of Peel Sinking Funds follow the accrual method of accounting for revenues and expenditures.

(b) **Revenue Recognition**

Contributions are recognized in the year receivable. Investment income is recognized as revenue when earned.

(c) **Investments**

Investments are recorded at amortized cost. The discounts or premiums on investments are amortized on a straight-line basis over the term of the investment.

Investment purchases are accounted for on the settlement date. There are no transaction costs incurred in the purchase of investments.

(d) **Provision for Actuarial Requirements**

The provision for actuarial requirements for the Sinking Funds represents the amounts required which, together with interest compounded annually, will be sufficient to retire the related debt at maturity, based on contributions to the Sinking Funds to date. The actuarial requirements were calculated using a rate of 4 per cent per annum on debt issued in 2010 and 2 per cent, 2.5 per cent, 3.25 per cent or 4 per cent per annum on debt issued in 2011 and thereafter. The excess or deficiency of financial assets over these requirements is included in the fund balance.

3. Allocation of Series DQ Debenture Repayment

The Town of Caledon continues to pay \$433 in Series DQ debt that was spent on projects unrelated to the arterial road transferred to the Region of Peel in 2014. The interest expense and sinking fund payments related to that portion of debt will be paid annually by the Town of Caledon to the Region of Peel.

4. Allocation of Series EC Debenture Repayment

The Region of Peel, on behalf of the City of Brampton issued \$23,000 in debt through a re-opening of the existing 2042 Series EC debenture. The \$23,000 re-open is an addition to the \$300,000 Series EC debentures previously outstanding. The City of Brampton will contribute annually, required amounts to the Sinking Fund. Any surplus/deficit will be managed and calculated independent of the existing Series EC Sinking Fund attributable to the Region of Peel.

5. Allocation of Surplus

In 2019, there was no surplus declared payable to the Region by the Sinking Fund Committee (2018 – \$nil).

The following is the apportionment of the Sinking Fund balance.

Sinking Fund Surplus / (Deficit)

	2019 Total	2018 Total	Town of Caledon	City of Brampton	Region of Peel
	\$	\$	%	%	%
Series DQ	115	311	0.09	-	99.01
Series EB	1,067	864	0.32	-	99.68
Series EC - Region	3,361	2,560	-	-	100
Series EC - Brampton	1	-	-	100	-
Series EP	(18)	(22)	-	-	100
Series EQ	614	428	-	-	100
Series FX	510	188	-	-	100
	5,650	4,329	-	-	-

6. Contributions

In 2019, contributions to the Sinking Funds were \$47,426 (2018 – \$46,708).

7. Financial Instruments

The Sinking Funds are subject to market risk and interest rate price risk with respect to the investment portfolio.

8. Principal Repayment

Principal repayments issued on behalf of the Town of Caledon and City of Brampton are due as follows:

	Town of Caledon	City of Brampton
	\$	\$
2031	641	-
2040	433	-
2042	-	23,000
Total	1,074	23,000

9. Investment Portfolio

Investments consist of provincial, municipal and bank bonds bearing yield rates from 2.07 to 4.5 per cent, maturing from June 2021 to January 2053.

For Information

REPORT TITLE: 2019 Region of Peel Trust Funds Financial Statements

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To present the unaudited 2019 Region of Peel Trust Funds financial statements.

REPORT HIGHLIGHTS

- The 2019 Trust Funds financial statements reflect the financial position, financial operations, and cash flows of funds held in trust by the Region for residents of the Region's five Long Term Care homes.
 - The 2019 Trust Funds financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
 - The funds held in trust consist of deposits, withdrawals, and estate payments made by, or on behalf of, the residents.
 - Deloitte has completed their annual audit of the Trust Funds financial statements and is expected to issue an unmodified audit opinion on April 16, 2020.
-

DISCUSSION**1. Background**

In accordance with Ontario Regulation 79/10 section 241 of the *Long-Term Care Homes Act, 2007*, the Region of Peel is required to hold one non-interest bearing trust account on behalf of the residents of the Region's five Long Term Care homes. These funds are required to be segregated from the Region of Peel's bank accounts and operations.

The trust fund allows deposits, withdrawals and estate payments to be made either by the residents or on behalf of the residents. Some examples of the uses of the residents' trust funds include paying for a resident's cable bill, hairdressing services used by the resident within the home, or fees related to the resident taking part in an event outside of the Long Term Care home as part of the home's recreational programming.

