



2019 Annual Report

for the year ended December 31, 2019

The Regional Municipality of Durham
Ontario, Canada





2019 Annual Report

for the year ended December 31, 2019

The Regional Municipality of Durham

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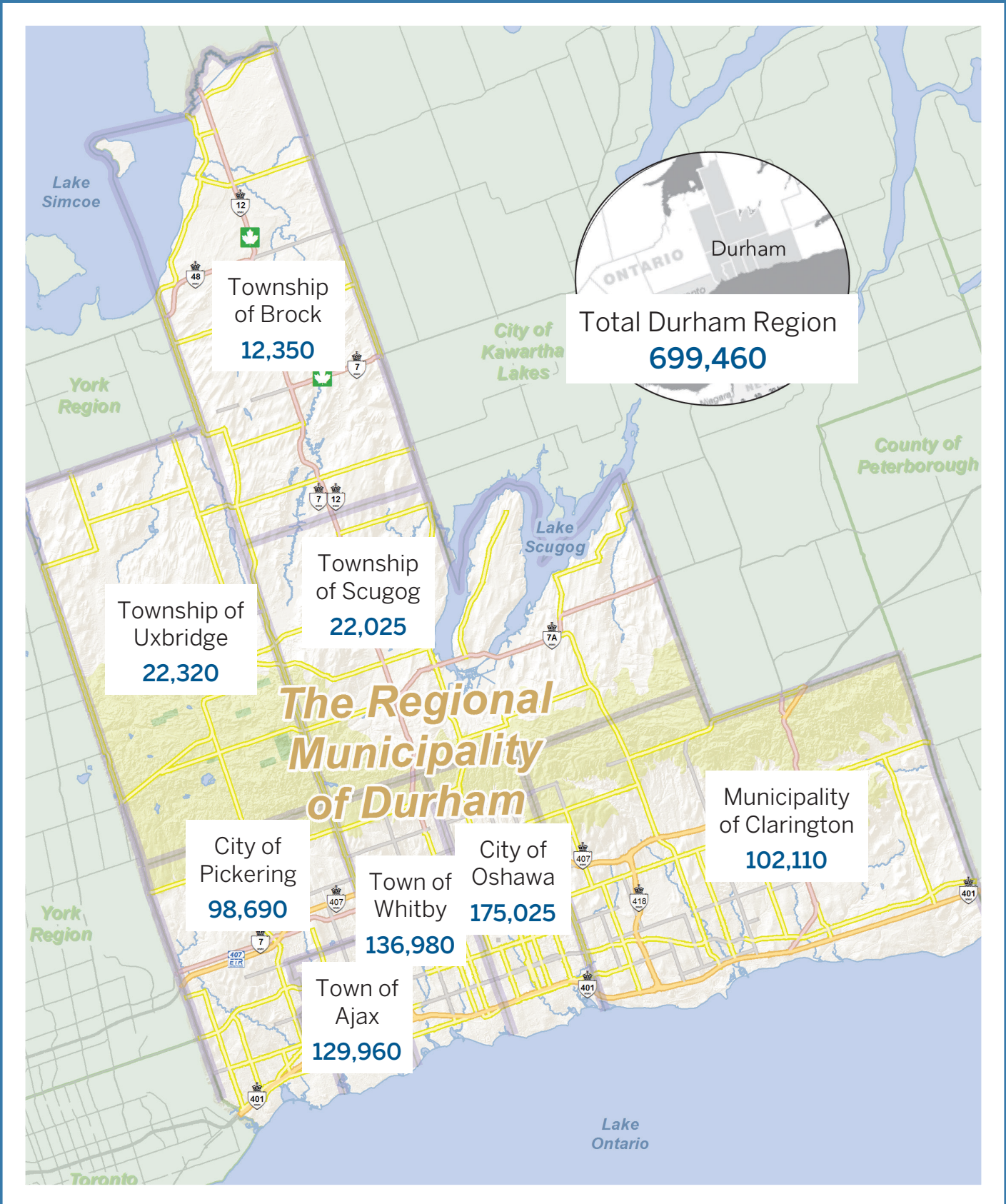


Introductory Information

For the year ended December 31, 2019

The Regional Municipality of Durham, Ontario, Canada

Estimated Year-end Population*

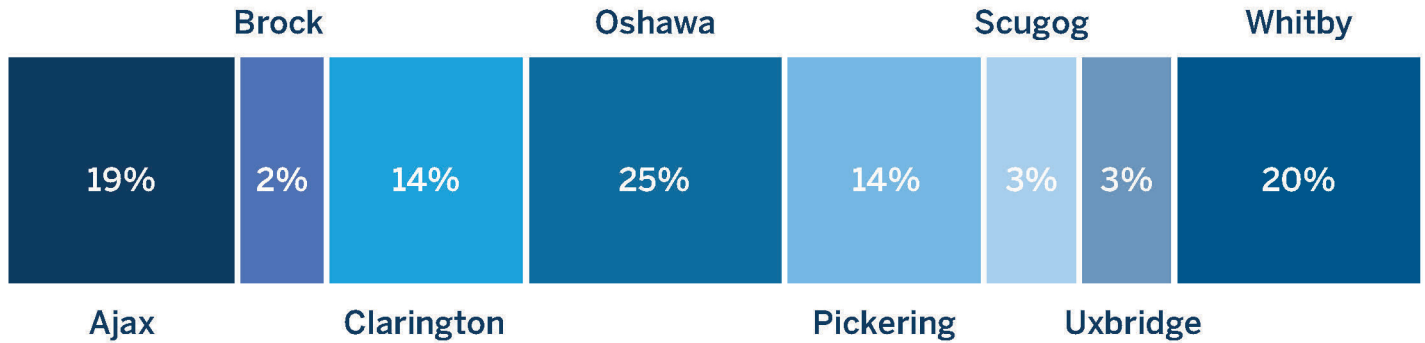


*Source: Durham Region Department of Planning and Economic Development.

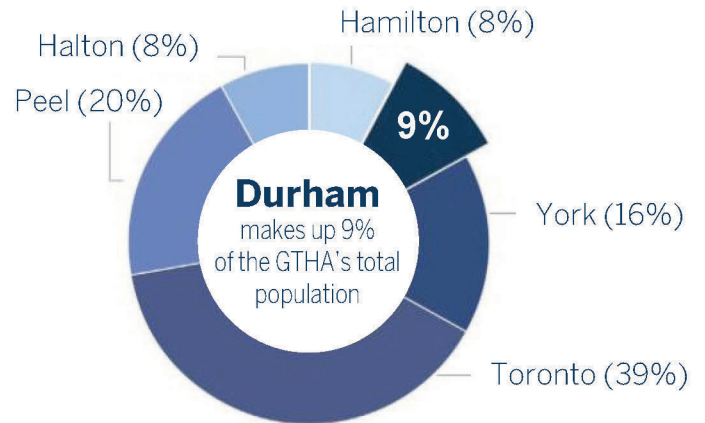
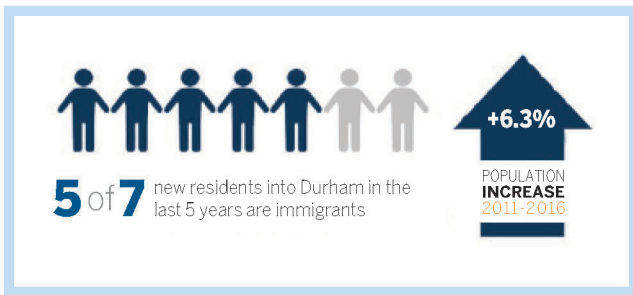
Population and Community Profile

Durham is a fast-growing community with eight local municipalities. Population growth continues to surpass provincial growth rates with immigration contributing to Durham's rich cultural diversity. Nearly a quarter of the population was born outside of Canada.

Population Distribution



Durham Share of the Greater Toronto Hamilton Area (GTHA)



Sources: Planning and Economic Development Department, Statistics Canada Census (2011-2016) and Annual Demographics.

Home to Five Higher Education Institutions and Satellite Campuses

- Ontario Tech University
- Durham College
- Centennial College Pickering Learning Site
- Trent University Durham GTA (Greater Toronto Area)
- Queen's University School of Medicine: Department of Family Medicine

Key Economic Sectors

- Agri-business
- Energy, Environment and Engineering (EN3)
- Health Sciences
- Innovative Technology
- Manufacturing

A Great Place to Work, Live and Play

The Regional Municipality of Durham is part of the Greater Toronto Area (GTA). Located just east of Ontario's capital, the City of Toronto, the Region encompasses an area of 2,537 square kilometres within a high growth economic zone known as the Greater Golden Horseshoe. Durham businesses are well situated to access Canada's largest economic centre as well as the vast Great Lakes and the northeastern markets of the United States consisting of over 100 million consumers.

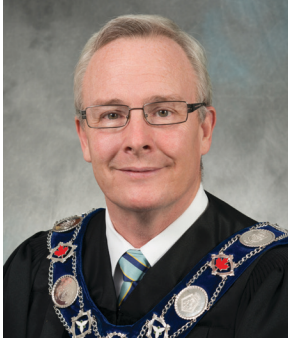
Durham is well known for its agri-business, manufacturing, life sciences, innovative technology, energy, environment and engineering sectors and the strengths of its education system. The diversification of the economy has been accelerated by the presence of a relatively young, educated and skilled labour force, advanced utilities and extensive and integrated transportation and social infrastructures. The Region's transportation network includes major highways, a well-established transit system, transcontinental and commuter rail lines and cargo-loading and deep-sea shipping ports. The updated executive airport also provides corporate air travel.

The Region's high quality of life is enriched by its diversity of landscapes and local communities. The lakeshore area includes large urban municipalities with scenery marked by bluffs, wooded creeks and ancient shorelines. Farther north, the Region's thriving farms, hamlets, villages and small towns are characterized by ample charm, significant biodiversity, plentiful water resources and the beautiful topography of the Oak Ridges Moraine. Durham Region really is a great place to work, live and play!



Message from John Henry

Regional Chair and Chief Executive Officer



Durham Region is a fast-growing and diverse community in the Greater Toronto Area. We are home to a highly-skilled workforce, top-quality post secondary education and health care institutions, a growing innovation technology sector and a unique rural/urban landscape.

Affordable serviced land, competitive development charges, and a skilled local talent pool make Durham an attractive place for businesses to invest and grow. In 2019, we supported the continued growth of more than 12,600 businesses that provide over 206,000 jobs in Durham. We are proud that

Ontario Power Generation and Kubota Canada Ltd. both chose to locate corporate headquarters in the Region this past year.

We offer an exceptional quality of life that is attracting new residents. The newest community developments in West Whitby, Seaton, and Kedron showcase Durham's unique blend of urban amenities and green space. The Highway 407 East extension to Highway 35/115 and the planned GO Transit Lakeshore East extension will further accelerate residential and commercial growth.

As the Regional Chair, I am confident we will remain investment-ready and equipped to meet the challenges of a rapidly evolving world, even as we face our new reality dealing with COVID-19.

Durham Region is full of things to do and see. We have eliminated Transit fares for children under 12 and have ready access to Durham Tourism's Discovery Guide, making it very easy for residents and visitors to get out and experience all that the Region has to offer.

In the Region, we are preparing for a changing climate while seeking to minimize greenhouse gas (GHG) emissions. Green infrastructure investments, such as the Pulse Bus Rapid Transit lanes along the Highway #2 corridor and electric vehicle charging stations at Regional Headquarters optimize economic, environmental, health and social benefits for Durham's residents. The Durham Community Climate Adaptation Plan, led by Durham in collaboration with community stakeholders, has been recognized as among the best in Canada by the Federation of Canadian Municipalities.

Key areas of focus as the Region moves forward include fostering balanced growth and an adequate mix of attainable housing for residents, attracting new investment and helping existing businesses grow. Durham will also continue to advocate for economic development on the federal airport lands in Pickering and for continued divestment of provincial surplus lands in the Highway #407 and Highway #412 construction corridors for business development.

Regional Council is committed to positioning Durham Region as the location of choice for business and promoting its excellent quality of life and vibrant communities. Because we all know the world needs more Durham.

John Henry

John Henry
Regional Chair and CEO

Our Vision

A healthy, prosperous community for all.

Our Mission

Working together to deliver service excellence through leadership, collaboration, innovation and environmental stewardship.

Our Corporate Values

Leadership: We demonstrate integrity and vision, providing the organization with good governance and management.

Inclusion: We provide an accessible, inclusive environment that values the diversity of our staff and the community.

Effectiveness: We anticipate the changing needs of the community and provide services within a framework of financial stability and transparency.

Environmental Responsibility: We prioritize community leadership and environmental sustainability in our operations.

Innovation: We support life-long learning and commitment to ongoing research, knowledge exchange and continuous quality improvement.

Service Excellence: We encourage professional excellence through collaboration, partnerships and teamwork in a culture that fosters trust and respect.



Message from Elaine Baxter-Trahair

Chief Administrative Officer



The renewal of the Region's Strategic Plan was a key focus in 2019. Over 1,500 community members, local organizations and Regional staff provided direct input, helping refine goals and priorities. The 2020-2024 Strategic Plan is focused on five goal areas: environmental sustainability, community vitality, economic prosperity, social investment and service excellence. To ensure Regional decision making is responsive to community input, the Your Voice Durham platform was launched to encourage engagement and participation anytime, anywhere.

