

Consolidated Financial Statements of
The Regional Municipality of Durham

For the year ended December 31, 2021

Independent Auditor's Report

To the Members of Council of
the Regional Municipality of Durham

Opinion

We have audited the consolidated financial statements of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2021, and the statements of operations and accumulated surplus, 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 Durham as at December 31, 2021, 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 ("PSAS").

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 Durham 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 PSAS, 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 Durham'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 Durham 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 Durham'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 Durham'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 Durham'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 Durham 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 Durham 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 22, 2022

The Regional Municipality of Durham

Consolidated Statement of Financial Position

December 31, 2021

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash	\$ 147,597	\$ 155,993
Investments (Note 4)	3,584,745	3,117,437
Accounts receivable	191,413	187,590
Other current assets	726	293
Debenture debt recoverable from local municipalities (Note 5)	137,000	137,174
	4,061,481	3,598,487
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	426,911	433,641
Deferred revenue - Schedule 1	1,010,205	837,051
Debenture debt (Note 5)	242,391	191,119
Employee benefits and post-employment liabilities (Note 6)	254,952	222,634
Landfill closure and post closure liabilities (Note 7)	7,235	7,248
	1,941,694	1,691,693
NET FINANCIAL ASSETS	\$ 2,119,787	\$ 1,906,794
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	4,193,896	4,159,540
Inventories	6,463	5,101
	4,200,359	4,164,641
ACCUMULATED SURPLUS (Note 10)	\$ 6,320,146	\$ 6,071,435

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

The Regional Municipality of Durham

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2021

(in thousands of dollars)

	2021		2020
	Budget (Note 11)	Actual	Actual
REVENUES			
Property taxes	\$ 739,046	\$ 739,673	\$ 720,698
User charges			
Water and sewer	227,469	239,294	237,375
Other	109,831	96,782	106,480
Government transfers			
Canada	52,664	29,550	12,560
Ontario	336,987	389,990	356,581
Deferred revenue earned - Schedule 1	158,299	82,780	100,456
Fines (Note 15)	11,804	6,777	5,156
Contributed tangible capital assets (Note 9)	16,982	15,725	28,704
Other	34,003	78,906	68,300
TOTAL REVENUES	1,687,085	1,679,477	1,636,310
EXPENSES			
General government	87,995	82,992	72,872
Protection to persons and property	261,712	268,900	243,466
Transportation services	84,578	93,222	89,484
Transit	104,860	100,913	98,535
Environmental services	304,053	307,495	289,416
Health services	119,594	154,538	111,188
Social and family services	350,187	350,099	337,770
Social housing	66,432	72,607	71,984
TOTAL EXPENSES	1,379,411	1,430,766	1,314,715
ANNUAL SURPLUS	307,674	248,711	321,595
ACCUMULATED SURPLUS, BEGINNING OF YEAR	6,071,435	6,071,435	5,749,840
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	\$ 6,379,109	\$ 6,320,146	\$ 6,071,435

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

The Regional Municipality of Durham

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2021

(in thousands of dollars)

	2021		2020
	Budget (Note 11)	Actual	Actual
ANNUAL SURPLUS	\$ 307,674	\$ 248,711	\$ 321,595
Acquisition of tangible capital assets	(481,012)	(181,449)	(197,442)
Contributed tangible capital assets (Note 9)	(16,982)	(15,725)	(28,704)
Amortization of tangible capital assets	151,686	158,717	151,530
Loss on disposal of tangible capital assets	-	2,908	1,651
Proceeds on disposal of tangible capital assets	-	1,193	515
Change in inventories	-	(1,362)	(23)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(38,634)	212,993	249,122
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,906,794	1,906,794	1,657,672
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,868,160	\$ 2,119,787	\$ 1,906,794

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

The Regional Municipality of Durham

Consolidated Statement of Cash Flows

Year ended December 31, 2021

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
OPERATING		
Annual surplus	\$ 248,711	\$ 321,595
Non-cash charges to operations		
Amortization of tangible capital assets	158,717	151,530
Contributed tangible capital assets (Note 9)	(15,725)	(28,704)
Loss on disposal of tangible capital assets	2,908	1,651
Amortization of bond premium/(discount)	43	(586)
Change in non-cash assets and liabilities		
Accounts receivable	(3,823)	(21,007)
Other current assets	(433)	98
Accounts payable and accrued liabilities	(6,730)	64,704
Deferred revenue	173,154	86,480
Employee benefits and post-employment liabilities	32,318	12,716
Landfill closure and post closure liabilities	(13)	(9,923)
Inventories	(1,362)	(23)
Net increase in cash from operating activities	587,765	578,531
CAPITAL		
Proceeds on disposal of tangible capital assets	1,193	515
Acquisition of tangible capital assets	(181,449)	(197,442)
Net (decrease) in cash from capital activities	(180,256)	(196,927)
INVESTING		
Proceeds on maturity of investments	1,051,639	1,275,109
Acquisition of investments	(1,518,990)	(1,555,679)
Net (decrease) in cash from investing activities	(467,351)	(280,570)
FINANCING		
Regional debenture debt issued	63,867	-
Regional debenture debt principal repayments	(12,421)	(17,651)
Net increase (decrease) in cash from financing activities	51,446	(17,651)
NET (DECREASE)/INCREASE IN CASH, DURING THE YEAR	(8,396)	83,383
CASH, BEGINNING OF YEAR	155,993	72,610
CASH, END OF YEAR	\$ 147,597	\$ 155,993

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

1. Municipal Structure

The Regional Municipality of Durham (the “Region”) came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, and operates as an upper tier government in the Province of Ontario, Canada.