When residents leave the home or the resident passes away, the resident's remaining trust fund balance is returned to them or paid to the estate.

2. Findings**a) Highlights from the 2019 Trust Funds Financial Statements**

2019 Region of Peel Trust Funds Financial Statements

The 2019 Trust Funds financial statements have been provided in Appendix I.

The total assets held in the Trust Funds as at December 31, 2019 is \$213 thousand. Total deposits received from residents during the year was \$492 thousand, whereas total withdrawals from the trust funds were \$497 thousand, resulting in a net reduction in the trust fund assets of \$5 thousand for the year.

b) Audit Results

Ontario Regulation 79/10 requires that the trust fund be audited on an annual basis by the external auditor who audits the municipality. Deloitte conducts the audit of the annual Trust Funds financial statements.

The 2019 Auditor's Report reflects Deloitte's opinion that the financial statements present fairly, in all material respects, the financial position of the trust funds of the Regional Municipality of Peel as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

It is anticipated that the signed Auditor's Report will be issued by Deloitte on April 16, 2020.

CONCLUSION

The 2019 Region of Peel Trust Funds financial statements are presented for the Audit and Risk Committee's review.

APPENDICES

Appendix I - 2019 Region of Peel Trust Funds Financial Statements

For further information regarding this report, please contact Stephanie Nagel, Director, Corporate Finance and Treasurer, Ext. 7105, stephanie.nagel@peelregion.ca.

Authored By: Sandy Calandra, Manager, Accounting Services

Reviewed and/or approved in workflow by:

Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer

Trust funds financial statements of

The Regional Municipality of Peel

December 31, 2019

Trust funds financial statements of

The Regional Municipality of Peel

December 31, 2019

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Regional Municipality of Peel

Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Peel, which comprise the statement of financial position as at December 31, 2019, and the statements of financial activities and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Regional Municipality of Peel as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Financial Statements* section of our report. We are independent of the trust funds of the Regional Municipality of Peel in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional Municipality of Peel's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional Municipality of Peel or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust funds of the Regional Municipality of Peel's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 these financial statements.

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 financial statements, 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 trust funds of the Regional Municipality of Peel's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Municipality of Peel's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Municipality of Peel to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the trust funds of the Regional Municipality of Peel to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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
April 16, 2020

The Regional Municipality of Peel Trust Funds
Statement of Financial Position

As at December 31, 2019
 (All dollars in \$000)

	2019	2018
FINANCIAL ASSET		
Cash	\$ 213	\$ 218
FUND BALANCE		
Residents' equity	\$ 213	\$ 218

The Regional Municipality of Peel Trust Funds
Statement of Financial Activities and Fund Balance

For the year ended December 31, 2019
 (All dollars in \$000)

	2019	2018
REVENUES		
Deposits from residents	\$ 492	\$ 484
EXPENSES		
Payment for maintenance, withdrawals by residents and estate payments	497	462
(Deficiency) excess of revenues over expenses	(5)	22
Fund balance, beginning of year	218	196
FUND BALANCE, END OF YEAR	\$ 213	\$ 218

The accompanying notes are an integral part of these financial statements.

The Regional Municipality of Peel Trust Funds Statement of Cash Flows

For the year ended December 31, 2019

(All dollars in \$000)

	2019	2018
(Deficiency) excess of revenues over expenses	\$ (5)	\$ 22
Cash, beginning of year	218	196
CASH, END OF YEAR	\$ 213	\$ 218

The accompanying notes are an integral part of these financial statements.

The Regional Municipality of Peel Trust Funds

Notes to the Financial Statements

For the year ended December 31, 2019

1. Significant Accounting Policies

These financial statements reflect the financial position, financial operations, and cash flows of funds held in trust by the Regional Municipality of Peel ("the Region") for residents of the Peel Manor and Sheridan Villa Senior Citizens' Residences, the Tall Pines and Malton Village Long Term Care Centres, and the Vera M. Davis Community Care Centre.

These financial statements are the representation of management and are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following policies:

a) Basis of Accounting

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenses are recorded in the period the goods and services are acquired and a liability is incurred, or transfers are due.

b) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

For Information

REPORT TITLE: **Emergency Shelter Operations Contract Management Audit**

FROM: Michelle Morris, Director, Enterprise Risk & Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the results of the Emergency Shelter Operations Contract Management audit.