The Region's many modernization projects leverage technology to deliver the convenient and reliable service that residents and businesses have come to expect. MyDurhamWater—a new online water billing customer portal and an online newsfeed for Durham Works that keeps residents informed about waste, water and road issues, are just some of the ways we made the lives of residents easier. As we continue to transform our contact centres, front counters and public facing services to modernize the entire customer experience, our resilient and professional Regional staff will ensure continued customer service excellence. This is part of our commitment to innovation and service excellence.

Durham Region has long demonstrated a commitment to long-term financial sustainability. The new Long-Term Financial Planning Framework ensures long-term flexibility to adapt to changing Regional priorities and requirements. In Durham Region, services are designed, funded and delivered in a cost-effective manner, across the largest geographical jurisdiction in the Greater Toronto Area.

The Region demonstrates prudent and fiscally responsible infrastructure management that plans for capital replacements and expansions to meet growth. Our first Regional Corporate Strategic Asset Management Policy supports modernization and continuous improvement in our long established asset management planning. The policy includes a commitment to ensure Regional assets remain resilient to climate change and that greenhouse gas (GHG) emissions are minimized, including through the use of low carbon materials.

We continue to seek efficiencies, enhance accessibility and ensure the necessary supports for our diverse workforce. I am confident that adapting our service delivery to meet the changing needs of residents and businesses will position the Region for continued success.

Elaine Baxter-Trahair

Elaine Baxter-Trahair
Chief Administrative Officer

Durham Region Strategic Plan

The Region has been guided by the Durham Region Strategic Plan 2015 to 2019, which was developed in consultation with the community. This Plan included a focus on:

- Economic growth, diversification, and growth in local employment
- Health and quality of life: building a Regional community that is inclusive, cohesive and welcoming
- A healthy environment and sustainable communities
- Exceptional municipal services through strategic, compassionate and innovative leadership

Throughout 2019, the Strategic Plan Task Force, consisting of four Regional Councillors and two members of the Senior Leadership Team, were engaged in the development of a new strategic plan. The Durham Region Strategic Plan 2020 to 2024 has been informed by consultation sessions throughout 2019 where the public was encouraged to get involved, and is focused on five key goals.



Regional Corporate and Community Climate Initiatives

The Region aspires to be a leader on climate change and has established goals for climate action that include, but are not limited to, delivery of programs, services and infrastructure with low carbon impacts, resilience to the effects of climate change and with climate change considerations integrated into business planning processes for both public and private sector organizations.

Significant progress has been made to date by the Region in implementing various community and corporate-based climate initiatives and additional steps are being taken to streamline the efforts for maximum impact and results. Corporate climate mitigation efforts and successes to date have been numerous and new goals and objectives for efficient operation of Regional facilities have been outlined in the Region's updated Energy Conservation and Demand Management (CDM) Plan, 2019-2024. As noted in the CDM Plan, Durham Region realized the following benefits as a result of the numerous projects and initiatives implemented from 2014 to early 2019:

- Avoided electricity usage of almost 37 million kilowatt hours
- Avoided natural gas usage of almost 12 million cubic metres
- Energy avoidance of 0.6 million gigajoules and cost avoidance of over \$8 million
- Emissions avoidance of over 23,000 tonnes of CO₂ equivalent due to energy reductions
- An additional \$10.6 million of electricity cost avoidance through peak demand curtailment initiatives.

Climate Change Adaptation in Durham Region

- The Durham Community Climate Adaptation Plan is the Durham community's response to prepare for the risks posed to our infrastructure, health and welfare, and local economy by climate change.
- Leveraged approximately \$33 million in federal and provincial funding in recent years for various Regional water and sewer projects, a large portion addresses system resiliency.
- The Durham Region Agriculture Sector Climate Adaptation Strategy launched in 2019 provides members of the thriving local agricultural community with programs and tools to take advantage of climate change opportunities and successfully navigate extreme weather conditions.
- Through Envision Durham, a multi-year review of the Regional Official Plan, staff will translate Regional climate change elements into land-use planning and policies.

With the declaration of a climate emergency by Regional Council in 2020, further work is proceeding with the development of capital design and build standards, the development of a Low Carbon Fleet Strategy for decarbonizing corporate fleets as well as continued implementation of EV charging infrastructure across corporate facilities (including at Regional headquarters), and the development of an overarching Climate Master Plan which will assist in the establishment of Greenhouse Gas (GHG) targets for Regional facilities and operations.

The Durham Community Energy Plan (DCEP) 2019, was endorsed in principle by Council in 2019 and outlined an ambitious low carbon pathway for the community. The plan seeks to achieve 80 per cent GHG emission reductions by 2050 through the implementation of numerous measures, including renewables, efficient building design and standards, electrification of fleet and overall broad decarbonization of the region. It relies on collaborative efforts between the Region, local municipalities, local utilities and other key community stakeholders. One of the priority items from the DCEP is the development and implementation of a Residential Deep Retrofit Program which will target community-based energy and GHG emission reductions across single family homes through innovative program delivery, financing options and collaborations among the Region, utilities, energy advisors and other key DCEP partners.

Two-tiered Governance

The Regional Municipality of Durham began operations on January 1, 1974 as part of a two-tiered governance structure. The Region is the upper tier, while the eight local municipalities located within regional boundaries administer programs within their jurisdictions as the lower tier.

Regional Responsibilities

Water Supply and Sanitary Sewerage

- Municipal water supply treatment, distribution and billing
- Municipal sanitary sewerage collection, treatment and billing

Health and Wellness

- Public Health Programs and Services
- Family Services and Counselling

Financing and Taxation

- Borrowing for capital expenditures of Regional and local area municipalities
- Property taxation policy

Emergency Services and Justice

- Durham Regional Police Service
- Region of Durham Paramedic Service
- Emergency Management and 9-1-1 Dispatch
- Provincial offences court administration, prosecution services and collection of fines

Land Use Planning and Approvals

- Durham Regional Official Plan and delegated authority for local plans
- Strategic land use planning
- Approvals: Land division, development, subdivision and condominium



The system permits a Region-wide approach to development, infrastructure and service delivery while retaining proximity to local constituents served within each unique community. While each municipal organization has their own jurisdictional responsibilities, strong collaboration and partnerships ensure the most effective and efficient service delivery across jurisdictions.



Economic Development and Tourism

- Strategic business missions and partnerships
- Support existing business community and attract new investment
- Market Durham Region



Transit and Regional Roads

- Regional roads, bridges, traffic signals/controls and related storm sewers
- Durham Region Transit



Housing and Income Support

- Ontario Works programs and services
- Housing and homelessness programs and services



Waste Management

- Blue Box collection in all local area municipalities
- Garbage, green bin, yard waste, bulky and white goods collection in Ajax, Brock, Clarington, Pickering, Scugog and Uxbridge
- Solid waste management, promotion and education, processing, diversion and disposal



Child Services

- Early Learning and Child Care Centres
- Durham Behaviour Management Services
- Nursery school programs



Adult Care and Services

- Long-Term Care and Services for Seniors
- Adult day programs

Local Municipal Responsibilities

- Local planning and development
- Local roads, bridges, storm sewers and sidewalks
- Fire protection and prevention
- Parks and recreation
- Property tax billing and collections
- Garbage, green bin, yard waste, bulky and white goods collection (Oshawa and Whitby only)
- Animal control
- Library services
- Municipal elections
- Parking and local by-law enforcement
- Property standards
- Building and plumbing inspections and permits
- Business and lottery licensing

Regional Council

Legislative responsibility for the Regional Corporation lies with Regional Council, who provides direction on the delivery of Regional services and infrastructure priorities. Regional Council is comprised of 29 Councillors, including the Regional Chair, who is also Chief Executive Officer (CEO) of the Regional Corporation and presides over all Council meetings.

The Regional Chair is a directly elected position while the Mayors of each local municipality are Regional Councillors and 20 Regional Councillors are directly elected as combined Regional and local representatives. The current four-year term of Regional Council ends in 2022.



Back (L to R) : Joe Neal (Clarington), Steve Yamada (Whitby), John Neal (Oshawa), Bill McLean (Pickering), David Pickles (Pickering), Chris Leahy (Whitby), Sterling Lee (Ajax), Rick Kerr (Oshawa), Ted Smith (Brock)

Middle (L to R): Marilyn Crawford (Ajax), Joanne Dies (Ajax), Wilma Wotten (Scugog), Brian Nicholson (Oshawa), Gord Highet (Uxbridge), Elizabeth Roy (Whitby), Tito-Dante Marimpietri (Oshawa), Rhonda Mulcahy (Whitby), Granville Anderson (Clarington), Kevin Ashe (Pickering), Bob Chapman (Oshawa)

Front (L to R): Dave Barton (Mayor, Uxbridge), Adrian Foster (Mayor, Clarington), Dave Ryan (Mayor, Pickering), Bobbie Drew (Mayor, Scugog), John Henry (Regional Chair), Debbie Bath-Hadden (Mayor, Brock), Dan Carter (Mayor, Oshawa), Don Mitchell (Mayor, Whitby)

Absent for photo (lower right inset): Shaun Collier (Mayor, Ajax)

Agencies, Boards and Advisory Committees

Regional Council appoints members of Regional Council and members of the public to serve on several advisory committees, agencies and boards.

Environment and Climate Change

- Central Lake Ontario Conservation Authority
- CTC Source Protection Committee
- Durham Environmental Advisory Committee
- Durham Region Roundtable on Climate Change
- Energy from Waste – Waste Management Advisory Committee
- Ganaraska Region Conservation Authority
- Kawartha Region Conservation Authority
- Lake Simcoe Region Conservation Authority
- Toronto and Region Conservation Authority
- Trent Conservation Coalition Source Protection Committee

Inclusion and Accessibility

- Accessibility Advisory Committee
- Local Diversity and Immigration Partnership Council

Public Safety and Protection

- 9-1-1 Management Board
- Durham Region Community Safety and Well-Being Plan Steering Committee
- Durham Regional Police Services Board

Transportation

- Durham Active Transportation Committee
- Greater Toronto Airports Authority
- Durham Region Transit Advisory Committee
- Durham Region Transit Commission
- Durham Vision Zero Task Force

Planning and Economic Development

- Business Advisory Centre Durham
- Canadian National Exhibition Association
- Durham Agricultural Advisory Committee
- Golden Horseshoe Food and Farming Alliance
- Land Division Committee
- Royal Agricultural Winter Fair Association
- Strategic Plan Development Task Force
- Toronto Global

Health and Social Services

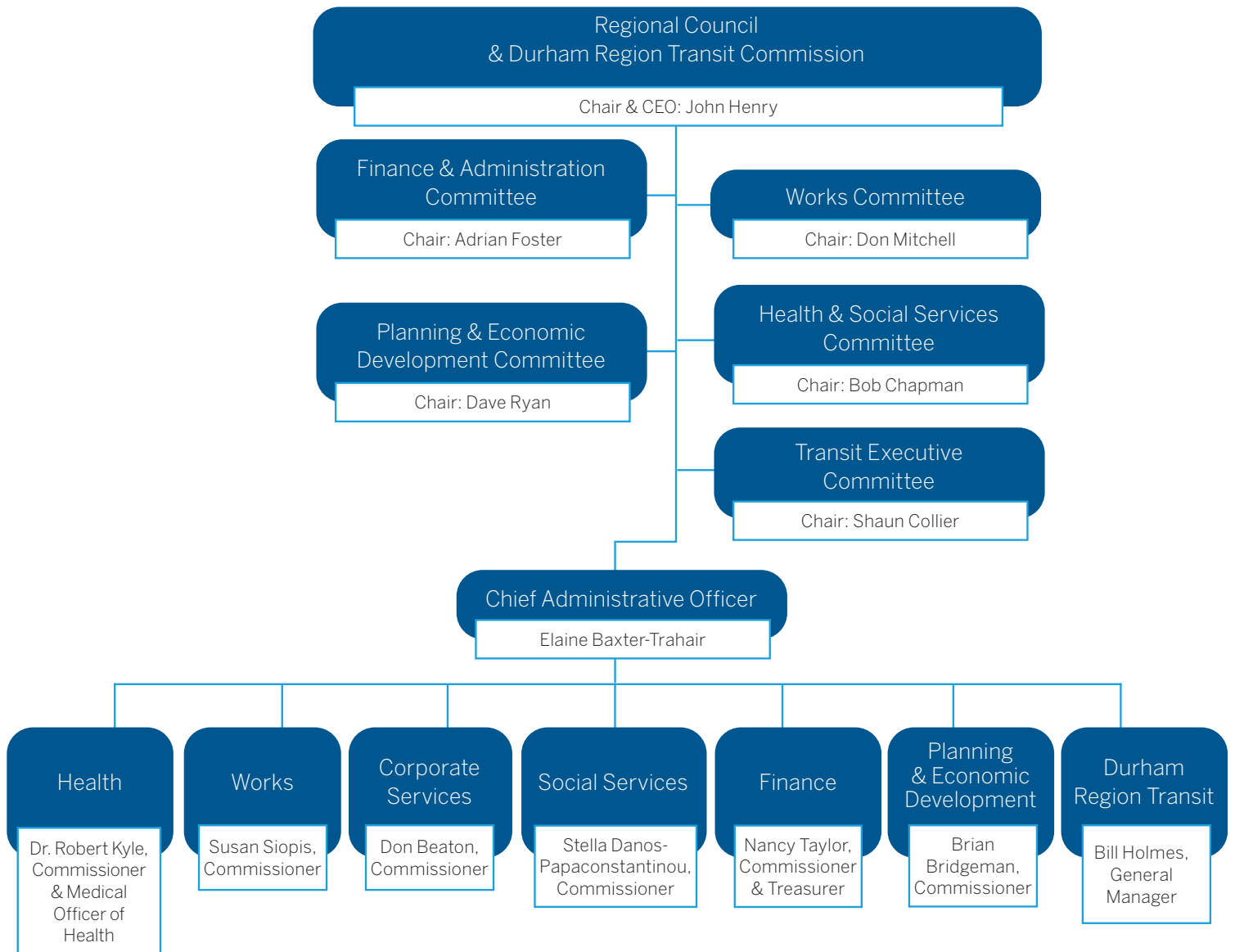
- Association of Local Public Health Agencies
- Durham Advisory Committee on Homelessness
- Durham Nuclear Health Committee
- Durham Region Child and Youth Advocate
- Durham Regional Local Housing Corporation
- Durham Region Non-profit Housing Corporation

Other

- Development Charges Complaint Committee

For additional information on Durham's boards, committees or agencies, please visit the Region's website at www.durham.ca, or contact the Region by telephone at 905-668-7711 or toll free at 1-800-372-1102, or email info@durham.ca.