The Region comprises the following local municipalities that are responsible for local services, including property tax billing and collections:

- Town of Ajax
- Township of Brock
- Municipality of Clarington
- City of Oshawa
- City of Pickering
- Township of Scugog
- Township of Uxbridge
- Town of Whitby

Within these local municipalities, the Region provides a wide range of regional services to stakeholders. The services are classified in the following segments:

General Government

This segment consists of services provided by the following administrative departments: Regional Council, Offices of the Regional Chair and the Chief Administrative Officer, Finance, Corporate Services, and Planning and Economic Development. In addition to the governmental administrative functions, the services of this segment include Regional official plan formulation and administration, regional development and promotion, and administrative and financial support, including debt issues and property tax policy.

Protection to Persons and Property

This segment includes Police Services, Emergency Management, Fire Co-ordination, Emergency 911 telephone services, the administration, prosecution and collection of fines under the Provincial Offences Act, and funding provided to Conservation Authorities.

Transportation Services

This segment consists of the planning, design, construction and maintenance of Regional roads, including winter control and associated traffic signal systems and controls.

Transit

Durham Region Transit (“DRT”) operates an integrated public transit system serving communities in the Region.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

1. Municipal Structure (Continued)

Environmental Services

The services of this segment fall under three areas: Solid Waste Management – solid waste collection, disposal and diversion (for all local municipalities with the exception of collection performed by the City of Oshawa and the Town of Whitby directly) and recycling programs; Water Supply - supply, treatment and distribution of water; and, Sanitary Sewerage – sewage collection and treatment, and the maintenance of regional storm sewers.

Health Services

Services provided include public health programs targeted at the prevention of disease, health promotion and protection as well as land ambulance services.

Social and Family Services

The following services are included in this segment: Income and Employment Support, Long-Term Care and Services for Seniors, Children's Services, and Family Services.

Social Housing

This segment is responsible for the provision, in partnership with the community, of subsidized housing, including the operations of the wholly-owned Durham Regional Local Housing Corporation ("DRLHC"), rent supplement and homelessness programs.

2. Summary of Accounting Policies

The consolidated financial statements of the Region are representations of management and are prepared in accordance with generally accepted accounting principles for government as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Region and its financial performance. The Consolidated Statement of Financial Position reports financial assets and liabilities, and the non-financial assets of the Region. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position of the Region and is the sum of the Region's net financial assets and non-financial assets.

(a) Reporting Entity

- i. The consolidated financial statements reflect the financial activities of all entities that are controlled by the Region, and include the Durham Regional Police Services, DRT, and the DRLHC. The assets, liabilities, revenues and expenses of these entities are consolidated line by line on a uniform basis of accounting, after eliminating all inter-entity transactions. The financial position and operations of community social housing providers are not consolidated in these consolidated financial statements as the Region does not exercise control over them. Funding paid to these providers is included in the expenses of the social housing segment in the Consolidated Statement of Operations and Accumulated Surplus.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

- ii. Trust Funds administered by the Region are not included in these consolidated financial statements. Trust Funds are disclosed separately in the Trust Funds Statement of Financial Position and the Trust Funds Statement of Financial Activities and Fund Balances.

(b) Basis of Accounting

- i. Accrual Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

- ii. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are used 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 cost, less residual value, of tangible capital assets, excluding land and active landfill sites, is amortized on a straight line basis over estimated useful lives as follows:

	Useful Life - Years
Land improvements	20
Buildings and building improvements	15 - 80
Vehicles	3 - 15
Machinery and equipment	3 - 30
Water and wastewater - infrastructure	20 - 80
Roads - infrastructure	30 - 100

Active landfill sites are amortized using the units of production method based upon capacity used during the year.

Amortization is charged in the year of acquisition and in the year of disposal. Tangible capital assets under construction are not amortized until the tangible capital assets are in service.

- (b) Contributed tangible capital assets

Tangible capital assets received as contributions, primarily water and wastewater infrastructure, and the related revenue, are recorded at their fair value on the earlier of the date received or the transfer of risk and responsibility.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

(c) Leases

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(d) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

iii. Pension and Employee Benefits and Post-Employment Liabilities

The Region accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlements, sick leave benefits, post-employment benefits and workplace safety and insurance ("WSI") benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave, post-employment and WSI benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service, and management's best estimate of salary escalation and retirement ages of employees. Actuarial gains and losses related to past service of employees or changes in actuarial assumptions are amortized on a straight line basis over the expected average remaining service life of the employee groups. Amortization begins in the year following the effective date of the related actuarial valuation.

iv. Deferred Revenue

Development charges collected under the Development Charges Act, 1997, government transfers of gas taxes and other conditional grants are reported as deferred revenue in the Consolidated Statement of Financial Position. These amounts are recognized as revenues in the period in which related transactions or events occur.

v. Investments

Investments are recorded at the lower of cost plus accrued interest or market value. Investment income on available funds is recorded in the period earned. Interest income earned on deferred revenue forms part of the deferred revenue balances.

