



2017 Annual Report

for the year ended December 31, 2017

The Regional Municipality of Durham
Ontario, Canada





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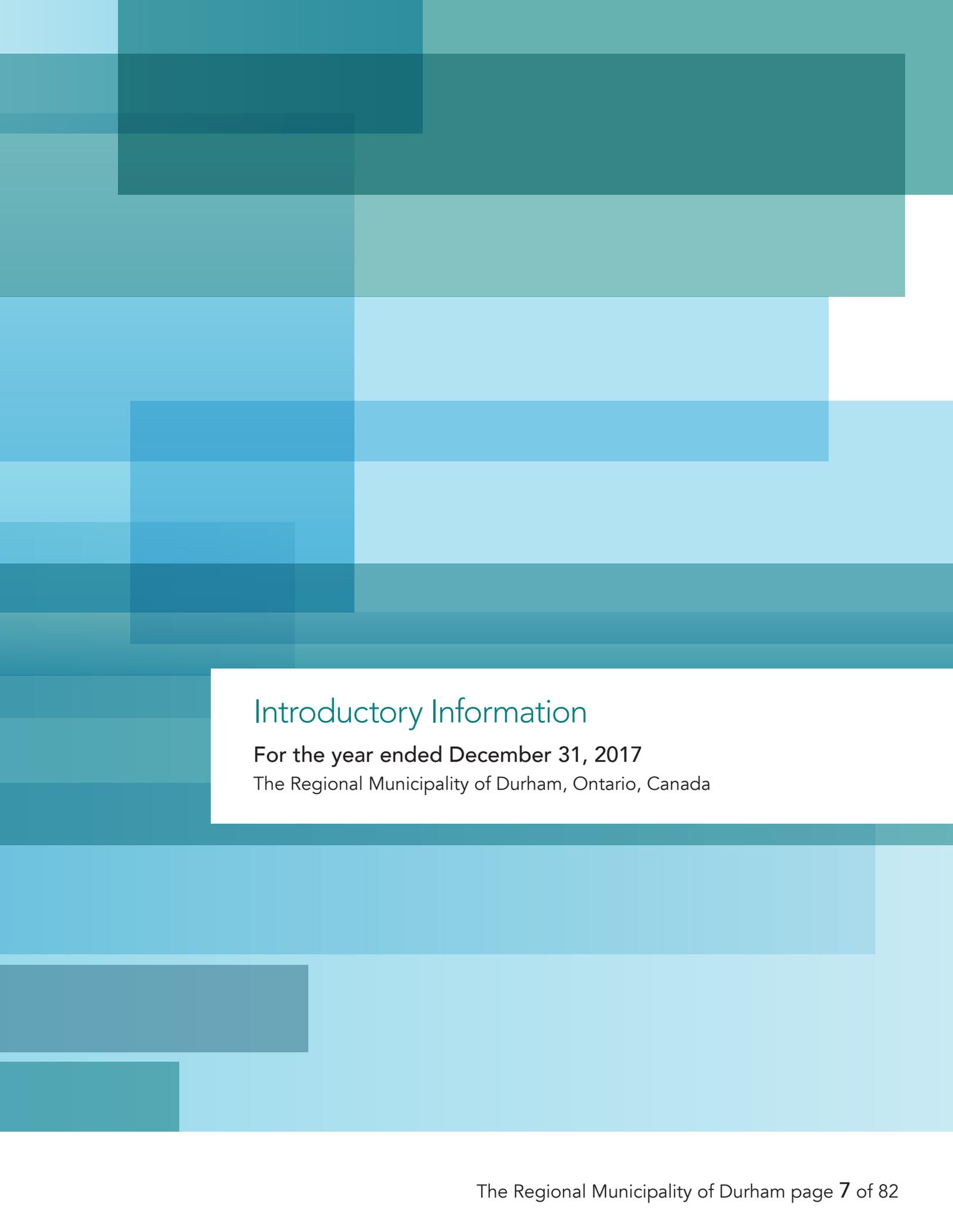
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This document was produced by the Finance Department,
The Regional Municipality of Durham





Introductory Information

For the year ended December 31, 2017

The Regional Municipality of Durham, Ontario, Canada

Durham at a Glance

The Regional Municipality of Durham is located in the Greater Toronto Area immediately to the east of the City of Toronto and within the high growth economic zone known as the Greater Golden Horseshoe.

Durham Region encompasses an area of 2,537 square kilometres and shares access to the Great Lakes and northeastern markets of the continent. The Region is well known for the strength of its education and health services, agri-business and manufacturing. Continued economic diversification is supported by a relatively young and skilled labour force and advanced utilities, transportation systems and social infrastructure.