REPORT HIGHLIGHTS

- The Region of Peel offers emergency shelter services that are managed and operated by third party service providers.
 - There is one contract for the operation of the three emergency shelters; Cawthra Road Shelter, Peel Family Shelter and Wilkinson Road Shelter.
 - The audit focused on assessing whether management has effective controls, processes, and procedures to assess that the shelter operator is performing the services according to the contract.
 - Effective contract management controls are not in place to monitor that the shelter operator is performing services in accordance with the contract.
 - Effective controls are in place to help ensure that the Fire Safety Systems are inspected annually by a professional and there is an approved fire safety plan.
 - Management has developed action plans and timelines to address the risks identified in this report. The action plans to fully address four of the six audit observations have been implemented by management.
-

DISCUSSION

1. Background

The 2019 Enterprise Audit Services Risk Based Work Plan included the Housing Services Emergency Shelter Operations Contract Management Audit. The Region of Peel (The Region) provides support to people who are homeless or at risk of homelessness. Emergency shelters are an integral part of the continuum of housing services that include homelessness prevention, transitional support, subsidized housing, rent supplements, supported and supportive housing, and outreach services.

The Region funds the operation of five emergency shelters in Brampton and Mississauga as listed below:

Emergency Shelter Operations Contract Management Audit

	Shelters	Location
1	Peel Family Shelter	1767 Dundas St. East, Mississauga
2	Cawthra Shelter	2500 Cawthra Road, Mississauga
3	Wilkinson Shelter	15 Wilkinson Road, Brampton
4	Our Place Peel	3579 Dixie Road, Mississauga
5	Brampton Queen Street Youth Shelter	3458 Queen St. East, Brampton

The services at the shelters include providing people experiencing homelessness with personal support services consisting of basic needs supports and access to housing support services. The services are designed to assist residents with finding permanent housing in the community and to refer clients to the supports needed to remain stably housed.

The Housing Services Division administers shelter assistance through agreements with community agencies. The agreements with the community agencies are competitively procured. The contract agreement with the shelter operators sets out contractual obligations for both the Region and for the shelter operators including specific Emergency Shelter Standards. The Standards stipulate the policies, procedures and protocols for the shelter operators to administrate and operate the emergency shelters. The contract to operate the Peel Family Shelter, Cawthra Shelter and Wilkinson Shelter was awarded to The Salvation Army effective January 2014.

In 2018, the Region spent approximately \$9,846,000 for emergency shelter services at the Cawthra, Peel Family, and Wilkinson shelters. In the same year, the shelters served almost 3,380 clients.

2. Audit Objective

The objective of this audit was to determine if there are effective contract management controls in place, related specifically to:

- Compliance Review and Reports
- Staffing at the Shelters
- Fire Safety and Evacuation Plan
- Case Management Services
- Vendor Performance
- Shelter Overflow Cost Reconciliation

The audit scope focused on the contract awarded to The Salvation Army for the operation of the Cawthra Road Shelter, Peel Family Shelter and Wilkinson Road Shelter. Further the scope included records for the period January 2017 to July 2019.

This audit was conducted in conformance with *the International Standards for the Professional Practice of Internal Auditing*.

3. Audit Observations and Management Response

The Director, Housing Services (Contract Owner) does not have effective contract management controls and oversight in place to monitor and assess that the Shelter Operator is providing the services in accordance with the contract agreement with the Region of Peel.

Emergency Shelter Operations Contract Management Audit

Effective processes are in place for overseeing that the required annual professional inspections of the Fire Safety Systems are carried out as required by the Emergency Shelter Standards. Further, effective processes are in place to oversee that the fire safety and evacuation plan is in place and approved by the area municipal fire department.

In order to reduce risks, there is a need to specifically develop and strengthen controls in the areas noted below.

a) Compliance Review and Reports

The Contract Owner has a responsibility to conduct compliance reviews and reports of the shelters to assess that the Shelter Operator is in compliance with the standards set out in the Emergency Shelter Standards and the contract agreement.