vi. Tax Revenue

Tax revenue is recognized on all taxable properties that are included in the annual assessment roll or through supplementary assessment rolls provided by the Municipal Property Assessment Corporation ("MPAC") in the period the tax is levied. Tax revenue is determined using the current value assessments provided by MPAC in the annual assessment roll or through supplementary assessment rolls at the tax rates authorized by Regional Council based on the approved budget.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

vii. Government Transfers

Government transfers are recognized in the period during which the transfers are authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to recognize the transfer. For such transfers, revenue is recognized when the stipulation has been met. Significant transfers recognized as revenue include subsidies for Health Services, including Land Ambulance Services, and for Social and Family Services programs, including Income and Employment Support, Long-Term Care and Services for Seniors, and Children's Services. Significant transfers recognized as expenses include payments to individuals under the Social and Family Services Income and Employment Support programs and to Social Housing providers under the Social Housing segment. The Consolidated Schedule of Segment Disclosure, Schedule 3, discloses government transfer revenues and expenses by segment.

viii. Use of Estimates

The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Significant estimates relate to accounts receivable, accrued liabilities, employee benefits and post-employment liabilities, and landfill closure and post closure liabilities. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

ix. Segment Disclosure

Revenues and expenses of the segments identified in Note 1 include amounts that are directly attributable to the segment and amounts that can be allocated on a reasonable basis. Items that are corporate in nature and not subject to allocation are identified as unallocated. The accounting policies used for segmented disclosure are consistent with the accounting policies noted above.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

3. Accounting Standards Issued for Future Adoption

The Public Sector Accounting Board has approved new Public Sector Accounting Standards to be adopted by the Region in the future. A number of these new standards are interdependent and therefore will require concurrent adoption.

PS 1201, Financial Statement Presentation, PS 3450, Financial Instruments, PS 3041, Portfolio Investments, and PS 2601 Foreign Currency Translation, are new standards that are interdependent and will require concurrent adoption. PS 1201 provides guidance and presentation requirements for financial statements, including a new statement of remeasurement of gains and losses. PS 3450 establishes standards on how to account for and report all types of financial instruments including derivatives. Unrealized gains and losses will be presented in the new statement of remeasurement of gains and losses. PS 3041 has removed the distinction between temporary and portfolio investments, and pooled investment funds will now be included within the standard's scope. PS 2601 requires that both monetary, and fair valued, non-monetary assets and liabilities, denominated in a foreign currency, be adjusted to reflect exchange rates in effect at the financial statement date. Any unrealized gains or losses will be recognized in the new statement of remeasurement of gains and losses.

PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets.

PS 3400, Revenue, establishes standards on how to account for and report revenue, and differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

PS 3160, Public Private Partnerships, sets standards for public private partnerships that exist between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

These new standards are effective for fiscal years beginning on or after the effective dates shown in the following table.

Public Sector Accounting Standard	Effective Date
PS 1201 - Financial Statement Presentation	April 1, 2022
PS 3450 - Financial Instruments	April 1, 2022
PS 3041 - Portfolio Investments	April 1, 2022
PS 2601 - Foreign Currency Translation	April 1, 2022
PS 3280 - Asset Retirement Obligations	April 1, 2022
PS 3400 - Revenue	April 1, 2023
PS 3160 - Public Private Partnerships	April 1, 2023

The Region has not yet adopted these standards or determined the effect on the consolidated financial statements.

4. Investments

Investments consisting of guaranteed investment certificates and high interest accounts, bonds and equity funds have an amortized cost of \$3,584,745 (2020 – \$3,117,437) and a market value of \$3,601,363 (2020 – \$3,128,772). Included in the Consolidated Statement of Operations and Accumulated Surplus is bond premium amortization of \$43 (2020 – bond discount amortization of \$586). There are no portfolio investments (2020 – \$nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

5. Debenture Debt

- (a) Debenture debt reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2021</u>	<u>2020</u>
Total debenture debt	\$ 242,391	\$ 191,119
Debenture debt recoverable from local municipalities	(137,000)	(137,174)
Regional debenture debt (Note 10)	\$ 105,391	\$ 53,945

Interest rates for Regional debenture debt range from 0.95% to 5.33%, with maturities between April 2023 and November 2041. In 2021, Regional debenture debt of \$63,867 (2020 - \$ nil) was issued.

Local municipalities have assumed responsibility for payment of principal and interest charges for their respective portions of the total debenture debt, with interest rates ranging from 0.45% to 5.33% and maturities between February 2022 and November 2041. In 2021, the Region issued debenture debt on behalf of the local municipalities for \$17,068 (2020 – \$19,606). The Region is contingently liable for these debentures.

- (b) The Regional debenture debt principal repayments required over the next five years and in total thereafter are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
Sanitary Sewerage	716	738	761	784	808	2,579	6,386
Long Term Care	5,806	6,126	6,463	709	736	6,063	25,903
General Government	3,142	1,638	-	-	-	-	4,780
Police Services	8,145	8,276	6,085	6,176	6,281	33,359	68,322
	<u>17,809</u>	<u>16,778</u>	<u>13,309</u>	<u>7,669</u>	<u>7,825</u>	<u>42,001</u>	<u>105,391</u>

Total interest charges for Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$2,432 (2020 - \$3,009).