Characterized by a variety of landscapes and communities, a diverse environment of woods, headwaters, ridges and hollows gives way to rolling farmlands and lakes in the Region's northern areas. Major lakeshore urban communities contrast with small towns, villages, hamlets and farms located farther inland. The lakeshore area is marked by bluffs, wooded creeks and ancient shoreline, while the north includes the rich biodiversity, abundant water resources and topography of the Oak Ridges Moraine.

The Region's integrated transportation network includes major highways, transcontinental and commuter rail lines, cargo-loading and deep-sea shipping ports and an updated executive airport that puts corporate air travel within easy reach of Durham businesses.

Higher Education:

- University of Ontario Institute of Technology
- Durham College
- Trent University Durham
- Queen's University Family Medicine Residency Program

Key Economic Sectors:

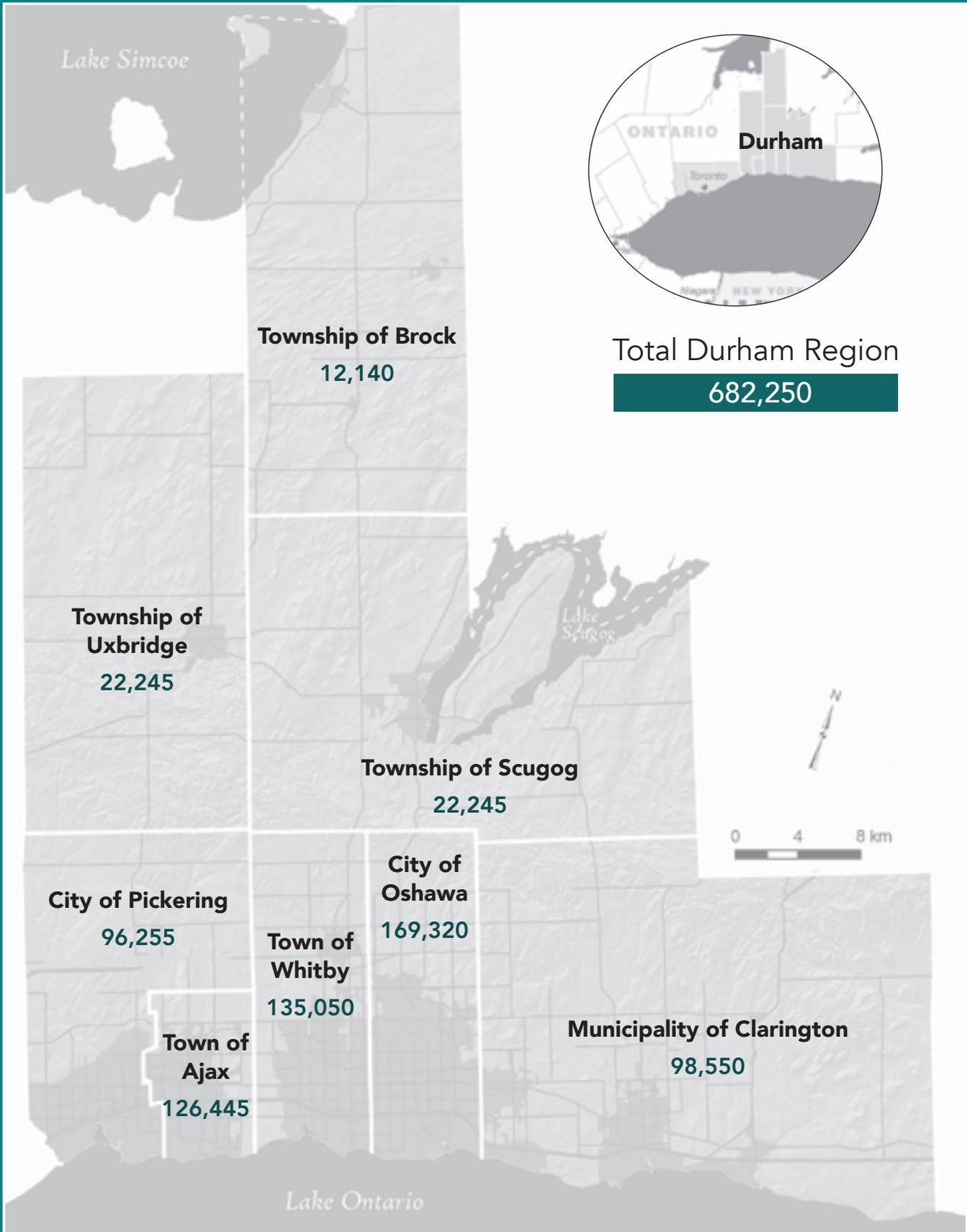
- Agri-business
- Energy, Environment and Engineering
- Health Sciences
- Innovative Technology
- Manufacturing
- Tourism

Population

Durham is one of the fastest growing communities in North America, on track to reach nearly one million residents by 2031. As the eastern gateway of the Greater Toronto Area, Durham offers ready access to a diverse domestic market of over six million people (over 20 million including international markets). Immigration continues to be a significant catalyst for growth, contributing to our rich cultural diversity.