Organizational Structure



Notes:

1. The Region uses a Standing Committee structure. Each Standing Committee consists of seven Regional Councillors and the Regional Chair, who is an ex officio member of all Standing Committees. When there is a matter that affects more than one Standing Committee, the Committee of the Whole meets, which includes the Chair and all Regional Councillors.
2. The Transit Executive Committee includes eight Regional Councillors and the Regional Chair.
3. The Office of the Chief Administrative Officer (CAO) oversees the corporate department head team as well as Corporate Communications, Corporate Policy and Strategic Initiatives and Emergency Management.

Message from Nancy Taylor

Commissioner of Finance and Treasurer



I am pleased to present the Regional Municipality of Durham's annual financial results for the year ended December 31, 2019. I have also taken this opportunity to highlight the approved 2019 business plans, property tax supported budgets and resulting average residential property taxes.

Durham's financial management policies, systems and reporting structures continue to support transparency and accountability to Durham's residents, businesses and other stakeholders. Our strong financial management structures have once again been recognized by the bond raters, Moody's Investors Service and S&P Global Ratings, as contributing factors in our long-standing triple 'A' credit rating.

This past year we updated our long-term financial planning framework supporting continued sustainability while ensuring that the Region is well positioned to respond to unforeseen and emerging needs in a fiscally responsible manner.

In 2019, Regional Council approved a new Strategic Asset Management Policy. Asset management ensures the Region can proactively maintain, refurbish and eventually replace aged infrastructure based on age and condition, ability to meet service levels, and risk, including ensuring resiliency to the changing climate. Responsible long-term infrastructure planning reduces the need for emergency replacements and allows for greater flexibility in project selection and timing.

The consolidated financial statements and all other related information within this report are the responsibility of the management of the Regional Corporation.

“The Region maintains considerable financial flexibility from substantial levels of liquidity from reserves and a debt burden that remains low relative to peers.”

Moody's Investors Service, February 2020

“Durham’s strong operating results are supported by stable operations, conservative fiscal management practices, and predictable property taxes and user fees.”

Moody’s Investors Service, February 2020

Canadian Award for Financial Reporting



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

**The Regional Municipality of Durham
Ontario**

For its Annual
Financial Report
for the Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a sixteenth consecutive ‘Canadian Award for Financial Reporting’ to the Regional Municipality of Durham for its Annual Report for the fiscal year ended December 31, 2018. The Canadian Award for Financial Reporting program was established to encourage high quality financial reports.

To receive the award, a government unit must publish an easily readable and efficiently organized annual report, whose contents conform to GFOA program standards. Awarded reports go beyond the minimum requirements of generally accepted accounting principles and demonstrate efforts to clearly communicate the municipality’s financial picture, enhance an understanding of financial reporting, and address user needs.

The Finance Department is proud to have received the 2018 award, and it is our belief that this current 2019 Annual Report also conforms to GFOA standards. The Finance Department will be submitting this Annual Report to the GFOA Canadian Award for Financial Reporting program.

Triple A Credit Rating

In 2020, both S&P Global Ratings and Moody’s Investors Service reaffirmed Durham Region’s triple ‘A’ credit rating (AAA/Stable and Aaa/Stable respectively). Both agencies cited Regional strengths related to strong fiscal management, financial flexibility, exceptional liquidity, low burden of debt, and an economic context highlighted by a growing and diversified economy.

The Triple A credit rating is the highest rating attainable. While we can be proud of this recognition, there are also material benefits, including reduced debenture financing costs when borrowing does become necessary, a benefit which also extends to the region’s eight local municipalities.

2019 Economic Highlights

Durham Region demonstrated solid economic performance in 2019 with the Region performing near or better than provincial averages on several key indicators.

12,666
Businesses in
Durham, 2019




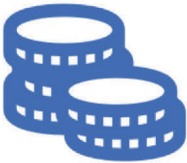


In 2019, the total value of building permits issued is estimated at \$1.97 billion, consisting of an estimated \$1.07 billion in residential building permits and an estimated \$900 million in non-residential building permits.

206,494
Jobs in Durham,
2019



While non-residential building permits are estimated to have grown by 55 per cent, regulatory policies prompted builders to slow activity. In 2019 Durham Region experienced a decline in housing starts, consistent with other Ontario jurisdictions.

 <p>\$1.97 Billion Value of Building Permits Issued</p>	 <p>2,659 Durham Region Housing Starts</p>	 <p>5.2% Unemployment Rate Oshawa CMA</p>	 <p>1.3% GDP Growth Oshawa CMA</p>
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Sources: Planning and Economic Development Department, The Regional Municipality of Durham Business Count, 2019, Conference Board of Canada, Statistics Canada, Canada Mortgage and Housing Corporation.

Taxable Assessment


















Durham Region's taxable unweighted assessment continued to increase and in 2019 reached approximately \$105.3 billion, compared to \$96.9 billion in 2018, an increase of approximately nine per cent. The increase includes both the valuation change due to reassessment and growth of approximately 1.9 per cent. Property assessment and classification services are provided by the Municipal Property Assessment Corporation (MPAC) for over 221,000 residential and non-residential taxable properties in Durham Region.

	2015	2016	2017	2018	2019
Unweighted Taxable Assessment (in billions)	\$78.1	\$81.6	\$88.9	\$96.9	\$105.3

Source: Municipal Property Assessment Corporation.

2019 Average Residential Property Taxes

Average 2019 Residential Property Tax Bill and Regional Property Taxes by Major Service Area

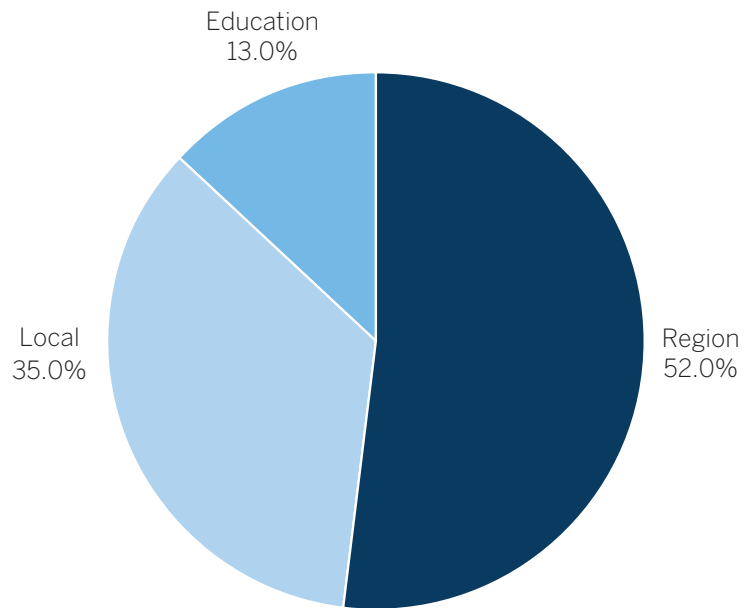
Police Services	31.0%		\$847
Roads and Bridges	12.8%		\$350
Durham Region Transit	8.7%		\$238
Solid Waste Management*	7.2%		\$197
Long-Term Care	6.9%		\$188
Social Housing	6.1%		\$167
Governance and Administration	5.5%		\$150
Paramedic Service	4.0%		\$109
External Agencies	3.3%		\$90
Public Health	2.9%		\$79
Infrastructure Renewal	2.9%		\$79
Social Assistance	2.8%		\$76
Other	1.8%		\$49
Planning and Economic Development	1.4%		\$38
Children's Services	1.3%		\$36
Family Services	0.8%		\$22
9-1-1 Phone Services	0.6%		\$16

*Solid Waste Management varies as Oshawa and Whitby residential collection services are provided by the local area municipalities. Includes average 2019 Reassessment Impact.

The Average Residential Property Tax Bill

There are three components to an individual property tax bill: local municipal, regional municipal and provincial education components. The education portion, as set by the province, funds public elementary and secondary schools.

The breakdown of the average residential property tax bill in Durham Region is shown in the chart to the right. Shares vary by local municipality.



Fiscal Sustainability

Financial flexibility and liquidity are maintained through a disciplined approach, including commitment to long-term financial planning, best practice asset management, and prudent management of debt. The Region's financing approach, low debt levels, strong reserve and reserve fund strategies, and 'growth-pays-for-growth' development financing policy contribute to the Region's fiscal strength and are consistently recognized by bond rating agencies.

Debt Management

Regional debt management policies are governed by provincial legislation and Regional Council direction. The Region only issues debentures for major capital projects and is also the legislated authority for debt issuance on behalf of local municipalities located within Durham boundaries. The lower tier municipalities are responsible for the repayment of principal and interest attributed to the debt issued by the Region on their behalf.

The Region's overall debt responsibility at December 31, 2019 included debenture debt totaling \$206.3 million with \$134.7 million, or 65 per cent of this total, issued on behalf of local municipalities. The resulting year-end 2019 net Regional debt burden was \$71.6 million, including consideration of debt repayment (\$22.1 million). No new debt was issued in 2019.

Reserve and Reserve Fund Management

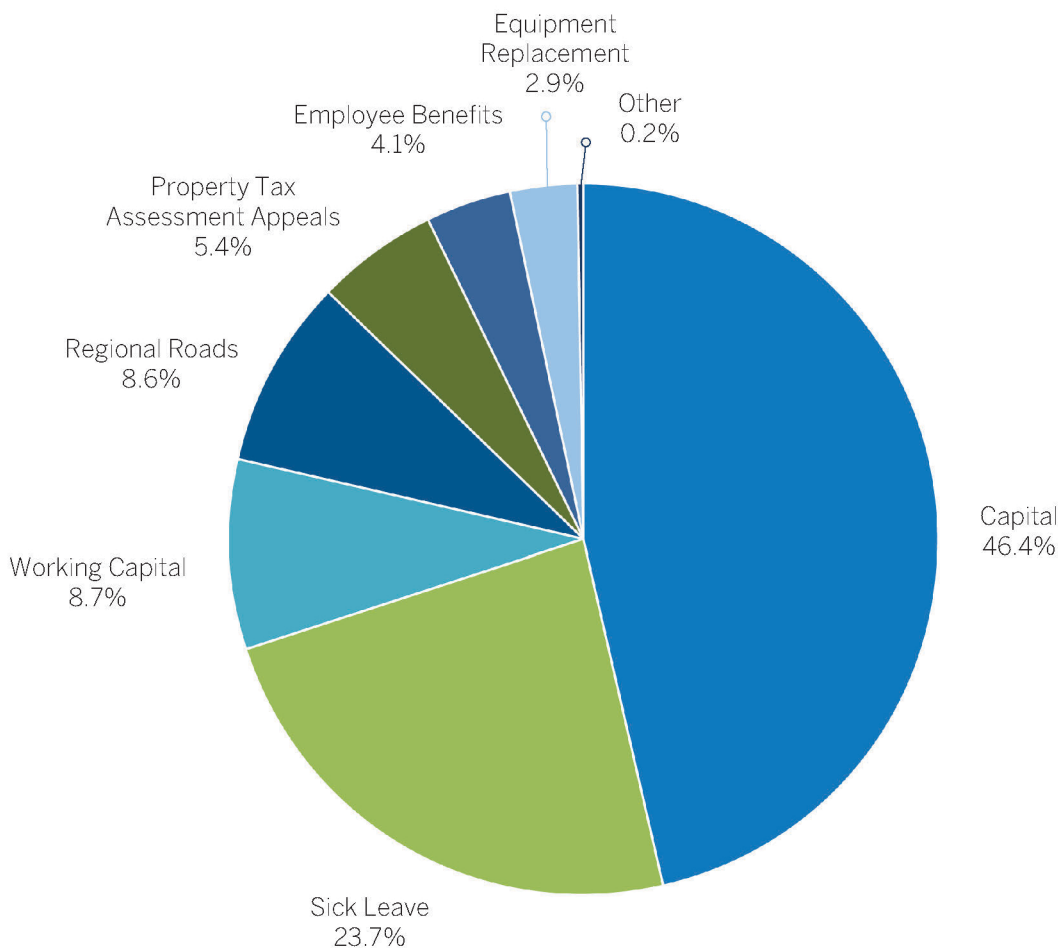
Debt issuance is balanced by maintenance of adequate reserves and reserve funds. Recognizing their strategic importance, these funds provide for: contingencies; property tax and user rate stabilization; the funding of long-term liabilities; working capital; support for growth infrastructure requirements (through development charge revenues or deferred revenues); and, the prudent up-front financing of major capital expenditures.