There is need for the Contract Owner to develop processes to conduct compliance reviews and oversight such as:

- Quarterly compliance checklist covering over 30 requirements of the Emergency Shelter Standards and the contract agreement
- Annual Third Party Compliance Audit Report
- Annual review of current certificates of Insurance Coverage and Work Safety and Insurance Board coverage for the Shelter Operator

Without compliance reviews and reports, there is the high risk (see Appendix I - Risk Profile) that the Contract Owner may not be aware if the Shelter Operator is complying with the requirements of the contract agreement and the Emergency Shelter Standards.

Management Response

Management has implemented some action plans to address the risk identified. The Director, Housing Services has developed processes to conduct compliance reviews and oversight. The Contract Owner has carried out compliance audits for the three shelters in the fourth quarter of 2019.

Further, an agency narrative has been developed that documents and allows the contract owner to assess vendor performance concerns coming out of the quarterly reviews, case management oversight and other oversight activities. Additionally, processes have been put in place to review current certificates of Insurance Coverage and Work Safety and Insurance Board coverage for the Shelter Operator.

Enterprise Audit Services has verified that these action plans are implemented.

The Director of Housing Services will develop a process to receive the Annual Third Party Compliance Audit Report as required by the contract agreement. This process is expected to be in place by July 31, 2020.

b) Staffing at the Shelters

The Contract Owner should regularly oversee that, in accordance with the Emergency Shelter Standards, the Shelter Operator has processes to ensure that all staff and volunteers providing care and support to residents:

Emergency Shelter Operations Contract Management Audit

- Have a suitable level of education and/or experience in working with vulnerable people and/or people with mental illness
- Have Police Reference Checks at the time of hire
- Receive training upon commencing employment for the shelter procedures, code of conduct and emergency shelter standards

There is a need for the Contract Owner to develop a process to monitor that the Shelter Operator is following the required hiring and onboarding practices set out in the Emergency Shelter Standards.

There is a high risk that without monitoring of the staffing requirements, the Contract Owner may not be aware if shelter staff have the appropriate experience, skills, and training to properly meet the complex needs of the shelter residents.

Management Response

Management has implemented an action plan to address the risk. The Director, Housing Services has developed and implemented a process to ensure the Shelter Operator complies with the required hiring and on-boarding practices in the Emergency Shelter Standards. Enterprise Audit Services has verified that the action plan is implemented.

c) Fire Safety and Evacuation Plan

According to the Emergency Shelter Standards, the Contract Owner has a responsibility in conjunction with the Shelter Operator to ensure that the fire safety and evacuation plan is tested on a random basis twice a year. The Ontario Fire Code also requires a test of the fire safety and evacuation plan to be conducted at least once every twelve months.

There is a need for the Contract Owner to have a process in place to monitor and oversight that the fire safety/evacuation plan is tested on a random basis twice a year as required by the Emergency Shelter Standards and to verify compliance with the Ontario Fire Code.

There is a high risk that without a process in place to monitor and oversight that the required annual tests of the fire safety and evacuation plan have been conducted, the Contract Owner may not know if shelter staff are prepared to carry out the emergency procedures in the case of a fire or actual emergency requiring evacuation. Furthermore, there is the high risk that there is non-compliance with the Ontario Fire Code.

Management Response

The Director, Housing Services will develop a process to verify that tests have been performed randomly twice per year as planned to ensure compliance with Emergency Shelter Standards and the Ontario Fire Code. Shelter staff training will also include emergency procedures such as fire drills and evacuation, which will be tracked through the new hire training reporting process. This will be completed by April 30, 2020.

Emergency Shelter Operations Contract Management Audit

d) Case Management Services

Shelter staff are required to identify the needs of the shelter residents and develop case plans containing priorities, goals and timelines, recognizing the individual needs of each shelter resident. The Contract Owner is responsible to monitor that the Shelter Operator is effectively performing the case management practices as outlined in the Emergency Shelter Standards.

There is a need for the Contract Owner to have a formal, documented process in place to monitor that the Shelter Operator is effectively performing the case management practices as required by the Emergency Shelter Standards. There is currently an informal process in place to monitor case management practices. This includes the Contract Owner reviewing the length of stay report for residents who have been at the shelter for a longer period of time and meeting with the Shelter Operator to discuss concerns with specific case plans.

Without formal processes in place to monitor and track case management and concerns raised over specific case plans with the Shelter Operator, there is a medium risk that longer term residents may not receive appropriate case management to achieve self-sufficiency, integration and progress towards independent living.

