
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.
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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.

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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

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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.

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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 that reads "Nancy Polsinelli". The signature is written in a cursive style with a large initial 'N' and 'P'.

N. Polsinelli, Interim Chief Administrative Officer