The Regional Municipality of Durham consists of the Cities of Oshawa and Pickering, the Towns of Ajax and Whitby, the Municipality of Clarington and the Townships of Brock, Scugog and Uxbridge. The December 31, 2017 population was estimated at 682,250.*

*Source. "Report #2018-INFO-64: Monitoring of Growth Trends", The Regional Municipality of Durham Planning and Economic Development Department (May 4, 2018).



Governance Structure

The Regional Municipality of Durham began operations January 1, 1974 as one of five regional governments of the Greater Toronto Area. Durham Region is the upper tier municipality in a two-tiered governance structure. Eight local municipalities, located within the boundaries of the Region, administer local programs within their jurisdiction and constitute the lower tier. The two-tiered structure retains closeness to the people but also permits a region-wide approach to development, infrastructure and service delivery. The Region and local municipalities collaborate and partner as appropriate to ensure effective and accountable service delivery both within and across jurisdictional spheres.

The Regional Municipality of Durham has jurisdictional responsibility over the following areas:

- Regional roads, bridges, traffic signals and controls and related storm sewers;
- Durham Regional Police Service;
- Region of Durham Paramedic Service;
- Emergency management;
- 911 emergency dispatch;
- Public Health programs and services;
- Durham Region Transit, including specialized transit services;
- Durham Region Official Plan and delegated authority for local municipal official plans and amendments;
- Strategic land use planning;
- Industrial, commercial and residential development approvals;
- Land division consent applications;
- Subdivision and condominium approvals;
- Economic development and tourism;
- Municipal water supply treatment, distribution and billing;
- Municipal sanitary sewerage collection, treatment and billing;
- 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;
- Early Learning and Child Care Centres, nursery school programs, and Durham Behaviour Management Services;
- Long-term care and services for seniors;
- Family services and counselling;
- Housing and homelessness programs and services;
- Ontario Works programs and services;
- Borrowing for capital expenditures of the Regional and local area municipalities;
- Property taxation policy; and,
- Provincial offences court administration, prosecution services and collection of fines.

The Region's eight local municipalities have jurisdictional responsibility over the following areas:

- Local planning and development;
- Local roads, bridges, storm sewers and sidewalks;
- Fire protection and prevention;
- Parks and recreation;
- Property tax billing and collection;
- 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; and,
- Business and lottery licensing.

Regional Council & Committee of the Whole*

G.L. O'Connor,
Regional Chair and Chief Executive Officer**

Administration

G.H. Cubitt,
Chief Administrative Officer

Regional Management Team

Commissioner and Medical Officer of Health,
Dr. R.J. Kyle

Acting Commissioner of Finance and Treasurer,
M.E. Simpson***

Commissioner of Planning and Economic Development,
B. Bridgeman

Commissioner of Corporate Services,
D. Beaton****

Commissioner of Social Services,
Dr. H. Drouin

Commissioner of Works,
S. Siopis

* Effective September 2016, Regional Council commenced a pilot governance structure which replaced the four Regional Council Standing Committees (Health & Social Services, Planning & Economic Development, Works and Finance & Administration) with a Committee of the Whole until the end of the current Regional Council term (November, 2018). Council voted to return to the Standing Committee structure effective with the new term of Council (December, 2018).

** Appointed to the Regional Chair position on April 11, 2018 after the passing of Regional Chair and CEO Roger Anderson on March 23, 2018.

*** Effective April 28, 2018 upon the retirement of R.J.Clapp, Commissioner of Finance and Treasurer.

**** Effective September 13, 2017, Commissioner of Corporate Services January 1, 2017 - April 28th, 2017 was M. Gaskell.



Roger Anderson (1953-2018)

Past Regional Chair and Chief Executive Officer

“Let’s all keep our eye on opportunities and seize them when they come along. Whether it’s electric vehicles, autonomous vehicles, climate innovation, data integration or artificial intelligence, we know that we have the people and the potential to rise to the challenge” - Roger Anderson, October 16, 2017.

Message from **Gerri Lynn O'Connor**
Regional Chair and Chief Executive Officer



Durham Region is a community with rapid growth, thriving businesses and innovative entrepreneurs. We are a leading jurisdiction in the development of clean energy, future transportation systems and climate change action.

With affordable real estate, low cost commercial and industrial land and competitive development charges, the Region continues to be an attractive choice for businesses and families alike. Our blend of urban amenities and greenspace offers residents a balanced lifestyle. Quality of life is the key to the residential development occurring across Durham with major construction underway in Seaton, West Whitby, Brooklin, and Clarington. All this new development activity and investment is driving business and job growth across the Region.