Management Response

Management has implemented an action plan to address the risk. A formal process for documenting and discussing concerns raised with the Shelter Operator has been developed and implemented. This involves monthly check-ins to ensure effective case management in moving clients, specifically those who are longer-term, towards self-sufficient independent living. Enterprise Audit Services has verified that the action plan is implemented.

e) Vendor Performance

As required by the contract agreement, the Contract Owner should establish performance measurements on the services provided by the Shelter Operator. In order to determine the satisfactory performance on services provided by the Shelter Operator, the Contract Owner should have a process in place to monitor and measure the performance of the Shelter Operator.

There is a need for the Contract Owner to establish a process to set measurable performance indicators, including the vacancy rates at the shelters, the frequent use of services and the annual satisfactory survey reports of participants as stipulated in the contract agreement.

Without undertaking proper evaluation of the performance of the Shelter Operator, there is the medium risk that the Contract Owner may not be able to assess the effective use of the shelters and the services provided. Further, the Contract Owner may extend the contract agreement for optional periods without sufficient information to support decision-making.

Emergency Shelter Operations Contract Management Audit

Management Response

Management has implemented an action plan to address the risk. The Director, Housing Services is maintaining an agency narrative to house all information on performance concerns coming out of the quarterly reviews, financial reviews, survey results and how well case management efforts are going. Enterprise Audit Services has verified that the action plan is implemented.

f) Shelter Overflow Cost Reconciliation

When the shelters have reached full capacity, the shelter operator is permitted to use hotels to accommodate individuals requiring emergency shelter. Invoices supporting costs for the hotels for residents' stay are provided by the Shelter Operator to the Region for payment.

In order to verify the accuracy of the additional costs, the Contract Owner should have a formal, documented process in place to reconcile the costs with the number of people sent to the hotels. As part of the audit testing, invoices were not reviewed, and no conclusions can be made related to potential overpayments or the likelihood of fraud.

Without proper controls in place to reconcile the costs with the number of residents that were sent to the hotels, there is the medium risk that the Region may pay for costs not incurred.

Management Response

Management has implemented an action plan to address the risk. The Director, Housing Services has created a spreadsheet to verify overflow costs reporting from the Shelter Operator. Enterprise Audit Services has verified that the action plan is implemented.

4. Additional Management Response

The Commissioner, Human Services has indicated that the below noted changes, while not affecting the findings of this audit, once fully implemented will improve the administration and operations of the emergency shelters. The two changes are:

- Responsibility for homelessness programs and services, including administration of the emergency shelters contracts, was transferred from the Community Access (Ontario Works) division to the Housing Services division, in 2019, to better align it with the outcomes of the Peel Housing and Homelessness Plan.
- A review was initiated of the Human Services Integrated Business Services division in 2019. The division had been responsible for contract development for the emergency shelters operation contracts. The review recommended that responsibility for contract development be transferred to the Housing Services division and that transfer will be implemented in 2020 (subject to the resumption of "normal" operations).

Emergency Shelter Operations Contract Management Audit

CONCLUSION

Effective contract management controls are not in place to monitor that the Shelter Operator is performing services in accordance with the contract agreement. Effective controls are in place to help ensure the Fire Safety Systems are inspected annually by a professional and there is an approved fire safety plan in place.

Management has developed action plans to address the audit observations noted in this report. Enterprise Audit Services has reviewed the action plans and feels comfortable they will address the risks noted during the audit. The action plans related to fully address four of the six audit observations have been implemented by management. Enterprise Audit Services will follow up on the status of management action plan implementation for Annual Third Party Compliance Audit Report and the Fire Safety and Evacuation Plan and report back to the Audit and Risk Committee as part of the semi-annual follow up process.

APPENDICES

Appendix I – Risk Profile

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, Ext. 4247, michelle.morris@peelregion.ca.

Authored By: Jennifer Weinman, CPA, CA, CIA, CRMA, Manager, Enterprise Audit Services and Jayrani Bungsy, FCCA, CIA, Senior Internal Auditor

Reviewed and/or approved in workflow by:

Division Director.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer

Appendix I
Emergency Shelter Operations Contract Management Audit

Appendix I – Risk Profile

Risk Profile	
Risk Level	Potential Impact to the Service/Sub-Service or Business Process
Very High	Would prevent achievement of outcomes/objectives, and cause unacceptable cost overruns, project slippage or program delivery issues, and/or compromise credibility and reputation.
High	Would cause substantial delays in the achievement of the outcomes/objectives, and cause unacceptable cost overruns, project slippage or program delivery issues, and/or compromise credibility and reputation.
Medium	Would cause moderate delays in the achievement of the outcomes/objectives, and cause cost overruns, project slippage or program delivery issues, and/or compromise credibility and reputation.
Low	May not cause delays in the achievement of the outcomes/objectives, and cause minor cost overruns, project slippage, program delivery issues and/or minor credibility and reputational issues.