The Region's up-front financing policy significantly reduces annual financing costs through lowered interest rates and forgone annual payments for debt service. Any significant loss in interest earnings would affect future reserve fund balances available for future capital investment considerations but not affect the current strong financial capacity of the Region.

Reserves Set Aside by Council:

Reserves set aside by Council at year-end 2019 totalled \$557.3 million. The Region's reserves are established and utilized for various reasons. Reserves provide working capital to mitigate fluctuations in annual cash flows. Various reserves provide the Region with financing for future liabilities. Other reserves are established to enable up-front financing of major capital expenditures or finance projects budgeted in one year, but with construction taking place over more than one year.

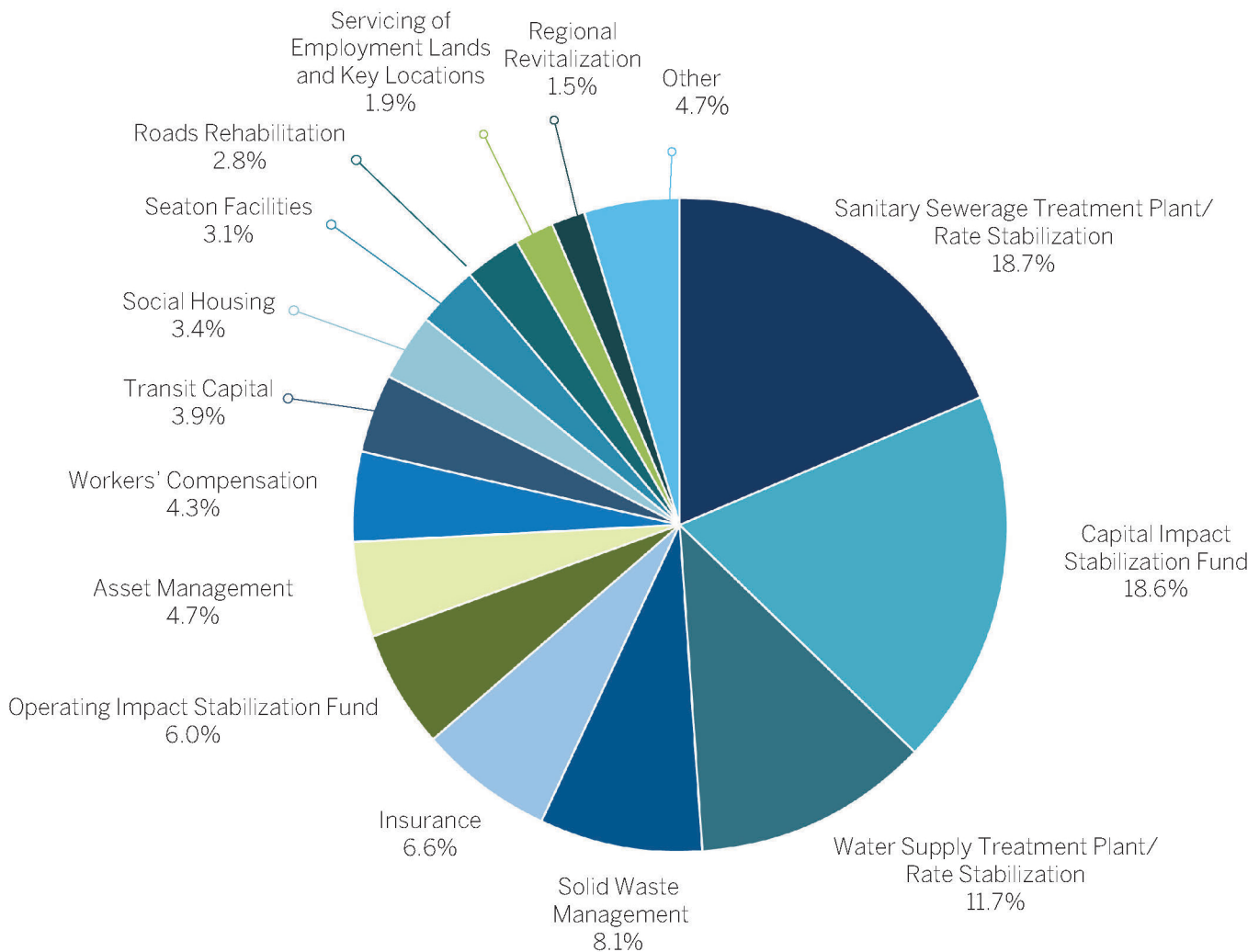
2019 Reserves (\$557.3 million)



Reserve Funds Set Aside for Specific Purposes:

Reserve funds are monies set aside to finance more specific future costs. The Region's reserve funds totalled \$1.0 billion at year-end 2019 and included contributions to specific reserve funds based on strategic assessment of multi-year capital requirements and related financing strategies: e.g. sanitary sewerage treatment plant/rate stabilization; water supply treatment plant/rate stabilization; roads rehabilitation; asset management; and solid waste management reserve funds.

2019 Reserve Funds (\$1.0 billion)



Financial Planning

Senior management, staff and Regional Council have a long-standing commitment to long-term financial planning and sustainability. The Regional financial management and decision making processes highlighted below ensure comprehensive planning and prudent resource allocation while ensuring the flexibility to respond to emerging needs.

Annual Financial Planning Cycle

The Region's annual financial planning cycle supports continuous improvements in service and financial outcomes. The cycle includes four key steps as shown below.

- i. Strategic and master planning across program/service areas is guided by the overarching Durham Region Strategic Plan 2020-2024 which identifies multi-year priorities for staff and Council;
- ii. The annual Asset Management Plan, individual program-level reviews, detailed studies and forecasts assist the establishment of multi-year servicing and financing strategies and prudent current-year property tax funding guidelines ahead of detailed annual business plans and budgets;
- iii. Detailed program-based business plans and budgets are finalized based on senior management and Regional Council reviews, public consultations and Regional Council approvals and direction;
- iv. Formalized processes for performance measurement include measuring success against identified planning targets/goals and performance comparisons with municipal peers (e.g. the Municipal Benchmarking Network Canada (MBNCanada) and National Water and Wastewater Benchmarking Initiative).

Performance measurement both ends the current annual cycle and initiates the ensuing cycle, allowing for readjustments where performance objectives can be enhanced.

Public reporting is essential to ensure transparency and accountability throughout each stage of the annual business planning cycle. Information is provided to a wide range of stakeholders including: Regional Council and its committees; outside boards and agencies (e.g. funded Conservation Authorities); Regional and local municipal staff and councils; Regional property tax and rate payers; bond rating agencies, the investment community; and the public.

Performance Measurement

Durham Region is a long-time member of MBNCanada, a performance measurement collaboration of 16 municipalities, across six Canadian provinces, covering 36 municipal service areas. MBNCanada is led by a Board of Chief Administrative Officers and City Managers from participating municipalities who share a common goal of improving municipal services, facilitating strategic discussions and increasing accountability. MBNCanada produces an annual Performance Measurement Report comparing 168 publicly reportable performance measures across the 16 participating municipalities, including Durham Region. The most recent report on 2018 data is available at www.mbcncanada.ca.

Source: 2018 MBNCanada Performance Measurement Report.

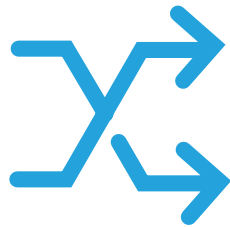
Long-term Financial Planning

The Regional Municipality of Durham Long-Term Financial Planning Framework provides an integrated and coordinated focus on funding Regional Council's priorities, accommodating growth, addressing uncertainties, meeting obligations and investing in infrastructure and service levels, with stable taxes and user rates.

Financial Planning Principles



Sustainability



Flexibility



Affordability

Corporate Asset Management

The Region's infrastructure contributes directly to the quality of life of Durham Region's residents and stakeholders. Asset health and resilience is vital for provision of Regional services and continued Regional economic growth, sustainability and environmental responsibilities.

The annual corporate Asset Management Plan is a key component of the Region's annual business planning and longer-term financial planning process. It identifies asset investment needs and strategies resulting from comprehensive and multi-disciplinary year-round reviews of the state of Regional infrastructure, related service requirements, life cycle considerations, climate adaptation and mitigation and opportunities for continuous improvement.

Infrastructure planning is comprehensive and envelops the entire life-cycle of Regional assets. The ability of assets to effectively support Regional service delivery goals and meet regulatory compliance and Regional directives are key considerations. Sustainable and affordable long-term financial strategies and capital plans are imperative to ensuring resilient infrastructure and service strategies. Responsible long-term infrastructure planning enables flexibility, for example, to align projects with senior-level government funding programs and the ability to time projects to avoid financing costs.

Best practice is reflected in allocating funds to address priority asset rehabilitations and replacements based on condition, service levels, risk, and climate change.

In 2019, Regional Council approved a new Strategic Asset Management Policy which formalized the Region's asset management best business practices. It includes a commitment to invest in Regional infrastructure to provide Regional services, environmental and financial sustainability and planning and to continuous improvement.

The Scope of Asset Management Planning and Analyses

Assets	Inventory, valuation, condition, age and capacity
Service Level Demands	Strategic goals, policies, plans, growth, densities, best business practices, regulatory compliance, land use requirements and performance measurement
Life Cycle Considerations	Timing and type of maintenance, repair, rehabilitation and replacement activities
Asset Risk and Climate Adaptation and Mitigation	Asset risk and criticality, business continuity, climate adaptation and mitigation and emergency planning
Financial Planning	Expenditure and financing forecasts and strategies including maintenance, rehabilitation, replacement, disposal activities and non-infrastructure solutions



2019 Property Tax Supported Budgets

The 2019 business plans and budgets supported strategic investments in front line services and infrastructure projects while ensuring the provision of programs and services residents rely on — all within an affordable budgetary property tax increase of 1.89 per cent. New investments included:

- Enhanced emergency services through the hiring of 26 additional police officers — including 20 front-line constables, eight additional paramedics and five additional 911 operators, to meet the needs of a growing population.
- Expanded health and social services including: increasing investment to further address poverty and social infrastructure, 34 additional child care spaces at the Region's new Edna Thomson Regional Child Care Centre, additional front-line resources at the Region's long-term care homes and implementing the Affordable and Seniors' Housing Task Force recommendations.
- Continuation of the Primary Care Outreach Program to enhance services and support for our vulnerable populations - including those who are homeless/underhoused or have mental health and addiction challenges.
- Enhanced supports for our roads and bridges - including traffic control improvements, additional road rehabilitation and expansion work and new cycling infrastructure with four additional kilometres of multi-use paths and paved shoulders complemented by the development of an updated Regional bike map for cyclists.
- Infrastructure and service investment in Durham Region Transit including the expansion of OnDemand transit service in northern Durham, enhancements to Specialized Services and the introduction of a pilot program of free transit for children under the age of 12.
- Investment and support of priority initiatives such as the implementation of the Region's broadband strategy and the Durham Community Climate Adaptation Plan and Community Energy Plan, promotion of the Diversity and Inclusion program, development of a new, long-term solid waste master plan and continuing to drive innovation through the Customer Service Strategy.

2019 Water Supply and Sanitary Sewerage Budgets

The Region also provides water and sanitary sewer services, billed on a consumption basis, to customers who are connected to the municipal systems. These services are user rate supported and are not funded from Regional property taxes.

The Region's water supply and sanitary sewerage budgets and user rates are reviewed annually and approved by Regional Council in December, prior to a January first implementation of approved user rates. In 2019, the average water and sewer residential bill (based on 221 m³/year) was approximately \$952 per household.