Three large-scale infrastructure projects are underway in Durham Region including the Darlington nuclear refurbishment, the Highway 407 extension to Highway 35/115 and the extension of the GO Rail service to Bowmanville. These projects alone represent close to \$16 billion of investment in Durham. In addition, the Metrolinx East Rail Maintenance Facility, an \$859 million project in Whitby, was completed in 2017.

As a regional municipality, Durham is deeply committed to sustainable development, climate change mitigation and building resilience. Development of our Community Climate Adaptation Plan has made us a leader in this field, earning national recognition. In 2017, we continued to leverage partnerships with our area municipalities and local utilities in the development of a Durham Community Energy Plan.

Improving the transportation system remains a priority in our Region. In 2017, Regional Council approved an updated Transportation Master Plan (TMP) designed to keep us moving until 2031 and beyond. The new TMP integrates all forms of transportation including roads, transit, cycling, walking, and goods movement. Durham also continues to press for a federal decision on the Pickering airport lands as a critical missing link in the Region's infrastructure and GTA's transportation network.

Ensuring that all of our communities have effective digital access is a priority for Council. In 2017 the Regional Broadband Study was launched to identify gaps and potential solutions.

Many of the achievements the Region of Durham has made over the past decades can be attributed to the leadership of the late Regional Chair, Roger Anderson. Through the governance of Council, the Region is positioned to meet the growing needs of our communities and respond effectively to an evolving economy.

A handwritten signature in black ink, appearing to read "Gerri Lynn O'Connor".

Gerri Lynn O'Connor,
Regional Chair and CEO



Just as businesses invest in staying current and planning ahead, so must government. In 2017, Durham Region embarked on several projects to prepare us for the future.

Message from **Garry H. Cubitt** Chief Administrative Officer



The Region of Durham's goal is to meet the needs of our community through leadership, innovation, co-operation and service excellence.

In 2017, the Region continued engaging with our communities, innovating in the delivery of programs and services, and showcasing our dedication to customer service. Highlights include reducing wait times by adding a central queue at the Social Services switchboard, collaborating with Indigenous residents to develop innovative practices for child care needs and creating an updated corporate service video to educate students about Regional government.

Just as businesses invest in staying current and planning ahead, so must government. In 2017, Durham Region embarked on several projects to prepare us for the future. Our durham.ca website was completely revamped, making it more accessible for users of all abilities and on all different kinds of devices. We also are using technology to streamline other aspects of our business. The Region now issues and accepts procurement bids for Regional work electronically. We survey clients of programs such as child care online, and then use the data to adjust service delivery. Our Housing division introduced a first-in-class online system to match people applying for rent-g geared-to-income housing with suitable units. Real time data from our Intelligent Transportation System is used to manage traffic congestion and improve safety.

In addition to providing excellent service through our programs, a number of major projects were completed over the course of 2017 including the Maintenance Operations Depot in Orono, the new Transit Maintenance Facility in Oshawa, and the Nonquon Water Pollution Control Plant. Consulting our community formed the basis for future plans in many program areas. The results included the adoption of the Age-Friendly Durham Strategy and Action Plan, a new Economic Development Strategy and Action Plan, the Durham Community Climate Adaptation Plan, and the Championing Affordable Rental and Seniors' Housing Across Durham Region report. In addition, the Region created an interactive map of innovative technology assets and updated the Transportation Master Plan.

Reflecting on 25 years as CAO, I am grateful to have worked with so many dedicated Regional colleagues and community partners on programs and initiatives that truly made a difference in our community. Together, we overcame incredible and sometimes surprising challenges, always grounded in a commitment to delivering excellent services. I am proud of the work that we have accomplished as we strive to serve the Region of Durham.

A handwritten signature in black ink, appearing to read 'Garry H. Cubitt'. The signature is fluid and cursive, with a large initial 'G'.

Garry H. Cubitt, MSW
Chief Administrative Officer

Durham Regional Council: Purpose and Composition

Legislative responsibility for the Regional Corporation is vested in Regional Council. Regional Council provides direction to administrative staff on the delivery of Regional services and infrastructure priorities. The Regional Council is comprised of the Regional Chair plus 28 Regional Councillors.

The Regional Chair is a directly elected position. The Regional Chair presides over Regional Council meetings and is the Chief Executive Officer (CEO) of the Regional Corporation. The Regional Chair is also a member of each Standing Committee of Regional Council.



Gerri Lynn O'Connor[†]
Regional Chair and
Chief Executive Officer

The Mayors of each of the eight local area municipalities are Regional Councillors



Mayor Adrian Foster
Municipality of Clarington



Mayor John Grant
Township of Brock



Mayor John Henry
City of Oshawa



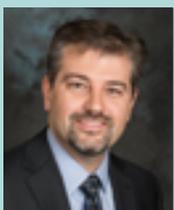
Mayor Don Mitchell
Town of Whitby



Mayor Pat Molloy*
Township of Uxbridge



Mayor Steve Parish
Town of Ajax



Mayor Tom Rowett
Township of Scugog



Mayor Dave Ryan
City of Pickering

Twenty Regional Councillors are directly elected as combined Regional and local representatives.