Emergency Shelter Operations Contract Management Audit

Janice Sheehy
Commissioner, Human Services
Aileen Baird
Director, Housing Services
Jennifer Weinman
Manager, Enterprise Audit Services

- Effective contract management controls are not in place
- Effective controls for Fire Safety Systems are in place
- Opportunities to develop controls, processes and procedures

Agenda

- Audit Objective
- Audit Observations
- Management Response
- Conclusion
- Questions

Audit Objective

Effective contract management controls in place related to:

- Compliance Review and Reports
- Staffing at the Shelters
- Fire Safety and Evacuation Plan
- Case Management Services
- Vendor Performance
- Shelter Overflow Cost Reconciliation

Compliance Review and Reports

- Develop processes to conduct compliance reviews and oversight
- Use of agency narrative to document and assess vendor performance concerns

Fire Safety and Evacuation Plan

- Develop process to ensure compliance with Ontario Fire Code and Emergency Shelter Standards
- Develop and monitor training for emergency procedures for new hires at Emergency Shelters

Additional Management Response

- Responsibility for administration of the emergency shelters contracts was transferred from the Community Access (Ontario Works) division to the Housing Services division in 2019
- Review of Integrated Business Services division in 2019 recommended that responsibility for contract development be transferred to the Housing Services division and that transfer will be implemented in 2020 (subject to the resumption of “normal” operations)

Conclusion

- Effective contract management controls are not in place
- Management has implemented action plans to address 4 observations
- And developed action plans that addresses the risks identified in the remaining 2 audit observations

Emergency Shelter Operations Contract Management Audit

Thank you and Questions

For Information

REPORT TITLE: **Land Use Development – Development Services Division Audit – Preliminary Objective and Scope**

FROM: Michelle Morris, Director, Enterprise Risk & Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the preliminary scope of the Land Use Development audit.

REPORT HIGHLIGHTS

- The preliminary objective of the Land Use Development audit will be to assess the effectiveness of the controls in place to manage the operations and cash handling for development applications and related engineering reviews submitted under the *Planning Act, 1990*, R.S.O. 1990, as amended, and site servicing connections submitted under the *Municipal Act, 2001*, as amended.
 - The preliminary scope of the Land Use Development – Development Services division audit will include development, engineering and site servicing applications received from the local municipalities and those received directly by the Region of Peel.
-

DISCUSSION**1. Background**

The Enterprise Risk and Audit Services Risk Based Work Plan, as approved by the Audit and Risk Committee on February 6, 2020, Council Resolution #2020-167, includes the audit of Land Use Development. Based on the risk assessment outcomes for developing the Enterprise Audit Services Risk Based Work Plan, the Land Use Development has been identified as a higher risk area and selected for audit.

The Development Services division is responsible for coordinating and developing the Region's planning position on development applications in the Cities of Mississauga and Brampton, and the Town of Caledon. In addition, Development Services provides one window engineering and site servicing connections review. Regional planners and technical staff review forms of development applications such as:

1. Regional Official Plan Amendments
2. Local Official Plans and Amendments
3. Zoning By-Law Amendments
4. Secondary Plans, Tertiary Plans and Block Plans
5. Draft Plan of Subdivision

Land Use Development – Development Services Division Audit – Preliminary Objective and Scope

6. Draft Plan of Condominium
7. Site Plan Applications
8. Minor Variance Applications
9. Consent Applications
10. Niagara Escarpment Development Permit Applications
11. Oak Ridges Moraine Site Plan Applications
12. Miscellaneous Infrastructure Applications
13. Site Servicing Connection Applications

Development Services reviews development, engineering and site servicing applications and provides official clearance of proposals and required conditions for all new development and redevelopment projects. In 2019, the Region reviewed approximately 3100 development submissions and 1300 site service connection submissions.