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities

The Region provides certain employee benefits that require funding in future periods. These benefits include post-employment benefits for extended health and dental, sick leave, and benefits mandated under the Workplace Safety and Insurance Act. The accrued benefit liability and expense amounts for these employee benefits are based on the results of the December 31, 2021 triennial actuarial valuations, prepared by an independent actuary. These benefits are comprised of:

	<u>2021</u>	<u>2020</u>
Sick leave benefits	\$ 94,337	\$ 91,652
Post-employment benefits	119,396	109,444
Workplace safety and insurance benefits	41,219	21,538
Total employee benefits and post-employment liabilities	254,952	222,634
Funded post-employment benefits	(44,104)	(37,353)
Unfunded employee benefits and post-employment liabilities (Note 10)	\$ 210,848	\$ 185,281

Significant management assumptions used in the actuarial valuations are:

Discount rates for accrued benefit obligations	2.6% (sick leave) 2.6% (post-employment) 2.6% (workplace safety and insurance)
Inflation rate	3% (sick leave and post-employment) 2% (workplace safety and insurance)
Healthcare benefit cost escalation	
Drug	6.4% in 2022, reducing to 4% over 20 years
Vision	3% in 2022, reducing to 0% over 10 years
Dental and other health	4%
Healthcare spending account	2% in 2022 for certain Police Services employees; 0% for others

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(a) Sick Leave Benefits

Employees accrue sick leave benefits for future use. In addition, certain sick leave benefit plans provide for accumulation of unused benefits and employees may become entitled to a cash payment when they leave the Region's employment. The liability for these two components of sick leave benefits and expense, as determined by actuarial valuation at December 31, 2021, is as follows:

	<u>2021</u>	<u>2020</u>
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	\$ 95,287	\$92,042
Current period benefit cost	7,763	6,985
Plan amendment	(1,307)	-
Interest on accrued benefit obligation	3,562	3,436
Actuarial loss	9,017	-
Benefit payments	(8,920)	(7,176)
Accrued benefit obligation, end of year	105,402	95,287
Unamortized actuarial losses	(11,065)	(3,635)
Liability for sick leave benefits	\$ 94,337	\$91,652
Sick leave benefit expense		
Current period benefit cost	\$ 7,763	\$ 6,985
Plan amendment incurred during the year	(1,307)	-
Interest on accrued benefit obligation	3,562	3,436
Amortization of actuarial losses	1,587	388
Total sick leave benefit expense	\$ 11,605	\$10,809

Actuarial gains/losses are amortized over the expected average remaining service life of twelve to fifteen years for the related employee groups.

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(b) Post-Employment Benefits

The Region provides certain benefits to qualifying employees following retirement. Benefit entitlement ceases at age 65, with the exception of Police Services employees whose entitlement ceases at either age 70 or 75, and of certain employees whose coverage is maintained for life. The liability for post-employment benefits and expense, as determined by actuarial valuation at December 31, 2021, is as follows:

	<u>2021</u>	<u>2020</u>
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	\$ 131,850	\$127,515
Current period benefit cost	8,042	6,607
Plan amendment	1,076	-
Interest on accrued benefit obligation	5,170	4,671
Actuarial loss	28,529	-
Benefit payments	(8,260)	(6,943)
Accrued benefit obligation, end of year	166,407	131,850
Unamortized actuarial losses	(47,011)	(22,406)
Liability for post-employment benefits	\$ 119,396	\$109,444
Post-employment benefit expense		
Current period benefit cost	\$ 8,042	\$ 6,607
Plan amendment incurred during the year	1,076	-
Interest on accrued benefit obligation	5,170	4,671
Amortization of actuarial losses	3,924	3,195
Total post-employment benefit expense	\$ 18,212	\$ 14,473

Actuarial gains/losses are amortized over the expected average remaining service life of eight to fifteen years for the related employee groups.

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(c) *Workplace Safety and Insurance (WSI) Benefits*

The Region is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for employees. Accordingly, the Region assumes liability for awards made under the Act, reimbursing the Workplace Safety and Insurance Board for costs relating to its workers' claims. The liability for WSI benefits and expense, as determined by actuarial valuation at December 31, 2021, is as follows:

	<u>2021</u>	<u>2020</u>
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	\$ 29,000	\$28,445
Current period benefit cost	12,242	5,489
Plan amendment	14,396	-
Interest on accrued benefit obligation	1,246	1,052
Actuarial loss	40,501	-
Benefit payments	(9,202)	(5,986)
Accrued benefit obligation, end of year	88,183	29,000
Unamortized actuarial losses	(46,964)	(7,462)
Liability for WSI benefits	\$ 41,219	\$21,538
WSI benefit expense		
Current period benefit cost	\$ 12,242	\$ 5,489
Interest on accrued benefit obligation	1,246	1,052
Plan amendment	14,396	-
Amortization of actuarial losses	999	998
Total WSI benefit expense	\$ 28,883	\$ 7,539

Actuarial gains/losses are amortized over the expected average remaining service life of eight to ten years for the related employee groups.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

7. Landfill Closure and Post Closure Liabilities

The Region owns seven closed landfill sites and is responsible for post closure, which includes monitoring of ground and surface water, leachate and gas, ongoing maintenance and annual reporting for a period of 40 years. Closure costs include final cover and vegetation, drainage control features, leachate control and monitoring systems, water quality monitoring systems, gas monitoring and recovery, land acquisition (buffer zones), site remediation, and site closure reports.

The total estimated cost for closure and post closure care is \$7,235 (2020 - \$7,248) and is reported on the Consolidated Statement of Financial Position. A discount factor of 4.25%, less an estimated inflation factor of 2%, has been used to calculate the total estimated cost.