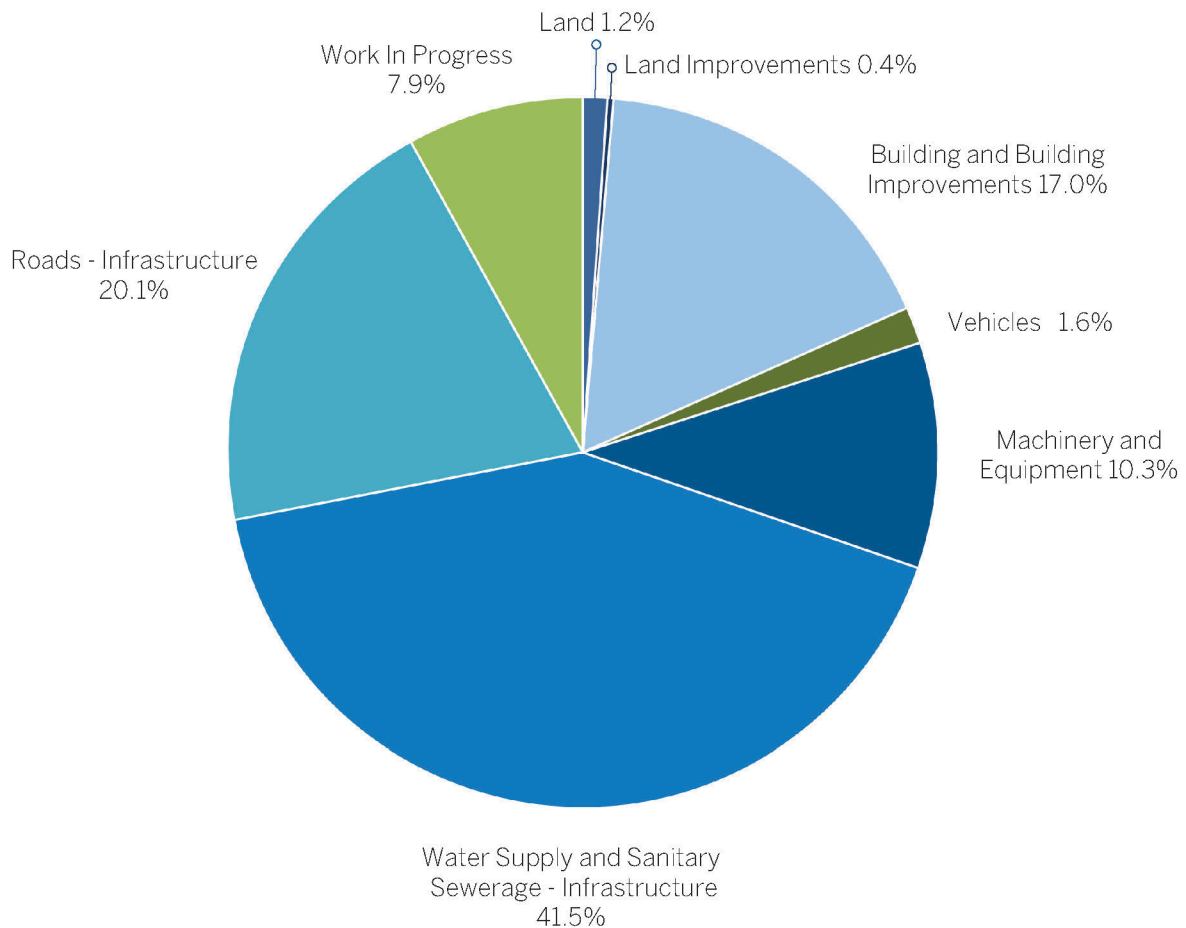
Most of the funding for the water supply and sanitary sewerage budgets comes from user rates. Other revenues include development charge revenues, reserve funds, fees, service charges and developer contributions.

Financial Results

2019 Tangible Capital Assets

The net book value of the Region's tangible capital assets at December 31, 2019 was \$4.1 billion. Net book value is the cost of assets put into service, less the accumulated amortization recorded at December 31, 2019. Regional Council annually allocates funds to ensure infrastructure rehabilitation and replacement requirements are addressed through business planning and budget deliberations. Capital spending in 2019 included capital improvements, replacements and additions required to accommodate expanded water supply, wastewater, transportation, and facilities' infrastructure. The Region's 2019 capital expenditure program was financed from property taxes, user rates, reserves and reserve funds, developer contributions, grants and recoveries.

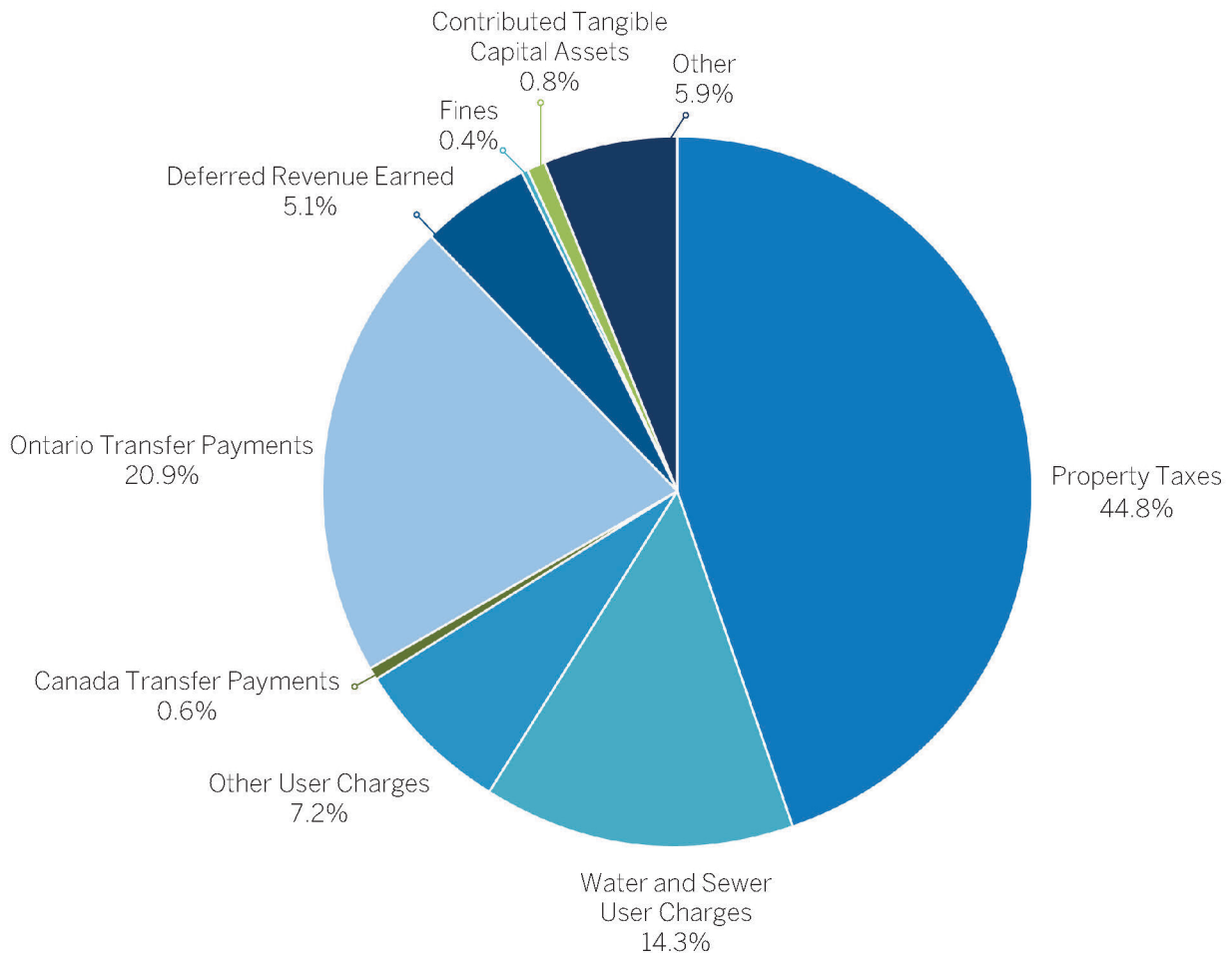
2019 Net Book Value (\$4.1 billion)



2019 Revenues

Total Revenues in 2019 were \$1.5 billion and were utilized to finance operations, reserve and reserve fund contributions and tangible capital asset acquisitions. Revenues include property taxation, user charges, senior government transfers and subsidies, contributions from development charges (deferred revenue earned) and Provincial Offences Act fines. Revenue from property taxes increased from \$665.9 million in 2018 to \$690.9 million in 2019 due to assessment growth and the Regional property tax budgetary rate increase of 1.89 per cent.

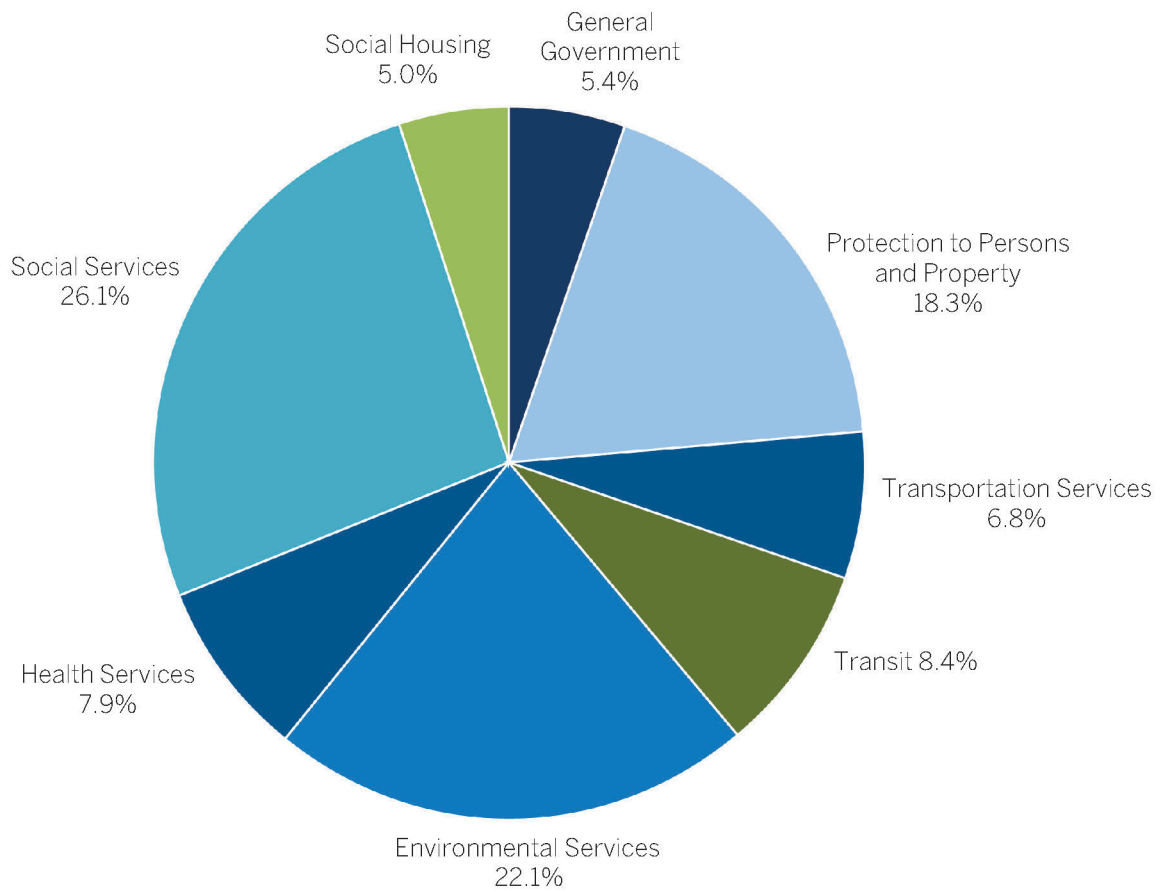
2019 Revenues (\$1.5 billion)



2019 Operating Expenses

Expenses for operations remained at \$1.3 billion in 2019, consistent with 2018, with the largest service expenses in the areas of social services, environmental services and protection to persons and property.

2019 Operating Expenses (\$1.3 billion)



Financial Statements and Financial Management

The consolidated financial statements and all other related information contained in this 2019 Annual Report are the responsibility of the management of the Regional Corporation.

Financial Management Team

N. Taylor, BBA, CPA, CA Commissioner of Finance and Treasurer	
J.M. Cermak, CPA, CA Director, Financial Services	N. Pincombe, CPA, CMA, MPA Director, Business Planning, Budgets & Risk Management
B. Goodwin, CPA, CGA, BComm, CMIII, CPM Director, Solutions and Business Development	M.E. Simpson, CPA, CMA, MA Director, Financial Planning and Purchasing
J. Singh, MBA, CPA, CMA, CIA and FCSI Director, Internal Audit	M. Flanagan, CPA, CGA Manager, Business Planning
C. Chai, CPA, CGA Manager, Accounting	T. Jones, BBA, CSCMP Manager, Materials and Office Services
S. Chambers, PMP Manager, Financial Information Management Services (Projects)	D. Siciliano, BAS Manager, Utility Finance
K. Chatten, CSCMP Manager, Purchasing	S. Simpson, BBA Manager, Financial Information Management Services (Support)
S. Coward, BA, FCIP, CRM Manager, Risk and Insurance	C. Timperley, MPA Manager, Business Planning and Budget Innovation
K. Facca Manager, Collections and Customer Service	S. Tsenis, MBA Manager, Corporate Asset Management
J. Fice, CPA, CA Manager, Financial Reporting and Analysis	H. Quantrill, CPA, CMA Manager, Accounting

Financial Management Controls

Regional Council has sole authority to allocate funds through the approval of the Region's operating and capital business plans and budgets.

Management of the Region of Durham maintains internal administrative and accounting controls to ensure that financial information is reliable and relevant, and that Regional assets are protected. These controls provide assurance that:

- Transactions are appropriately authorized and recorded accurately;
- Assets are secured and accounted for; and,
- The integrity and completeness of financial records are maintained.

Audit

The Region's internal audit function is maintained through an audit committee comprised of the Office of the Commissioner of Finance, the Chief Administrative Officer and the Regional Chair. The committee meets at least annually regarding audit results and any management or control issues. Independent audits and control reviews are also conducted by external auditor Deloitte LLP, at the discretion of this senior management group, who review findings and implement corrective actions or improvements.

Financial Management Policies and Procedures

The Region's Purchasing by-law and Budget Management Policy, in conjunction with other Regional policies and provincial legislation, govern the fiscal responsibilities of the administration. Regional by-laws and policies prescribe purchasing, accounting, investment, risk management and debt processes and procedures to ensure effective and clear guidelines for expenditures and the requisition of goods and services. The Budget Management Policy addresses the balance between expenditures and the availability of funding for the current year and beyond.