2. Preliminary Audit Objective and Scope

The preliminary objective of the Land Use Development audit will be to assess the effectiveness of the controls in place to manage the operations and cash handling for the development and engineering submission applications submitted under the *Planning Act* and site servicing connection applications submitted under the *Municipal Act*.

The scope of the preliminary audit will include samples of applications processed in 2019 and onwards. More refined audit scope will be developed as the audit progresses.

The audit is expected to start in the Fall 2020.

This audit will be conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

CONCLUSION

Enterprise Risk and Audit Services will inform the Audit and Risk Committee of the results of the audit for the Land Use Development – Development Services division when the audit is concluded.

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, Ext.4247, michelle.morris@peelregion.ca.

Authored By: Jennifer Weinman, CPA, CA, CIA, CRMA, Manager, Enterprise Audit Services, and Jayrani Bungsy, FCCA, CIA, Senior Internal Auditor

Reviewed and/or approved in workflow by:

Division Director.

Land Use Development – Development Services Division Audit – Preliminary Objective and Scope

Final approval is by the Chief Administrative Officer.

A handwritten signature in black ink, reading "Nancy Polsinelli". The signature is written in a cursive style with a large initial "N" and a stylized "P".

N. Polsinelli, Interim Chief Administrative Officer

Region of Peel

RECEIVED
January 22, 2020
REGION OF PEEL
OFFICE OF THE REGIONAL CLERK

We concur with Internal Audit's self-assessment that they generally conform with the *Standards* and the IIA Code of Ethics.

Generally conform is the top rating and demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

Governance	
Standard	Rating
1000	GC
1100	GC
1300	GC
Code of Ethics	GC

Staff	
Standard	Rating
1200	GC

Management	
Standard	Rating
2000	GC
2100	GC
2450	GC
2600	GC

Process	
Standard	Rating
2200	GC
2300	GC
2400	GC
2500	GC

Thank you for the opportunity to be of service to Internal Audit. We will be pleased to respond to further questions concerning this report and furnish any desired information.



Elaine Maheu, CIA,
Validator
IIA Quality Services, LLC

Tracy Darakjian, CIA
Director, Quality
IIA Quality Services, LLC



IIA
Quality
Services, LLC

REFERRAL TO _____
RECOMMENDED
DIRECTION REQUIRED _____
RECEIPT RECOMMENDED ☒

6.1-1

December 2019



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

RECEIVED

December 17, 2019

REGION OF PEEL
OFFICE OF THE REGIONAL CLERK

December 17, 2019

Ms. Monique Hynes, CPA, CA
Manager, Accounting Services
The Regional Municipality of Peel
10 Peel Centre Drive, Suite A
Floor #2
Brampton, Ontario L6T 4B9

Dear Ms. Hynes:

We are pleased to notify you that your annual financial report for the fiscal year ended December 31, 2018, qualifies for a Canadian Award for Financial Reporting (CAnFR). The CAnFR recognizes excellence in governmental accounting and financial reporting and represents a significant accomplishment by a local government and its management. Congratulations on having met the high standards of the CAnFR Program. We hope that your example will encourage others in their efforts to achieve and maintain excellence in financial reporting.

Each entity submitting a report to the Canadian Award for Financial Reporting Program review process is provided a "Summary of Grading" form and a confidential list of comments and suggestions for improvements. Your list of comments and suggestions has been enclosed. We strongly encourage you to implement these recommendations in your next report. Also, we request that you provide a detailed written response to each of these suggestions along with next year's submission. These responses will be needed by the judges who will be selected to review your next report.

When a Canadian Award for Financial Reporting is awarded to a government, a Canadian Award for Financial Reporting Achievement (CAFRA) is also prepared for the individual(s) or department designated by the government as being primary responsible for its having earned the CAnFR. A CAFRA is enclosed for the preparer designated on the application.

Continuing participants will find a brass medallion enclosed with these results. First-time recipients will receive a plaque in about 10 weeks. We hope that appropriate publicity will be given to this notable achievement. A sample news release has been enclosed.

As a recipient of the current CAnFR, you may include a reproduction of the Award in your immediately subsequent annual financial report. A camera-ready copy of your Award is enclosed for that purpose. If you reproduce the Award in your next report, please refer to the enclosed instructions. The CAnFR Award is valid for one year.