8. Liability for Contaminated Sites

A contaminated site exists when substances introduced into the air, soil, water or sediment exceeds the maximum acceptable environmental standards and a liability for remediation occurs when a site is not in productive use. The estimated liability includes costs directly attributable to remediation activities as well as post remediation, maintenance and monitoring of the contaminated site, net of any expected recoveries.

As at December 31, 2021, there are no contaminated sites that meet the specified criteria and no liability (2020 - \$nil) for contaminated sites has been recorded in these Consolidated Financial Statements.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

9. Tangible Capital Assets

The net book value of tangible capital assets reported in the Consolidated Statement of Financial Position is made up of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 73,023	\$ 72,027
Land improvements	17,003	16,715
Building and building improvements	684,203	693,676
Vehicles	64,722	58,466
Machinery and equipment	414,779	418,518
Water and wastewater - infrastructure	1,756,621	1,733,783
Roads - infrastructure	844,780	855,342
	<u>3,855,131</u>	<u>3,848,527</u>
Work in progress	338,765	311,013
	<u>\$ 4,193,896</u>	<u>\$ 4,159,540</u>

The Consolidated Schedule of Tangible Capital Assets (Schedule 2) discloses the changes in the cost and accumulated amortization by category.

(a) *Work in Progress*

Work in progress, having a value of \$338,765 (2020 - \$311,013) has not been amortized. Amortization of these assets will commence when the assets are put in service.

(b) *Contributed Tangible Capital Assets*

Typical examples of contributed tangible capital assets are water and wastewater infrastructure installed by developers. The value of contributed tangible capital assets transferred to the Region in 2021 was \$15,725 (2020 - \$28,704).

(c) *Tangible Capital Assets Recognized at Nominal Values*

Certain tangible capital assets, primarily land under roads, have been assigned a nominal value because of the difficulty of determining a tenable valuation and/or the tangible capital assets were older than their estimated useful lives, and therefore were already fully amortized.

(d) *Works of Art and Historical Treasures*

No works of art or historical treasures are held by the Region.

(e) *Other*

During the year, there were no write-downs of assets (2020 - \$nil), no interest was capitalized (2020 - \$nil), and there are no capital lease obligations (2020 - \$nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

10. Accumulated Surplus

The accumulated surplus consists of the following:

	2021	2020
Surplus		
Tangible capital assets (Note 9)	\$ 4,193,896	\$ 4,159,540
Regional debenture debt (Note 5)	(105,391)	(53,945)
Unexpended capital financing for future capital acquisitions	609,386	454,448
Employee benefits and post-employment liabilities (Note 6)	(210,848)	(185,281)
Landfill closure and post closure liabilities (Note 7)	(7,235)	(7,248)
Total Surplus	4,479,808	4,367,514
Reserves Set Aside By Council		
Capital	305,470	262,327
Sick leave	140,507	135,771
Regional roads	54,068	53,497
Working capital	50,869	49,869
Property tax assessment appeals	34,155	32,764
Employee benefits	27,105	24,989
Equipment replacement	8,241	13,965
UOIT and Durham College	937	937
Contingencies	400	400
Total Reserves	621,752	574,519
Reserve Funds Set Aside For Specific Purpose By Council		
Treatment plant/rate stabilization - Sanitary sewerage	224,343	206,881
Capital impact stabilization fund	217,667	197,477
Treatment plant/rate stabilization - Water supply	148,508	136,143
Solid waste management	112,324	103,483
Operating impact stabilization fund	89,336	75,507
Insurance	70,791	69,153
Asset management	57,690	54,127
Workers' compensation	48,128	46,365
Transit capital	41,828	44,343
Roads rehabilitation	34,817	29,636
Social housing	32,649	29,937
Seaton facilities	32,474	32,280
Regional revitalization	19,858	17,852
Servicing of employment lands and key locations	19,118	18,815
Bridge rehabilitation	6,663	7,709
Economic development	6,540	5,724
Innovation and modernization initiatives	5,009	3,386
Vision zero initiatives	2,850	3,980
Climate mitigation and environment	2,616	4,218
Other reserve funds	45,377	42,386
Total Reserve Funds	1,218,586	1,129,402
Accumulated Surplus	\$ 6,320,146	\$ 6,071,435

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

11. Budget Amounts

The budget amounts presented for comparative purposes in the Consolidated Statement of Operations and Change in Net Financial Assets represent the cash basis budgets for Property Tax, Water Supply and Sanitary Sewer, as approved by Regional Council, adjusted to the full accrual basis, as required by Public Sector Accounting Standards ("PSAS"). The adjustments are as follows:

	Property Tax \$	Water Supply \$	Sanitary Sewerage \$	Total \$
Revenues				
Approved Budget	1,488,176	153,589	223,741	1,865,506
Reclassifications between revenue and expense	(2,274)	-	(14,291)	(16,565)
Budget before PSAS adjustments	1,485,902	153,589	209,450	1,848,941
Contributed tangible capital assets	870	7,815	8,297	16,982
Transfers from reserves and reserve funds	(104,568)	(5,736)	(10,177)	(120,481)
Proceeds of debt issued for Regional purposes	(58,357)	-	-	(58,357)
Total Revenues	1,323,847	155,668	207,570	1,687,085
Expenses				
Approved Budget	1,488,176	153,589	223,741	1,865,506
Reclassifications between revenue and expense	(2,274)	-	(14,291)	(16,565)
Budget before PSAS adjustments	1,485,902	153,589	209,450	1,848,941
Post-employment benefit expense	13,143	391	434	13,968
Landfill closure and post closure costs	(5,214)	-	-	(5,214)
Amortization	91,775	26,171	33,740	151,686
Transfers to reserves and reserve funds	(102,159)	(8,908)	(25,102)	(136,169)
Acquisition of tangible capital assets	(318,526)	(81,242)	(82,631)	(482,399)
Less: Recovery for shared ownership	-	-	1,387	1,387
Net Acquisition of tangible capital assets	(318,526)	(81,242)	(81,244)	(481,012)
Regional debenture debt principal repayments	(12,095)	-	(694)	(12,789)
Total Expenses	1,152,826	90,001	136,584	1,379,411
Annual Surplus	171,021	65,667	70,986	307,674