John Aker
City of Oshawa



Kevin Ashe
City of Pickering



Jack Ballinger
Township of Uxbridge



Dan Carter
City of Oshawa



Bob Chapman**
City of Oshawa



Shawn Collier
Town of Ajax



Bobbie Drew
Township of Scugog



Joe Drumm
Town of Whitby



Derrick Glead
Town of Whitby



Colleen Jordan
Town of Ajax



Bill McLean
City of Pickering



Amy McQuaid-England
City of Oshawa



Joe Neal
Municipality of Clarington



John Neal
City of Oshawa



David Pickles
City of Pickering



Nester Pidwerbecki
City of Oshawa



Elizabeth Roy
Town of Whitby



Doug Sanders***
City of Oshawa



Ted Smith
Township of Brock



Willie Woo
Municipality of Clarington

[†]Appointed to the Regional Chair position on April 11, 2018. *Effective May 14, 2018.

Resigned effective April 13, 2018. *Effective April 12, 2017.

Appointments to Agencies, Boards and Committees

Regional Council makes appointments to agencies, boards and committees that advise Council and/or provide services to residents of Durham Region and beyond, including the following:

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 Region Non-Profit Housing Corporation
- Durham Regional Local Housing Corporation
- Regional Task Force on Affordable and Seniors' Housing

Inclusion and Accessibility:

- Accessibility Advisory Committee
- Local Diversity and Immigration Partnership Council

Public Safety and Protection:

- 911 Management Board
- Durham Regional Police Services Board

Transportation:

- Durham Region Transit Advisory Committee
- Durham Region Transit Commission
- Durham Region Transit Executive Committee
- Greater Toronto Airports Authority
- Greater Toronto Airports Authority Consultative Committee

Planning and Economic Development:

- Business Advisory Centre Durham
- Canadian National Exhibition Association
- Development Charges Complaint Committee
- Durham Trail Coordinating Committee
- Durham Agricultural Advisory Committee
- Golden Horseshoe Food and Farming Alliance
- Toronto Global
- Land Division Committee
- Royal Agricultural Winter Fair Association

Environment and Climate Change:

- Central Lake Ontario Conservation Authority
- CTC (Credit Valley/Toronto/Central Lake Ontario) Source Protection Committee
- Durham Environmental Advisory Committee
- Durham Region Roundtable on Climate Change
- East Duffins Headwaters Committee
- Energy from Waste – Waste Management Advisory Committee
- Ganaraska Region Conservation Authority
- Kawartha Region Conservation Authority
- Lake Simcoe Region Conservation Authority
- Southern Georgian Bay-Lake Simcoe Source Protection Committee
- Toronto and Region Conservation Authority
- Toronto and Region Conservation Authority Trail Guidelines Advisory Committee
- Trent Conservation Coalition Source Protection 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.

Durham Region Strategic Plan 2015 - 2019

The Durham Region Strategic Plan 2015 - 2019, "Growing Together, Reaching Further, Aspiring Higher" reflects a renewed commitment to client centred service and innovation. The document is the Region's overarching guide to focus efforts and set priorities through 2019.

Strategic Planning initiates the Region's annual Business Planning Cycle and informs subsequent business and financial planning, multi-year studies and annual budgets. Implemented business plans are also reviewed through performance measurement to ensure intended outcomes and continuous improvement.



Durham Region Strategic Plan

Population, Health & Quality of Life

1

Maintain and improve the health of our community and build a regional community that is inclusive, cohesive and welcoming.

Organizational Health & Service Excellence

2

Deliver exceptional municipal services through strategic, compassionate and innovative leadership.

Healthy Environment & Sustainable Communities

3

Protect, enhance and restore the natural environment and build resilient, safe communities that are supported by reliable, affordable transportation systems and services.

Economic Growth, Diversification & Local Employment

4

Strengthen the economy and promote more local employment.

Vision

Durham Region will be a united group of vibrant and diverse communities recognized for their leadership, community spirit and exceptional quality of life.

Mission

Meeting the current and future needs of the Durham community through leadership, co-operation, innovation and service excellence.

Values

Our values drive our organizational culture and our behaviour in delivering our vision and mission. At the Regional Municipality of Durham, we value:

Ethical Leadership

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

Accountability

We respond to the changing needs of residents and other organizations by providing transparent government within a framework of financial stability.

Service Excellence

We encourage professional excellence through collaboration, partnerships and teamwork in an environment that fosters trust and respect.

Continuous Learning and Improvement

We support life-long learning and commitment to innovation, research, knowledge exchange and ongoing program evaluation.