Capital Financing

The Region of Durham's commitment to long-term financial planning and sound fiscal policies provides a solid foundation for financial management and assists in maintaining a sensible and sustainable capital financing structure. The Region's 'pay-as-you-go' financing policy encourages long-term infrastructure planning and the accumulation of funds for major projects, balanced debt levels and enhanced financial flexibility.

“Durham has very strong financial management. The administration is experienced and works with the region's council to enact policies and undertakes long-term financial planning to achieve fiscal sustainability. Annual user rate and property tax-supported service and financing studies underpin Durham's well-established long-term financial planning process to allow the region to meet fiscal challenges.”

S&P Global Ratings, February 2020

Development Financing

The 'growth-pays-for-growth' development finance policy is implemented through Development Charges by-laws that are reviewed at least every five years. Development charges are collected and held to finance future growth-related projects. In 2019, development charges collected totalled \$108.2 million, for a total balance of \$695.9 million at December 31, 2019. The use of development charge financing for Durham's current year's capital program is restricted to the available funding from the prior years development charge receipts. This policy allows the Region to meet commitments regardless of current year building activity. The development charge fund balances at December 31, 2019 are used to determine available financing for 2020 growth-related capital programs.

Accounting and External Audit

Consolidated financial statements have been prepared in accordance with accounting policies established for governments by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Region, as required by the Municipal Act, 2001, engaged an independent auditor to express an opinion as to whether its 2019 consolidated financial statements present the Region's financial position and operating results fairly in all material respects.

Auditor Deloitte LLP	Lead Banker Royal Bank of Canada
Debt Issuance RBC Dominion Securities Inc. CIBC World Markets	Bond Raters Moody's Investors Service S&P Global Ratings

The 2019 Consolidated Financial Statements and Trust Funds Financial Statements have been independently audited by Deloitte LLP. The Independent Auditor's Reports, included within this document, confirm the fair presentation of Durham's financial position, operations and accumulated surplus, change in net financial assets, and cash flows for the year ended December 31, 2019.

Financial data presented elsewhere in the annual report is consistent with that of the consolidated financial statements. Where the determination of assets and liabilities is dependent upon future events, amounts are based upon reasonably determined estimates and judgments.

I would like to conclude by acknowledging the dedication and hard work of Durham Region's financial management team. This team demonstrates tremendous adaptability and resilience successfully working together and with other staff across the Region to ensure that accurate and timely financial information is provided to Regional Council, the Regional Chair and Chief Executive Officer, Standing Committees, the Chief Administrative Officer, Regional departments, and stakeholders within the community and beyond.

Nancy Taylor

Nancy Taylor BBA, CPA, CA
Commissioner of Finance and Treasurer
June 30, 2020





Consolidated Financial Statements and Independent Auditor's Report

For the year ended December 31, 2019

The Regional Municipality of Durham, Ontario, Canada

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, 2019, 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, 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 ("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.

(Original signed by Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
June 30, 2020

The Regional Municipality of Durham

Consolidated Statement of Financial Position

December 31, 2019

(in thousands of dollars)

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash	\$ 72,610	\$ 435,341
Investments (Note 5)	2,836,281	2,178,077
Accounts receivable	166,583	159,572
Other current assets	391	513
Debenture debt recoverable from local municipalities (Note 6)	134,683	132,310
	3,210,548	2,905,813
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	368,937	359,927
Deferred revenue - Schedule 1	750,571	651,812
Debenture debt (Note 6)	206,279	225,982
Employee benefits and post-employment liabilities (Note 7)	209,918	201,178
Landfill closure and post closure liabilities (Note 8)	17,171	12,221
	1,552,876	1,451,120
NET FINANCIAL ASSETS	\$ 1,657,672	\$ 1,454,693
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	4,087,090	4,043,855
Inventories	5,078	4,252
	4,092,168	4,048,107
ACCUMULATED SURPLUS (Note 11)	\$ 5,749,840	\$ 5,502,800

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, 2019

(in thousands of dollars)

	2019		2018
	Budget (Note 12)	Actual	Actual
REVENUES			
Property taxes	\$ 680,383	\$ 690,912	\$ 665,935
User charges			
Water and sewer	210,500	220,255	217,682
Other	144,614	110,662	113,939
Government transfers			
Canada	9,594	9,625	10,166
Ontario	304,109	323,587	332,078
Deferred revenue earned - Schedule 1	153,895	79,077	118,177
Fines (Note 16)	7,300	6,164	6,645
Contributed tangible capital assets (Note 10)	16,269	13,016	13,390
Other	33,716	91,386	59,552
TOTAL REVENUES	1,560,380	1,544,684	1,537,564
EXPENSES			
General government	75,271	70,424	63,780
Protection to persons and property	247,854	237,519	228,248
Transportation services	80,086	88,551	88,113
Transit	99,066	107,826	105,159
Environmental services	304,949	286,682	275,204
Health services	106,597	102,360	97,952
Social and family services	331,758	339,014	328,277
Social housing	59,255	65,268	65,340
TOTAL EXPENSES	1,304,836	1,297,644	1,252,073
ANNUAL SURPLUS	255,544	247,040	285,491
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,502,800	5,502,800	5,217,309
ACCUMULATED SURPLUS, END OF YEAR (Note 11)	\$ 5,758,344	\$ 5,749,840	\$ 5,502,800

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, 2019

(in thousands of dollars)

	2019		2018
	Budget	Actual	Actual
	(Note 12)		
ANNUAL SURPLUS	\$ 255,544	\$ 247,040	\$ 285,491
Acquisition of tangible capital assets	(339,748)	(176,925)	(204,848)
Contributed tangible capital assets (Note 10)	(16,269)	(13,016)	(13,390)
Amortization of tangible capital assets	142,386	145,730	142,182
Loss on disposal of tangible capital assets	-	350	5,612
Proceeds on disposal of tangible capital assets	-	626	965
Change in inventories	-	(826)	917
INCREASE IN NET FINANCIAL ASSETS	41,913	202,979	216,929
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,454,693	1,454,693	1,237,764
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,496,606	\$ 1,657,672	\$ 1,454,693

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, 2019

(in thousands of dollars)

	2019	2018
OPERATING		
Annual surplus	\$ 247,040	\$ 285,491
Non-cash charges to operations		
Amortization of tangible capital assets	145,730	142,182
Contributed tangible capital assets (Note 10)	(13,016)	(13,390)
Loss on disposal of tangible capital assets	350	5,612
Amortization of bond premium	754	10,006
Change in non-cash assets and liabilities		
Accounts receivable	(7,011)	(20,150)
Other current assets	122	122
Accounts payable and accrued liabilities	9,010	(18,854)
Deferred revenue	98,759	89,879
Employee benefits and post-employment liabilities	8,740	9,029
Landfill closure and post closure liabilities	4,950	(612)
Inventories	(826)	917
Net increase in cash from operating activities	494,602	490,232
CAPITAL		
Proceeds on disposal of tangible capital assets	626	965
Acquisition of tangible capital assets	(176,925)	(204,848)
Net (decrease) in cash from capital activities	(176,299)	(203,883)
INVESTING		
Proceeds on maturity of investments	1,045,218	1,266,962
Acquisition of investments	(1,704,176)	(1,156,190)
Net (decrease)/increase in cash from investing activities	(658,958)	110,772
FINANCING		
Regional debenture debt principal repayments	(22,076)	(21,260)
Net (decrease) in cash from financing activities	(22,076)	(21,260)
NET (DECREASE)/INCREASE IN CASH, DURING THE YEAR	(362,731)	375,861
CASH, BEGINNING OF YEAR	435,341	59,480
CASH, END OF YEAR	\$ 72,610	\$ 435,341

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, 2019

(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:

- 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 services, which reflect the major organizational divisions and service offerings provided to stakeholders. The services are classified in the following segments:

General Government

This segment consists of 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, Conservation Authorities, Emergency Management, Fire Co-ordination, Emergency 911 telephone services, and the administration, prosecution and collection of fines under the Provincial Offences Act.

Roadways

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, 2019
(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, 2019

(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, 2019
(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, 2019

(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 and employee benefits and post-employment 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.

3. Adoption of Accounting Policies

Effective January 1, 2019, the Region adopted the following new Public Sector Accounting Standard on a prospective basis. The adoption of this new standard has not had a material impact on these financial statements.

PS 3430, Restructuring Transactions, establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019
(in thousands of dollars)

4. 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.

PS1201, Financial Statement Presentation, PS3450, Financial Instruments, PS3041, 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.

These new standards apply to 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, 2021
PS 3450 - Financial Instruments	April 1, 2021
PS 3041 - Portfolio Investments	April 1, 2021
PS 2601 - Foreign Currency Translation	April 1, 2021
PS 3280 - Asset Retirement Obligations	April 1, 2021
PS 3400 - Revenue	April 1, 2022

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

5. Investments

Investments consisting of bankers acceptances, guaranteed investment certificates, treasury bills, bonds and money market funds have an amortized cost of \$2,836,281 (2018 – \$2,178,077) and a market value of \$2,839,941 (2018 – \$2,187,980). Included in the Consolidated Statement of Operations and Accumulated Surplus is bond premium amortization of \$754 (2018 – \$10,006). There are no portfolio investments (2018 – \$nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019
(in thousands of dollars)

6. Debenture Debt

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

	2019	2018
Total debenture debt	\$ 206,279	\$ 225,982
Debenture debt recoverable from local municipalities	(134,683)	(132,310)
Regional debenture debt (Note 11)	\$ 71,596	\$ 93,672

Interest rates for debenture debt range from 1.1% to 5.73%, with maturities between January 2020 and October 2033. Local municipalities have assumed responsibility for payment of principal and interest charges for their respective portions of the debenture debt. 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:

	2020	2021	2022	2023	2024	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Sanitary Sewerage	5,971	694	716	738	761	4,170	13,050
Long - Term Care	5,221	5,504	5,806	6,126	6,463	7,509	36,629
General Government	2,810	2,971	3,142	1,638	-	-	10,561
Transit	497	-	-	-	-	-	497
Police Services	3,152	3,252	2,189	2,266	-	-	10,859
	17,651	12,421	11,853	10,768	7,224	11,679	71,596

Total interest charges for Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$3,893 (2018 - \$4,746).

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, 2019
(in thousands of dollars)

7. 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 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, 2018 triennial actuarial valuations, prepared by an independent actuary, updated to December 31, 2019. These benefits are comprised of:

	2019	2018
Sick leave benefits	\$ 88,019	\$ 88,097
Post-employment benefits	101,914	94,647
Workplace safety and insurance benefits	19,985	18,434
Total employee benefits and post-employment liabilities	209,918	201,178
Funded post-employment benefits	(32,146)	(28,536)
Unfunded employee benefits and post-employment liabilities (Note 11)	\$ 177,772	\$ 172,642

Significant management assumptions used in the actuarial valuations are:

Discount rates for accrued benefit obligations	3.60% (sick leave) 3.40% to 3.60% (post-employment) 3.40% (workplace safety and insurance)
Inflation rate	3% (sick leave and post-employment) 4% (workplace safety and insurance)
Healthcare benefit cost escalation	
Drug	7% in 2019, reducing to 4% over 15 years
Healthcare spending account	6% in 2019, reducing to 0% over 15 years
Vision	2.5% in 2019, reducing to 0% over 10 years
Dental and other health	4%

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019

(in thousands of dollars)

7. 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, 2018, updated to December 31, 2019, is as follows:

	<u>2019</u>	<u>2018</u>
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	\$ 93,987	\$ 84,965
Current period benefit cost	7,255	6,999
Plan amendment	(4,147)	(92)
Interest on accrued benefit obligation	3,491	3,928
Actuarial loss	-	6,387
Benefit payments	(8,544)	(8,200)
Accrued benefit obligation, end of year	92,042	93,987
Unamortized actuarial losses	(4,023)	(5,890)
Liability for sick leave benefits	<u>\$ 88,019</u>	<u>\$ 88,097</u>
Sick leave benefit expense		
Current period benefit cost	\$ 7,255	\$ 6,999
Plan amendment incurred during the year	(4,147)	(92)
Interest on accrued benefit obligation	3,491	3,928
Amortization of actuarial losses	1,867	109
Total sick leave benefit expense	<u>\$ 8,466</u>	<u>\$ 10,944</u>

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, 2019
(in thousands of dollars)

7. 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, 2018, updated to December 31, 2019, is as follows:

	<u>2019</u>	<u>2018</u>
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	\$ 123,442	\$ 100,222
Current period benefit cost	6,382	5,438
Plan amendment	-	(1,484)
Interest on accrued benefit obligation	4,520	4,608
Actuarial loss	-	20,192
Benefit payments	(6,829)	(5,534)
Accrued benefit obligation, end of year	127,515	123,442
Unamortized actuarial losses	(25,601)	(28,795)
Liability for post-employment benefits	\$ 101,914	\$ 94,647
Post-employment benefit expense		
Current period benefit cost	\$ 6,382	\$ 5,438
Plan amendment incurred during the year	-	(1,484)
Interest on accrued benefit obligation	4,520	4,608
Amortization of actuarial losses	3,194	3,170
Total post-employment benefit expense	\$ 14,096	\$ 11,732

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019
(in thousands of dollars)

7. 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, 2018, updated to December 31, 2019, is as follows:

	<u>2019</u>	<u>2018</u>
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	\$ 27,919	\$ 18,400
Current period benefit cost	5,308	1,836
Interest on accrued benefit obligation	1,031	724
Actuarial loss	-	9,402
Benefit payments	(5,813)	(2,443)
Accrued benefit obligation, end of year	28,445	27,919
Unamortized actuarial losses	(8,460)	(9,485)
Liability for WSI benefits	\$ 19,985	\$ 18,434
WSI benefit expense		
Current period benefit cost	\$ 5,308	\$ 1,836
Interest on accrued benefit obligation	1,031	724
Amortization of actuarial losses/(gains)	1,025	(30)
Total WSI benefit expense	\$ 7,364	\$ 2,530

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019
(in thousands of dollars)

8. 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 \$17,171 (2018 - \$12,221) 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.