The budget for property tax purposes was presented to Regional Council under Report 2021-F-5 and was approved February 24, 2021 under by-laws 04-2021, 05-2021, and 06-2021.

The budget for water supply and sanitary sewerage were presented to Regional Council in Report 2020-F-24 and were approved December 16, 2020 under by-laws 57-2020 and 58-2020.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

12. Contractual Obligations

(a) *Sanitary Sewerage System*

The Region and the Regional Municipality of York jointly own certain sanitary sewerage systems and have entered into a joint operating agreement, whereby the Region operates and maintains these facilities. Each co-owner is responsible for its share of tangible capital asset acquisitions and operating costs based on actual sewerage flows.

(b) *Solid Waste Management*

The Region and the Regional Municipality of York jointly own a waste management facility that produces energy from the combustion of residual solid waste. The facility, which began commercial operations in 2016, is operated by a third party contractor under a twenty year agreement with the owners. Each owner is responsible for its share of costs based on tonnages of solid waste processed, to a combined total of 140,000 tonnes per year. Revenue from the sale of electricity generated is shared between the owners based on their ownership share.

(c) *Lease Commitments*

The Region has commitments under various building, land and equipment lease agreements expiring from 2022 to 2031. These operating leases require approximate annual rental payments as follows:

2022	4,634
2023	4,185
2024	3,676
2025	2,798
2026	1,909
Thereafter	2,557
	<u>\$19,759</u>

(d) *Tangible Capital Assets Commitments*

Contractual obligations for tangible capital asset work in progress total approximately \$69,689 (2020 - \$218,300). Financing for these commitments has been approved by Regional Council.

(e) *Advancement of Infrastructure*

The Region has entered into agreements whereby owners of land receive a credit towards development charges that would otherwise be due under the Region's development charge by-laws in exchange for the advancement of construction of infrastructure assets that become tangible capital assets of the Region.

Deferred revenue earned from development charges, equivalent to the value of the infrastructure assets, is recognized at the time payment is received for regionally-constructed works, or when the developer-constructed assets are transferred to the Region. Credits issued and outstanding under such agreements total \$233,874 (2020 - \$154,813), of which \$10,609 (2020 - \$9,192) is recognized as deferred revenue earned in the current year.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

13. Contingency

The Region has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2021; however, in the opinion of management, any liability that may arise from such actions would not have a significant adverse effect on the Consolidated Financial Statements.

14. Pension Contributions

The Region contributed \$47,814 (2020 - \$48,182) to OMERS on behalf of 5,666 employees for current service. Contributions by employees were a similar amount. The Region's contributions are included on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expense category. As at December 31, 2021, the OMERS plan, with approximately 541,000 members, has a funding deficit that is approximately \$3.1 billion.

15. Provincial Offences Administration

The Region has assumed responsibility for the administration of fines arising under the Provincial Offences Act ("POA") from the Ministry of the Attorney General. The Region provides court support, administration and collection functions for all related fines and fees and prosecutes matters under the POA. The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, municipal by-laws and minor federal offences. Offenders may pay their fines at any Provincial Offences court office in Ontario, at which time the receipts are recorded in the Integrated Courts Operation Network system ("ICON").

Gross revenues for POA charges total \$6,777 (2020 - \$5,156). Net revenues total \$219 (2020 - net program costs of \$929). Local municipalities share 60 per cent of net revenues and the Region retains 40 per cent or \$167 (2020 - net program costs of \$929).

16. Trust Funds

Trust Funds administered by the Region amount to \$978 (2020 - \$886) and are presented in separate Trust Funds Statements of Financial Position and Financial Activities and Fund Balances. As such, balances held in trust by the Region for the benefit of others have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2021
(in thousands of dollars)

17. COVID-19 Pandemic

On March 11, 2020, The World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 17, 2020, the Province of Ontario (“Province”) made an order declaring a state of emergency in response to COVID-19 and the Region followed suit on March 24, 2020.

As a result of the COVID-19 pandemic response, the Region experienced a change in demand for some of its services and incurred unbudgeted pandemic response and recovery expenditures during the year ended December 31, 2021. The Province continued to provide funding to support the on-going COVID-19 response across the municipal sector, through various funding envelopes to support the continued provision of services during the pandemic, the operation of mass vaccination clinics, contact tracing, enhanced sanitation and protection measures, particularly in long-term care, and to supplement revenue losses, primarily for transit services.

On March 28, 2022, the Region lifted its COVID-19 pandemic state of emergency.