Inclusion

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



A Commitment to Performance Measurement

A key step in the annual business planning process at the Region of Durham is performance measurement. Performance measurement is included in a number of stages including identifying and reporting on key performance measures in the annual Asset Management Plan; Multi-year Economic and Financial Forecast and Budget Guidelines Report; servicing and financing studies for transportation, transit, solid waste management, water supply, sanitary sewerage and social housing; and, detailed business plans and budgets.

The Region’s commitment to performance measurement strengthens its reputation for being accountable and transparent in the planning and delivery of municipal services and assists Regional stakeholders in understanding how the Region performs over time and in relation to peers.

Corporate-wide performance measurement is supported through the Region’s membership in the Municipal Benchmarking Network Canada (MBNCanada). MBNCanada is a collaboration of 16 municipalities located in six Canadian provinces. The initiative is led by a Board of Chief Administrative Officers and City Managers from participating municipalities. The collaborative effort provides an opportunity to work together and learn from each other with the common goal of improving municipal services. The data collected through this initiative is used to inform service delivery improvement, facilitate strategic discussion and increase accountability.

The 2016 MBNCanada Performance Measurement Report is available at www.mbncanada.ca and includes 173 measures representing 36 municipal service areas. Durham provides services in 25 of those areas.

The following are two examples from the 2016 MBNCanada Performance Measurement Report:

Total Cost (Expenses) per Revenue Vehicle Hour (Transit)

Revenue vehicle hour includes revenue passenger service hours and layover hours. Amortization rates and capitalization thresholds are unique to each municipality. The variation in municipal amortization policies partly explains the differences in performance between municipalities.



Source: 2016 MBNCanada Performance Measurement Report. TRNT220T (Efficiency)

Total Cost for Police Services per Capita

Costs include police services, prisoner transportation and court security. Since staffing costs make up the overwhelming majority of Policing costs, there is a strong correlation between those jurisdictions with higher levels of police staff and those with higher police costs reflected in this graph.



Source: 2016 MBNCanada Performance Measurement Report. PLCE227T (Service Level)





Message from Mary E. Simpson

Acting Commissioner of Finance and Treasurer

I am pleased to present the annual financial results for the Regional Municipality of Durham, Ontario, Canada for the year ended December 31, 2017. The financial results reflect the Region's best practice financial policies and processes which continue to support the efficient and cost-effective delivery of Regional programs and services. The financial results are presented in the context of the economic environment within which the Region operates and the following provides an overview of major indicators.

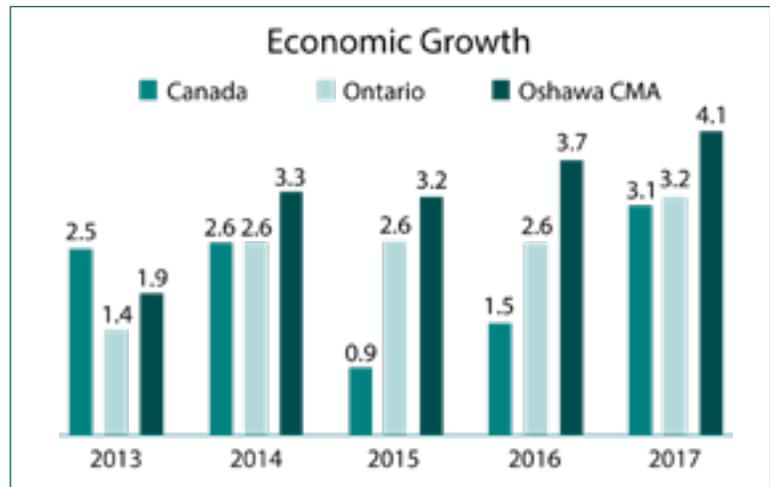
Local Economic Overview

According to the Conference Board of Canada, economic growth in the Oshawa Census Metropolitan Area (CMA) in 2017 continued to outpace both national (3.1 per cent) and provincial (3.2 per cent) growth at 4.1 per cent.

Durham Region's economy is well positioned due to strengths in sector diversification, building activity, an educated and skilled workforce, competitive real estate and low commercial and industrial land costs.

The Oshawa CMA represents close to 60 per cent of the population of the Region based on the 2016 census.