REFERRAL TO _____
RECOMMENDED _____
DIRECTION REQUIRED _____
RECEIPT RECOMMENDED ☒

6.2-1

Washington, DC Office

Federal Liaison Center, 660 North Capitol Street, NW, Suite 410 • Washington, DC 20001 • 202.393.8020

www.gfoa.org

Monique Hynes, CPA, CA
December 17, 2019
Page 2

To continue your participation in the program, it will be necessary for you to submit your next annual financial report to GFOA within six months of the end of your entity's fiscal year. A Canadian Award for Financial Reporting Award Program Application is posted on GFOA's website at www.gfoa.org.

Over the course of the year, we are anticipating some changes to our application process. We will still be asking governments for the same documents we asked for in the past, but we are encouraging electronic submissions to canfr@gfoa.org and expect to be making other changes going forward. We will keep members informed of any changes via email, and application instructions will be updated on our website.

Your interest in and support of the Canadian Award for Financial Reporting Program is most appreciated. If we may be of any further assistance, please do not hesitate to contact the CAnFR Program staff in the Technical Services Center at (312) 977-9700.

Sincerely,

A handwritten signature in black ink, reading "Michele Mark Levine". The signature is written in a cursive, flowing style.

Michele Mark Levine
Director, Technical Services Center

Enclosures



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

RECEIVED

January 31, 2020

REGION OF PEEL

OFFICE OF THE REGIONAL CLERK

January 31, 2020

Monique Hynes, CPA, CA
Manager, Accounting Services
The Regional Municipality of Peel
10 Peel Centre Drive, Suite A, Floor #2
Brampton, Ontario L6T 4B9

Dear Ms. Hynes:

A panel of independent reviewers has completed its examination of your Popular Annual Financial Report (PAFR) submitted to Government Finance Officers Association (GFOA). We are pleased to notify you that your PAFR for the fiscal year ended December 31, 2018, has substantially met the requirements of the PAFR Program. In the absence of authoritative standards governing the presentation, these requirements are based on an evaluation of information presented, reader appeal, understandability, distribution, and other elements (such as whether the PAFR is a notable achievement for the government given the government's type and size, and the PAFR's creativity and usefulness). The report received a weighted average score of 75.00 percent or above from three of the four highest individual reviews.

Each entity submitting a report to the PAFR Program is provided with confidential comments and suggestions for possible improvements in the subsequent year's presentation. Your comments and suggestions, as well as a "Summary of Grading" form, are enclosed. We urge you to carefully consider the suggestions offered by our reviewers as you prepare your next PAFR.

Continuing participants will find a Certificate and brass medallion enclosed with these results. The brass medallion may be mounted on your ten-year plaque. First-time recipients will find a Certificate enclosed with these results and will receive a plaque in approximately 10 weeks. We hope that appropriate publicity will be given to this notable achievement. A sample news release has been enclosed.

A current holder of a PAFR Award may include a reproduction of the Certificate in its immediately subsequent PAFR. A camera-ready copy of your Certificate is enclosed for that purpose. If you reproduce your Certificate in your next report, please refer to the enclosed instructions.

REFERRAL TO _____
RECOMMENDED _____
DIRECTION REQUIRED _____
RECEIPT RECOMMENDED ☒ _____

Washington, DC Office

Federal Liaison Center, 660 North Capitol Street, NW, Suite 410 • Washington, DC 20001 • 202.393.8020

Monique Hynes, CPA, CA
January 31, 2020
Page 2

The PAFR Award is valid for one year. To continue your participation in the program, it will be necessary for you to submit your next PAFR to GFOA within six months of the end of your entity's fiscal year. A Popular Annual Financial Reporting Award Program Application is posted on GFOA's website at www.gfoa.org.

Over the course of the year, we are anticipating some changes to our application process. We will still be asking governments for the same documents we asked for in the past, but we are encouraging electronic submissions to pafr@gfoa.org and expect to be making other changes going forward. We will keep members informed of any changes via email, and application instructions will be updated on our website.

We appreciate your participation in this program, and we sincerely hope that your example will encourage others in their efforts to achieve and maintain a well-presented PAFR. If we can be of further assistance, please do not hesitate to contact the PAFR Program staff in the Technical Services Center at (312) 977-9700.

Sincerely,

A handwritten signature in cursive script that reads "Michele Mark Levine".

Michele Mark Levine
Director, Technical Services Center

Enclosures