18. Subsequent Event

In December 2021, Regional Council authorized the establishment of a wholly-owned Municipal Services Corporation (“MSC”) to develop, construct, and commercially operate a fibre optic network to provide open access fibre connectivity to public sector entities, as well as private sector carriers and internet service providers under commercial agreements, across Durham Region. The MSC, Durham OneNet Inc., has been incorporated in 2022 and is expected to begin operations in later in the year.

The Regional Municipality of Durham
Consolidated Schedule of Deferred Revenue

Year ended December 31, 2021

(in thousands of dollars)

Schedule 1

	INCREASE IN DEFERRED REVENUE						BALANCE, END OF YEAR
	BALANCE, BEGINNING OF YEAR	Interest	Government transfers	Development charges collected	Total	DEFERRED REVENUE EARNED	
	\$						
Development Charges							
Residential & Non-Residential							
Sanitary sewerage	173,946	1,623	-	49,200	50,823	18,684	206,085
Water supply	340,970	3,099	-	60,644	63,743	27,710	377,003
Roads	211,152	1,932	-	56,697	58,629	16,608	253,173
Transit	21,056	324	-	7,164	7,488	698	27,846
Residential							
Police	20,240	312	-	3,101	3,413	696	22,957
Long-Term Care	-	1	-	307	308	209	99
Development Charge Study	742	12	-	63	75	95	722
GO Transit	-	-	-	3,215	3,215	3,074	141
Emergency Medical Services	4,516	27	-	755	782	27	5,271
Health & Social Services	2,513	41	-	533	574	-	3,087
Housing Services	3,129	58	-	1,721	1,779	-	4,908
Development Charges	778,264	7,429	-	183,400	190,829	67,801	901,292
Gas Tax							
Federal	32,479	535	40,167	-	40,702	3,041	70,140
Provincial	18,063	255	9,298	-	9,553	5,102	22,514
Gas Tax	50,542	790	49,465	-	50,255	8,143	92,654
Conditional Grants							
Transit	371	-	-	-	-	-	371
Municipal Infrastructure	2,786	-	-	-	-	-	2,786
Social Housing	5,088	30	14,820	-	14,850	6,836	13,102
Conditional Grants	8,245	30	14,820	-	14,850	6,836	16,259
Total	837,051	8,249	64,285	183,400	255,934	82,780	1,010,205

The Regional Municipality of Durham
Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2021
(in thousands of dollars)

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2021 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	72,027	1,199	28,683	1,029,777	157,792	906,806	2,421,436	1,466,414	311,013	6,395,147
Additions	996	-	1,659	16,256	19,360	40,201	40,086	35,139	181,449	335,146
Contributed tangible capital assets	-	-	-	-	-	-	15,725	-	-	15,725
Work in progress completed	-	-	-	-	-	-	-	-	(153,697)	(153,697)
Disposals	-	-	(1)	(36)	(18,236)	(2,502)	(2,349)	(5,702)	-	(28,826)
BALANCE, END OF YEAR	73,023	1,199	30,341	1,045,997	158,916	944,505	2,474,898	1,495,851	338,765	6,563,495
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	11,968	336,101	99,326	488,288	687,653	611,072	-	2,235,607
Amortization of tangible capital assets	-	-	1,371	25,723	12,872	43,823	31,770	43,158	-	158,717
Disposals	-	-	(1)	(30)	(18,004)	(2,385)	(1,146)	(3,159)	-	(24,725)
BALANCE, END OF YEAR	-	1,199	13,338	361,794	94,194	529,726	718,277	651,071	-	2,369,599
NET BOOK VALUE, END OF YEAR	73,023	-	17,003	684,203	64,722	414,779	1,756,621	844,780	338,765	4,193,896

The Regional Municipality of Durham
Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2020
(in thousands of dollars)

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	50,958	1,199	26,391	1,006,564	152,599	872,294	2,350,403	1,395,544	323,798	6,179,750
Additions	20,876	-	2,307	23,947	8,390	36,089	44,062	74,556	197,442	407,669
Contributed tangible capital assets	250	-	-	-	-	943	27,511	-	-	28,704
Work in progress completed	-	-	-	-	-	-	-	-	(210,227)	(210,227)
Disposals	(57)	-	(15)	(734)	(3,197)	(2,520)	(540)	(3,686)	-	(10,749)
BALANCE, END OF YEAR	72,027	1,199	28,683	1,029,777	157,792	906,806	2,421,436	1,466,414	311,013	6,395,147
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	10,701	310,887	88,857	449,514	657,131	574,371	-	2,092,660
Amortization of tangible capital assets	-	-	1,282	25,689	13,352	41,206	30,811	39,190	-	151,530
Disposals	-	-	(15)	(475)	(2,883)	(2,432)	(289)	(2,489)	-	(8,583)
BALANCE, END OF YEAR	-	1,199	11,968	336,101	99,326	488,288	687,653	611,072	-	2,235,607
NET BOOK VALUE, END OF YEAR	72,027	-	16,715	693,676	58,466	418,518	1,733,783	855,342	311,013	4,159,540