9. 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, 2019, there are no contaminated sites that meet the specified criteria and no liability (2018 - \$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, 2019

(in thousands of dollars)

10. 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:

	2019	2018
Land	\$ 50,958	\$ 50,762
Land improvements	15,690	15,525
Building and building improvements	695,677	682,105
Vehicles	63,742	59,725
Machinery and equipment	422,780	414,574
Water and wastewater - infrastructure	1,693,272	1,634,511
Roads - infrastructure	821,173	832,336
	3,763,292	3,689,538
Work in progress	323,798	354,317
	\$ 4,087,090	\$ 4,043,855

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 \$323,798 (2018 - \$354,317) 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 2019 was \$13,016 (2018 - \$13,390).

(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 (2018 - \$nil), no interest was capitalized (2018 - \$nil), and there are no capital lease obligations (2018 - \$nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019
(in thousands of dollars)

11. Accumulated Surplus

The accumulated surplus consists of the following:

	<u>2019</u>	<u>2018</u> Restated
Surplus		
Tangible capital assets (Note 10)	\$ 4,087,090	\$ 4,043,855
Regional debenture debt (Note 6)	(71,596)	(93,672)
Unexpended capital financing for future capital acquisitions	333,819	295,086
Employee benefits and post-employment liabilities (Note 7)	(177,772)	(172,642)
Landfill closure and post closure liabilities (Note 8)	(17,171)	(12,221)
Total Surplus	4,154,370	4,060,406
Reserves Set Aside By Council		
Capital	258,812	210,148
Sick leave	131,268	126,126
Working capital	48,563	47,332
Regional roads	48,050	46,025
Property tax assessment appeals	30,306	27,654
Employee benefits	22,701	21,232
Equipment replacement	16,260	18,817
University of Ontario Institute of Technology	937	937
Contingencies	400	400
Total Reserves	557,297	498,671
Reserve Funds Set Aside For Specific Purpose By Council		
Treatment plant/rate stabilization - Sanitary sewerage	193,915	174,554
Capital impact stabilization fund	193,368	-
Treatment plant/rate stabilization - Water supply	121,526	109,019
Solid waste management	84,458	86,541
Insurance	68,124	65,392
Operating impact stabilization fund	61,909	-
Asset management	48,952	46,542
Workers' compensation	44,335	42,143
Transit capital	40,067	36,217
Social housing	35,371	32,273
Seaton facilities	32,034	31,248
Roads rehabilitation	28,924	22,683
Servicing of employment lands and key locations	19,650	-
Regional revitalization	15,654	9,085
Bridges rehabilitation	9,674	9,071
Innovation and modernization initiatives	5,254	-
Vision zero initiatives	5,031	-
Climate mitigation and environment	5,031	-
Economic development	4,642	-
General levy stabilization	-	245,656
Regional share of non-residential development	-	8,866
Other reserve funds	20,254	24,433
Total Reserve Funds	1,038,173	943,723
Accumulated Surplus	\$ 5,749,840	\$ 5,502,800

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019

(in thousands of dollars)

12. Budget Amounts

The budget figures 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	Sanitary	Total
	\$	\$	\$	\$
Revenues				
Approved Budget	1,225,300	182,212	235,097	1,642,609
Reclassifications between revenue and expense	(1,901)	(325)	(23,519)	(25,745)
Budget before PSAS adjustments	1,223,399	181,887	211,578	1,616,864
Contributed tangible capital assets	3,432	6,628	6,209	16,269
Transfers from reserves and reserve funds	(57,399)	(6,985)	(8,369)	(72,753)
Total Revenues	1,169,432	181,530	209,418	1,560,380
Expenses				
Approved Budget	1,225,300	182,212	235,097	1,642,609
Reclassifications between revenue and expense	(1,901)	(325)	(23,519)	(25,745)
Budget before PSAS adjustments	1,223,399	181,887	211,578	1,616,864
Post-employment benefit expense	10,102	545	627	11,274
Landfill closure and post closure costs	(612)	-	-	(612)
Amortization	88,467	23,400	30,519	142,386
Transfers to reserves and reserve funds	(85,882)	(6,692)	(10,678)	(103,252)
Acquisition of tangible capital assets	(139,229)	(114,138)	(111,352)	(364,719)
Less: Recovery for shared ownership	-	325	24,646	24,971
Net Acquisition of tangible capital assets	(139,229)	(113,813)	(86,706)	(339,748)
Regional debenture debt principal repayments	(16,346)	-	(5,730)	(22,076)
Total Expenses	1,079,899	85,327	139,610	1,304,836
Annual Surplus	89,533	96,203	69,808	255,544

The budget for property tax purposes was presented to Regional Council under Report #2019-F-11 and was approved March 27, 2019 under by-laws #19-2019, #20-2019, and #21-2019.

The budget for water supply and sanitary sewerage were presented to Regional Council in Report #2019-F-2 and were approved January 30, 2019 under by-laws #02-2019 and #03-2019.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019
 (in thousands of dollars)

13. 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 2020 to 2028. These operating leases require approximate annual rental payments as follows:

2020	3,208
2021	2,720
2022	1,081
2023	1,007
2024	470
Thereafter	479
	<u>\$ 8,965</u>

(d) Tangible Capital Assets Commitments

Contractual obligations for tangible capital asset work in progress total approximately \$141,135 (2018 - \$123,975). 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 \$92,436 (2018 - \$90,137), of which \$6,313 (2018 - \$19,745) is recognized as deferred revenue earned in the current year.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019

(in thousands of dollars)

14. 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, 2019; 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.

15. Pension Contributions

The Region contributed \$45,150 (2018 - \$43,803) to OMERS on behalf of 5,382 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, 2019, the OMERS plan, with approximately 500,000 members, has a funding deficit that is approximately \$3.4 billion.

16. 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 \$6,164 (2018 - \$6,645). Net program costs total \$369 (2018 – net revenue of \$129). Local municipalities share 60 per cent of net revenues and the Region retains 40 per cent. As there were no net revenues, the Region was responsible for the net costs (2018 – net revenue of \$52).

17. Trust Funds

Trust Funds administered by the Region amount to \$785 (2018 - \$778) 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.

18. Comparative Figures

Certain prior year figures have been reclassified to conform to the financial statement presentation adopted in the current year.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2019
(in thousands of dollars)

19. Subsequent Event

Subsequent to the year-end, 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. The Province of Ontario announced on March 17, 2020 that it made an order declaring a state of emergency in response to COVID-19 and the Region followed suit on March 24, 2020. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Region in future periods.

The Regional Municipality of Durham

Consolidated Schedule of Deferred Revenue

Year ended December 31, 2019
(in thousands of dollars)

Schedule 1

	BALANCE, BEGINNING OF YEAR	INCREASE IN DEFERRED REVENUE				DEFERRED REVENUE EARNED	BALANCE, END OF YEAR
		Interest	Government transfers	Development charges collected	Total		
	\$	\$	\$	\$	\$	\$	
Development Charges							
Residential & Non-Residential							
Sanitary sewerage	145,908	2,387	-	31,709	34,096	153,205	
Water supply	273,388	4,869	-	32,222	37,091	308,887	
Roads	172,626	2,155	-	34,710	36,865	191,378	
Transit	16,639	448	-	3,913	4,361	17,187	
Residential							
Police	15,022	367	-	1,855	2,222	16,987	
Long-Term Care	-	-	-	50	50	-	
Development Charge Study	578	14	-	51	65	643	
GO Transit	-	-	-	1,934	1,934	-	
Emergency Medical Services	3,811	82	-	441	523	4,152	
Health & Social Services	1,600	44	-	324	368	1,968	
Social Housing	523	23	-	969	992	1,515	
Development Charges	630,095	10,389	-	108,178	118,567	695,922	
Gas Tax							
Federal	1,288	441	39,316	-	39,757	27,258	
Provincial	13,519	274	8,867	-	9,141	18,454	
Gas Tax	14,807	715	48,183	-	48,898	45,712	
Conditional Grants							
Transit	371	-	-	-	-	371	
Municipal Infrastructure	2,786	-	-	-	-	2,786	
Social Housing	3,753	22	10,349	-	10,371	5,780	
Conditional Grants	6,910	22	10,349	-	10,371	8,937	
Total	651,812	11,126	58,532	108,178	177,836	750,571	

The Regional Municipality of Durham

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2019
(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	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	50,762	1,199	25,058	968,626	142,742	829,013	2,261,916	1,371,911	354,317	6,005,544
Additions	196	-	1,334	37,945	18,394	46,304	75,693	27,578	176,925	384,369
Contributed tangible capital assets	-	-	-	-	-	-	13,016	-	-	13,016
Work in progress completed	-	-	-	-	-	-	-	-	(207,444)	(207,444)
Disposals	-	-	(1)	(7)	(8,537)	(3,023)	(222)	(3,945)	-	(15,735)
BALANCE, END 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
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	9,533	286,521	83,017	414,439	627,405	539,575	-	1,961,689
Amortization of tangible capital assets	-	-	1,169	24,373	14,030	38,088	29,884	38,186	-	145,730
Disposals	-	-	(1)	(7)	(8,190)	(3,013)	(158)	(3,390)	-	(14,759)
BALANCE, END OF YEAR	-	1,199	10,701	310,887	88,857	449,514	657,131	574,371	-	2,092,660
NET BOOK VALUE, END OF YEAR	50,958	-	15,690	695,677	63,742	422,780	1,693,272	821,173	323,798	4,087,090

The Regional Municipality of Durham

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2018
(in thousands of dollars)

Schedule 2 (Continued)

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	49,868	1,199	24,309	935,987	137,022	808,425	2,197,310	1,325,679	337,676	5,817,475
Additions	622	-	750	32,672	20,669	23,680	53,994	55,820	204,848	393,055
Contributed tangible capital assets	272	-	-	-	-	-	13,118	-	-	13,390
Work in progress completed	-	-	-	-	-	-	-	-	(188,207)	(188,207)
Disposals	-	-	(1)	(33)	(14,949)	(3,092)	(2,506)	(9,588)	-	(30,169)
BALANCE, END OF YEAR	50,762	1,199	25,058	968,626	142,742	829,013	2,261,916	1,371,911	354,317	6,005,544
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	8,396	262,771	83,582	379,740	599,819	507,592	-	1,843,099
Amortization of tangible capital assets	-	-	1,138	23,777	13,688	37,753	28,812	37,014	-	142,182
Disposals	-	-	(1)	(27)	(14,253)	(3,054)	(1,226)	(5,031)	-	(23,592)
BALANCE, END OF YEAR	-	1,199	9,533	286,521	83,017	414,439	627,405	539,575	-	1,961,689
NET BOOK VALUE, END OF YEAR	50,762	-	15,525	682,105	59,725	414,574	1,634,511	832,336	354,317	4,043,855

The Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2019
(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Roadways	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	690,912	690,912
User charges	1,518	6,601	3,584	29,884	257,461	1,084	23,423	7,362	-	330,917
Government transfers	497	9,062	23	4,492	15,164	59,374	234,069	10,531	-	333,212
Deferred revenue earned	12	257	19,729	9,953	40,550	182	50	8,344	-	79,077
Fines	-	6,164	-	-	-	-	-	-	-	6,164
Contributed tangible capital assets	-	-	-	-	13,016	-	-	-	-	13,016
Other	41	204	830	758	9,918	34	75	-	79,526	91,386
TOTAL REVENUES	2,068	22,288	24,166	45,087	336,109	60,674	257,617	26,237	770,438	1,544,684
EXPENSES										
Salaries, wages and benefits	52,888	189,387	20,088	52,480	68,776	87,287	143,696	4,858	-	619,460
Operating materials and supplies	14,685	20,163	21,538	20,121	67,698	8,366	18,510	9,003	-	180,084
Contracted services	12,014	6,263	2,844	13,635	64,041	1,637	72,510	455	-	173,399
Rents and financial services	408	2,444	587	786	7,621	571	1,817	2,587	-	16,821
Government transfers	2,318	8,261	-	8,424	-	-	92,562	46,692	-	158,257
Amortization of tangible capital assets	3,843	9,866	43,524	9,856	66,849	3,539	7,479	774	-	145,730
Interfunctional charges	(15,852)	531	(63)	2,483	10,858	852	310	881	-	-
Debt interest	120	604	33	41	839	108	2,130	18	-	3,893
TOTAL EXPENSES	70,424	237,519	88,551	107,826	286,682	102,360	339,014	65,268	-	1,297,644
ANNUAL SURPLUS	(68,356)	(215,231)	(64,385)	(62,739)	49,427	(41,686)	(81,397)	(39,031)	770,438	247,040

The Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2018
(in thousands of dollars)

Schedule 3 (Continued)