Source: Conference Board of Canada ►

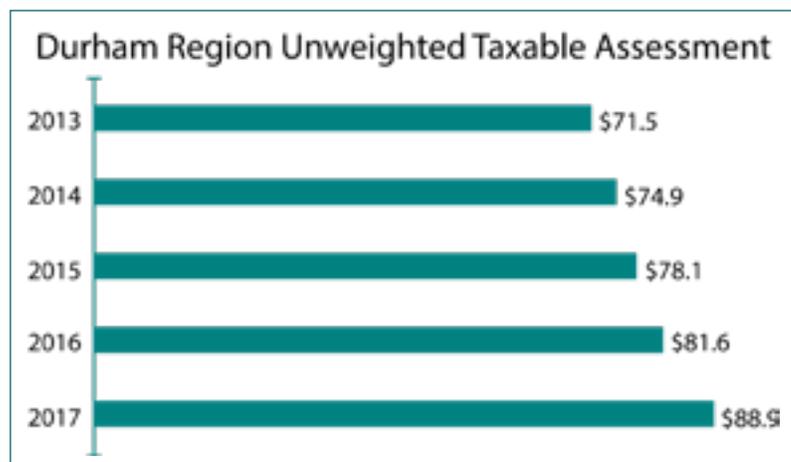


Taxable Assessment

Durham Region's unweighted taxable assessment base continues to increase. In 2017, Durham Region's unweighted taxable assessment was \$88.9 billion, an increase of 8.9 per cent compared to 2016.

Property assessment and classification services are provided by the Municipal Property Assessment Corporation (MPAC) for over 220,000 residential and non-residential properties in Durham Region.

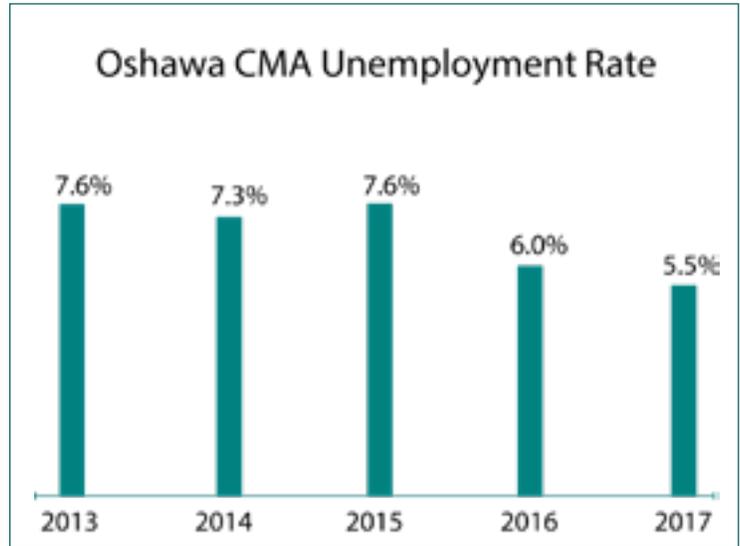
Source: Durham Region Finance Department ►



Unemployment Rate

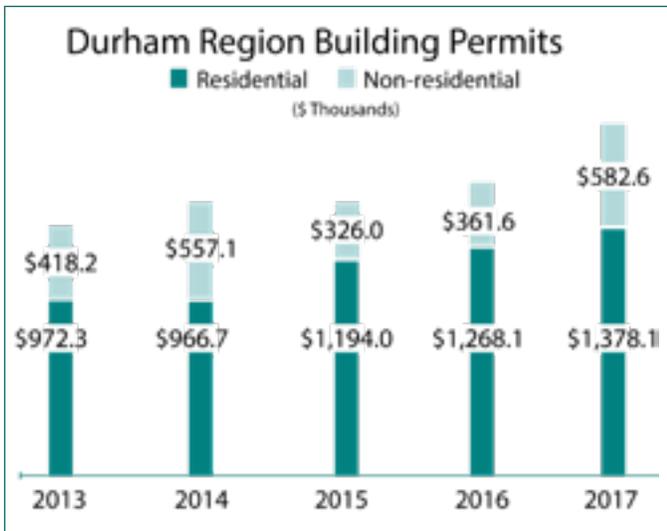
The annual unemployment rate within the Oshawa CMA, as reported by Statistics Canada, was below the unemployment rates of the province and the country and remained below the five-year Oshawa CMA unemployment rate average. In 2017, the unemployment rate in the Oshawa CMA, decreased from 6.0 per cent to 5.5 per cent.

Source: Statistics Canada ►

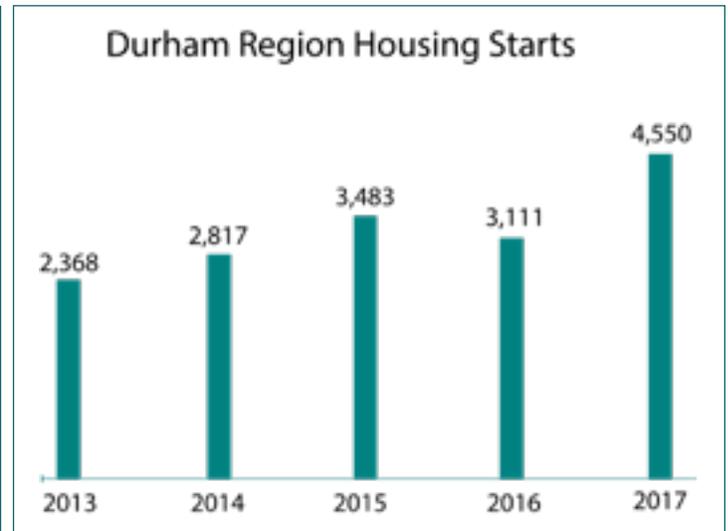


Building Permits & Housing Starts

In 2017, building permits in Durham Region were valued at \$1.96 billion, consisting of \$1.38 billion for residential and \$0.58 billion for non-residential. With 4,550 housing starts in 2017, the number of starts increased in Durham Region by 46.3 per cent from 3,111 units in 2016. Housing starts in 2017 marked a five-year high for the Region.