The Regional Municipality of Durham
Consolidated Schedule of Segment Disclosure

Year ended December 31, 2021
(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2021 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	739,673	739,673
User charges	2,442	7,583	2,192	14,749	280,074	868	21,054	7,114	-	336,076
Government transfers	12,157	9,825	152	16,477	9,506	106,551	246,978	17,894	-	419,540
Deferred revenue earned	95	696	19,638	8,874	46,394	27	209	6,847	-	82,780
Fines	-	6,777	-	-	-	-	-	-	-	6,777
Contributed tangible capital assets	-	-	-	-	15,725	-	-	-	-	15,725
Other	9	188	6,856	10	8,145	4	19	-	63,675	78,906
TOTAL REVENUES	14,703	25,069	28,838	40,110	359,844	107,450	268,260	31,855	803,348	1,679,477
EXPENSES										
Salaries, wages and benefits	60,740	218,798	24,338	54,202	77,327	130,128	161,525	5,693	-	732,751
Operating materials and supplies	16,889	22,136	15,037	18,471	71,247	11,257	20,460	9,795	-	185,292
Contracted services	13,175	4,961	2,534	11,123	63,760	6,913	93,324	6,889	-	202,679
Rents and financial services	298	2,753	2,477	966	9,724	2,172	1,784	2,735	-	22,909
Government transfers	3,248	9,518	-	3,257	-	-	64,194	45,769	-	125,986
Amortization of tangible capital assets	5,273	9,734	48,504	10,040	73,807	3,243	7,143	973	-	158,717
Interfunctional charges	(16,669)	536	313	2,851	11,310	762	154	743	-	-
Debenture interest	38	464	19	3	320	63	1,515	10	-	2,432
TOTAL EXPENSES	82,992	268,900	93,222	100,913	307,495	154,538	350,099	72,607	-	1,430,766
ANNUAL SURPLUS	(68,289)	(243,831)	(64,384)	(60,803)	52,349	(47,088)	(81,839)	(40,752)	803,348	248,711

The Regional Municipality of Durham
Consolidated Schedule of Segment Disclosure

Year ended December 31, 2020

(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	720,698	720,698
User charges	1,681	5,288	3,425	14,626	289,145	714	21,566	7,410	-	343,855
Government transfers	15,416	8,628	-	9,169	10,572	69,802	242,519	13,035	-	369,141
Deferred revenue earned	2	29	35,491	15,300	41,223	438	78	7,895	-	100,456
Fines	-	5,156	-	-	-	-	-	-	-	5,156
Contributed tangible capital assets	-	-	250	-	28,454	-	-	-	-	28,704
Other	16	194	2,660	1,217	1,980	15	1	-	62,217	68,300
TOTAL REVENUES	17,115	19,295	41,826	40,312	371,374	70,969	264,164	28,340	782,915	1,636,310
EXPENSES										
Salaries, wages and benefits	53,492	195,054	23,698	51,531	71,599	97,035	153,033	5,519	-	650,961
Operating materials and supplies	16,780	20,754	16,518	18,212	73,532	7,674	19,589	8,715	-	181,774
Contracted services	12,085	5,780	2,935	10,297	53,150	1,580	69,592	2,401	-	157,820
Rents and financial services	415	2,382	1,533	826	8,239	519	1,813	2,807	-	18,534
Government transfers	1,973	8,915	-	5,424	-	-	84,179	50,596	-	151,087
Amortization of tangible capital assets	3,568	9,536	44,819	9,837	71,681	3,524	7,635	930	-	151,530
Interfunctional charges	(15,533)	565	(44)	2,386	10,752	772	100	1,002	-	-
Debenture interest	92	480	25	22	463	84	1,829	14	-	3,009
TOTAL EXPENSES	72,872	243,466	89,484	98,535	289,416	111,188	337,770	71,984	-	1,314,715
ANNUAL SURPLUS	(55,757)	(224,171)	(47,658)	(58,223)	81,958	(40,219)	(73,606)	(43,644)	782,915	321,595

Trust Funds Financial Statements

For the year ended December 31, 2021

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2021, 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 Durham as at December 31, 2021, 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 Durham 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 Durham'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 Durham 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 Durham'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 Durham'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 Durham'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 Durham 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 22, 2022

The Regional Municipality of Durham

Trust Funds: Statement of Financial Position

December 31, 2021

(in thousands of dollars)

	2021					2020
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash	186	255	87	436	964	886
Other current assets	-	-	-	18	18	-
	186	255	87	454	982	886
FINANCIAL LIABILITIES						
Accrued liabilities	-	-	-	4	4	-
NET FINANCIAL ASSETS	186	255	87	450	978	886
FUND BALANCES	186	255	87	450	978	886

The Regional Municipality of Durham

Trust Funds: Statement of Financial Activities and Fund Balances

Year ended December 31, 2021

(in thousands of dollars)

	2021					2020
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
REVENUES						
Residents	767	8	-	-	775	669
Recipients	-	-	-	1,309	1,309	1,085
Interest earned	-	-	1	-	1	10
TOTAL REVENUES	767	8	1	1,309	2,085	1,764
EXPENSES ON BEHALF OF						
Residents	747	38	-	-	785	675
Recipients	-	-	-	1,208	1,208	988
TOTAL EXPENSES	747	38	-	1,208	1,993	1,663
NET REVENUES/(EXPENSES)	20	(30)	1	101	92	101
FUND BALANCES, BEGINNING OF YEAR	166	285	86	349	886	785
FUND BALANCES, END OF YEAR	186	255	87	450	978	886

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

The Regional Municipality of Durham

Notes to the Trust Funds Financial Statements

December 31, 2021
(in thousands of dollars)

1. Accounting Policies

The financial statements of the trust funds of the Regional Municipality of Durham are the representations of management and are prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized 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 the periodic 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 may differ from these estimates.

2. Statement of Cash Flows

A statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.