	General Government	Protection to Persons and Property	Roadways	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	665,935	665,935
User charges	1,462	6,104	3,542	28,867	260,732	939	22,816	7,159	-	331,621
Government transfers	222	8,496	(1,797)	17,899	18,470	58,324	229,609	11,021	-	342,244
Deferred revenue earned	90	2	21,733	19,331	64,603	364	205	11,849	-	118,177
Fines	-	6,645	-	-	-	-	-	-	-	6,645
Contributed tangible capital assets	-	-	272	-	13,118	-	-	-	-	13,390
Other	37	177	(1,111)	61	8,071	44	54	-	52,219	59,552
TOTAL REVENUES	1,811	21,424	22,639	66,158	364,994	59,671	252,684	30,029	718,154	1,537,564
EXPENSES										
Salaries, wages and benefits	47,308	181,168	20,556	49,677	67,708	82,931	136,603	5,008	-	590,959
Operating materials and supplies	13,458	20,251	18,764	19,731	63,965	8,470	18,273	7,634	-	170,546
Contracted services	11,571	5,641	2,919	12,338	56,681	1,634	73,189	107	-	164,080
Rents and financial services	849	2,393	3,927	898	9,974	606	1,652	2,485	-	22,784
Government transfers	1,946	8,023	-	9,910	-	-	88,443	48,454	-	156,776
Amortization of tangible capital assets	3,903	9,795	41,951	10,126	64,782	3,524	7,330	771	-	142,182
Interfunctional charges	(15,400)	261	(44)	2,420	10,875	655	374	859	-	-
Debtenture interest	145	716	40	59	1,219	132	2,413	22	-	4,746
TOTAL EXPENSES	63,780	228,248	88,113	105,159	275,204	97,952	328,277	65,340	-	1,252,073
ANNUAL SURPLUS	(61,969)	(206,824)	(65,474)	(39,001)	89,790	(38,281)	(75,593)	(35,311)	718,154	285,491



Trust Funds Financial Statements and Independent Auditor's Report

For the year ended December 31, 2019
The Regional Municipality of Durham, Ontario, Canada

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, 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 Durham 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the trust funds of the Regional Municipality of Durham 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.

(Original signed by Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
June 30, 2020

The Regional Municipality of Durham

Trust Funds: Statement of Financial Position

December 31, 2019

(in thousands of dollars)

	2019					2018
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSET						
Cash	175	277	84	249	785	778
FUND BALANCES	175	277	84	249	785	778

The Regional Municipality of Durham

Trust Funds: Statement of Financial Activities and Fund Balances

Year ended December 31, 2019

(in thousands of dollars)

	2019					2018
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
REVENUES						
Residents	662	9	-	-	671	690
Recipients	-	-	-	957	957	684
Interest earned	-	7	2	4	13	10
TOTAL REVENUES	662	16	2	961	1,641	1,384
EXPENSES ON BEHALF OF						
Residents	714	5	-	-	719	686
Recipients	-	-	-	915	915	676
TOTAL EXPENSES	714	5	-	915	1,634	1,362
NET REVENUES/(EXPENSES)	(52)	11	2	46	7	22
FUND BALANCES, BEGINNING OF YEAR	227	266	82	203	778	756
FUND BALANCES, END OF YEAR	175	277	84	249	785	778

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, 2019
(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 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.

(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.





Statistical Information

Years ended 2015—2019 (Unaudited)

The Regional Municipality of Durham, Ontario, Canada

The Regional Municipality of Durham

Statistical Review (Unaudited)

Years ended 2015 to 2019

(in thousands of dollars)

	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS					
Analysis of Revenues					
Property taxes	690,912	665,935	636,098	616,239	602,175
User charges					
Water and sewer	220,255	217,682	201,737	202,775	187,183
Other	110,662	113,939	116,929	109,378	100,064
Government Transfers					
Canada	9,625	10,166	12,326	10,588	10,500
Ontario	323,587	332,078	298,290	282,039	266,334
Deferred revenue earned	79,077	118,177	120,695	89,188	69,461
Fines	6,164	6,645	7,230	7,301	7,746
Contribution of tangible capital assets	13,016	13,390	29,251	21,628	7,625
Other	91,386	59,552	78,822	50,907	45,915
TOTAL REVENUES	1,544,684	1,537,564	1,501,378	1,390,043	1,297,003
Analysis of Expenses by Object					
Salaries, wages and employee benefits	619,460	590,959	564,879	540,854	531,611
Operating and general expenditures	370,304	357,410	332,233	310,774	293,214
Government transfers	158,257	156,776	158,376	146,192	144,083
Amortization of tangible capital assets	145,730	142,182	136,719	131,031	117,601
Debenture interest	3,893	4,746	6,326	7,947	8,835
TOTAL EXPENSES	1,297,644	1,252,073	1,198,533	1,136,798	1,095,344
Analysis of Expenses by Function					
General government	70,424	63,780	58,259	55,579	54,388
Protection to persons and property	237,519	228,248	222,871	215,862	212,227
Transportation services	88,551	88,113	85,225	82,668	77,923
Transit	107,826	105,159	96,432	95,091	94,202
Environmental services	286,682	275,204	270,872	259,231	239,871
Health services	102,360	97,952	92,695	87,559	87,781
Social and family services	339,014	328,277	302,556	282,365	273,181
Social housing	65,268	65,340	69,623	58,443	55,771
TOTAL EXPENSES	1,297,644	1,252,073	1,198,533	1,136,798	1,095,344
ANNUAL SURPLUS	247,040	285,491	302,845	253,245	201,659
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,502,800	5,217,309	4,914,464	4,661,219	4,459,560
ACCUMULATED SURPLUS, END OF YEAR	5,749,840	5,502,800	5,217,309	4,914,464	4,661,219
NET FINANCIAL ASSETS	1,657,672	1,454,693	1,237,764	1,019,532	882,064
ACQUISITION OF TANGIBLE CAPITAL ASSETS	176,925	204,848	197,972	234,937	214,863

Annual Surplus represents the difference between revenues and expenses for the year.

Accumulated Surplus, or net assets, is the sum of net financial assets and non-financial assets.

Net Financial Assets represents the difference between financial assets and liabilities.

The Regional Municipality of Durham

Statistical Review (Unaudited)

Years ended 2015 to 2019

(in thousands of dollars)

	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
RESERVES					
Capital	258,812	210,148	185,985	175,955	144,133
Sick leave	131,268	126,126	120,813	109,428	104,309
Working capital	48,563	47,332	46,140	44,840	43,301
Regional roads	48,050	46,025	45,624	44,637	45,110
Property tax assessment appeals	30,306	27,654	25,003	22,350	19,698
Employee benefits	22,701	21,232	18,980	17,481	16,600
Equipment replacement	16,260	18,817	21,171	19,308	18,229
University of Ontario Institute of Technology	937	937	937	937	1,737
Contingencies	400	400	400	400	400
Homes for the aged	-	-	-	1,133	1,133
TOTAL RESERVES	557,297	498,671	465,053	436,469	394,650

	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
		Restated	Restated	Restated	Restated
RESERVE FUNDS					
Treatment plant/rate stabilization - Sanitary sewerage	193,915	174,554	156,340	147,222	125,639
Capital impact stabilization fund	193,368	-	-	-	-
Treatment plant/rate stabilization - Water supply	121,526	109,019	93,875	83,635	69,285
Solid waste management	84,458	86,541	81,982	70,761	61,867
Insurance	68,124	65,392	62,393	58,024	50,635
Operating impact stabilization fund	61,909	-	-	-	-
Asset management	48,952	46,542	42,482	35,983	32,516
Workers' compensation	44,335	42,143	40,199	38,422	36,632
Transit capital	40,067	36,217	32,644	30,046	28,639
Social housing	35,371	32,273	29,716	27,337	25,102
Seaton facilities	32,034	31,248	30,050	-	-
Roads rehabilitation	28,924	22,683	20,092	14,363	12,918
Servicing of employment lands and key locations	19,650	-	-	-	-
Regional revitalization	15,654	9,085	8,040	6,461	4,477
Bridges rehabilitation	9,674	9,071	8,195	7,691	6,946
Innovation and modernization initiatives	5,254	-	-	-	-
Vision zero initiatives	5,031	-	-	-	-
Climate mitigation and environment	5,031	-	-	-	-
Economic development	4,642	-	-	-	-
General levy stabilization	-	245,656	227,613	194,027	161,463
Regional share of non-residential development	-	8,866	8,689	8,533	8,369
Other reserve funds	20,254	24,433	23,310	21,576	19,869
TOTAL RESERVE FUNDS	1,038,173	943,723	865,620	744,081	644,357

Reserve funds were redistributed upon approval of the "Long-Term Financial Planning Framework for the Region of Durham," Report 2019-F-33 dated October 8, 2019.

The Regional Municipality of Durham

Statistical Review (Unaudited)

Years ended 2015 to 2019

(in thousands of dollars)

	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
OBLIGATIONS					
Debt Incurred					
Total debenture debt	206,279	225,982	258,955	312,404	338,772
Debt assumed for others*	(134,683)	(132,310)	(144,023)	(140,551)	(135,674)
Regional debt	71,596	93,672	114,932	171,853	203,098
Recovered from					
Tax levy/user rates	59,964	73,219	85,887	98,655	112,285
Other/Reserve Funds	11,632	20,453	29,045	73,198	90,813
	71,596	93,672	114,932	171,853	203,098
Regional debt per capita (\$)	102	135	168	255	305
Regional debt as percentage of total expenses	5.5%	7.5%	9.6%	15.1%	18.5%
Debt Servicing					
Debt servicing payments	25,969	26,006	63,246	39,192	39,071
Debt servicing as percentage of total expenses	2.0%	2.1%	5.3%	3.4%	3.6%
Annual debt repayment limit	228,025	186,112	197,040	187,489	186,584
TAXABLE ASSESSMENT (\$ millions)**					
Residential and farm (including multiple residenceals)	91,739	84,088	76,922	70,260	67,083
Industrial and commercial	10,934	10,326	9,699	9,292	9,097
Farmland	2,321	2,137	1,947	1,751	1,687
Other	314	300	285	269	256
Total	105,308	96,851	88,853	81,572	78,123
Assessment analysis					
Annual tax assessment growth rate	1.7%	1.8%	1.7%	1.4%	1.1%

* Local municipalities

** Current value assessment includes provincially mandated valuation updates conducted by the Municipal Property Assessment Corporation (MPAC).

The Regional Municipality of Durham

Statistical Review (Unaudited)

Years ended 2015 to 2019

(in thousands of dollars)

	2019	2018	2017	2016	2015
MISCELLANEOUS INFORMATION					
Full time employees	4,942	4,820	4,746	4,681	4,630
Building permit values (\$ millions)*	1,970	2,059	1,961	1,630	1,520
Average monthly social assistance case load	9,121	8,929	8,921	9,161	9,427
Unemployment rate, Oshawa CMA **	5.2%	5.1%	5.5%	5.9%	7.5%
Kilometres of roads	2,390	2,370	2,376	2,372	2,368
Annual volume of treated wastewater (megalitres)	72,689	70,280	71,296	74,845	73,070
Annual volume of treated drinking water (megalitres)	63,291	65,129	61,970	65,841	63,903
Annual disposal of residential solid waste (metric tonnes)	120,637	119,716	115,271	107,887	110,498
Annual diversion of residential solid waste (metric tonnes)	113,346	115,600	108,127	111,102	119,811
Regular service passenger transit trips (000's)	11,084	10,724	10,230	10,192	10,316
Tax collection rate*	96.8%	95.2%	96.1%	96.3%	95.9%
BENCHMARK INFORMATION					
Percentage of paved lane kilometres where the condition is rated good to very good	45.4%	31.5%	36.9%	37.6%	37.1%
Number of conventional transit passenger trips per person in the service area in a year	18.1	18.3	17.7	18.0	18.6
Number of wastewater main backups per 100 kilometres of wastewater main in a year	0.09	0.14	0.09	0.14	0.28
Percentage of wastewater estimated to have bypassed treatment	0.00%	0.05%	0.00%	0.00%	0.02%
Number of water main breaks per 100 kilometres of water distribution pipe in a year	5.4	4.1	5.2	6.2	6.8
DEMOGRAPHICS					
Population ***	699,460	691,585	682,250	673,070	666,780
Households ***	239,100	236,040	232,495	229,005	226,480

* Lower-tier municipalities are responsible for collecting taxes and issuing building permits. 2019 is an estimate based on currently available data.

** Source: Statistics Canada.

*** Source: Durham Region Planning and Economic Development Department.

2019 Major Corporate Taxpayers

ALFA Hoteliers Inc.
Atlantic Packaging Products
Canadian Motorsport Ventures Ltd.
Coveris Flexibles Canada Inc.
Del Monte Fresh Produce (Canada) Corp.
Elexicon Energy Inc.
Enbridge Gas Distribution & Pipelines
General Motors of Canada
Gerdau Ameristeel Corporation
Global Aluminum (CANADA) Inc.
Gripmore Tires Inc.
Hydro One Networks Inc.
Lafarge Canada Inc.
Lear (CANADA) Corporation
Ontario Power Generation
Patheon Inc. by Thermo Fisher Scientific
Picov Holdings Inc.
Purdue Pharma (Canada) Inc.
Safran Landing Systems (Canada)
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St Marys Cement Inc. (Canada)
Suncor Energy products Inc.
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