Source: Durham Regional Planning and Economic Development Department.



Source: Canadian Mortgage and Housing Corporation.

Business Planning

The Region's annual business planning process provides the framework for financial planning. Under the guidance of the Durham Region Strategic Plan, corporate priorities are identified which Regional departments incorporate in annual program reviews and multi-year business plan development.

Following the strategic plan, the Region's annual Business Planning cycle includes:

- asset management planning;
- multi-year economic and financial forecasting;
- financial planning and long-term servicing and financing studies;
- property tax guidelines;
- detailed business plans and budgets; and
- performance measurement.

The Business Planning cycle includes long-term financial planning and financial, economic and risk analysis to support the allocation of resources to programs and services while maximizing efficiencies and affordability for Regional taxpayers over the long term. A comprehensive multi-disciplinary review of the Region's infrastructure is conducted annually, culminating in the Region's Asset Management Plan. This report provides information to related annual servicing and financing studies and long-term capital plans which are completed ahead of detailed business plan approvals for major program areas, including transportation, transit, water supply, sanitary sewerage, solid waste management and social housing.

The Region's annual Long-Term Strategic Property Tax Study outlines annual property assessment impacts including assessment growth, assessment appeals, municipal tax ratios, property tax comparisons, and risks associated with Provincial property taxation and assessment policy changes.

These studies enhance program and financial accountability and provide Council with a solid context for decision making. Regional programs and services are continuously monitored, measured and evaluated through performance measurement processes, including: measures incorporated into business planning documentation for program areas and measures developed and reported through collaborative initiatives with other municipalities (e.g. Municipal Benchmarking Network Canada). Performance measurement assists staff and Regional Council and its Standing Committees in reviewing, improving and reprioritizing program initiatives to ensure maximum efficiency and enhanced service delivery.

The Regional Municipality of Durham relies on a solid record of long-term financial planning to meet obligations, accommodate pressures and respond to uncertainties. Commitments to the prudent financing of major capital projects, maintenance of strong reserves and reserve funds, a balanced burden of debt and maintenance of adequate liquidity and financial flexibility allow the Region to proactively address fiscal challenges and ensure long-term financial sustainability.

Public reporting is an essential component throughout each stage of the business planning process. This information is provided to a range of stakeholders including Regional Council and its Standing Committees, outside boards and agencies, Regional staff, Regional residents and property taxpayers, bond rating agencies, investors, the general public and other stakeholders.

Asset Management

The Region's infrastructure contributes significantly to Durham Region's quality of life and is vital to the Region's continued economic growth.

The Region established a formal asset management program in 2004 incorporating all provincial and federal requirements related to asset management planning.

This Asset Management Plan sets the stage for strategic and financial planning, which continues over each phase of the Region's annual business planning cycle. Asset management information is used throughout the financial planning process, including the economic and financial forecast and budget guidelines report, servicing and financing studies for major program areas, and detailed program business plans and budgets.

The study provides details related to the overall state of assets, including replacement cost and condition, provides analysis of required levels of service and risk assessment, and recommends long-term asset management strategies and associated financial strategies to ensure long-term financial sustainability.

Durham's Triple 'A' Credit Rating Upheld

In 2017, both Moody's Investors Service, Inc. and S&P Global Ratings reviewed Durham Region's credit fundamentals and reconfirmed the Region's Triple A credit rating with a stable outlook for Durham's long-standing debentures. The Triple A credit rating is the highest attainable and is attributed to Durham's solid financial management and governance practices, including a commitment by Regional Council to long-term financial planning, strong reserves and reserve funds and manageable levels of debt.

Credit Rating Agency Quotes

"In our view, Durham's credit profile benefits from very strong financial management. The regional administration is experienced and works with the region's council to enact policies and undertake long-term financial planning to achieve fiscal sustainability."

— S&P Global Ratings, February 15, 2018

"Durham's strong operating results are supported by stable operations, conservative fiscal management practices, and property taxes and user fees...The Region utilizes multi-year operating and capital planning, including 10-year capital plans which are updated annually. Management adheres to conservative investment and debt policies, limiting the regional municipality's exposure to market-related risks and ensuring relatively smooth and predictable debt service costs."

— Moody's Investors Service, Inc., January 9, 2018

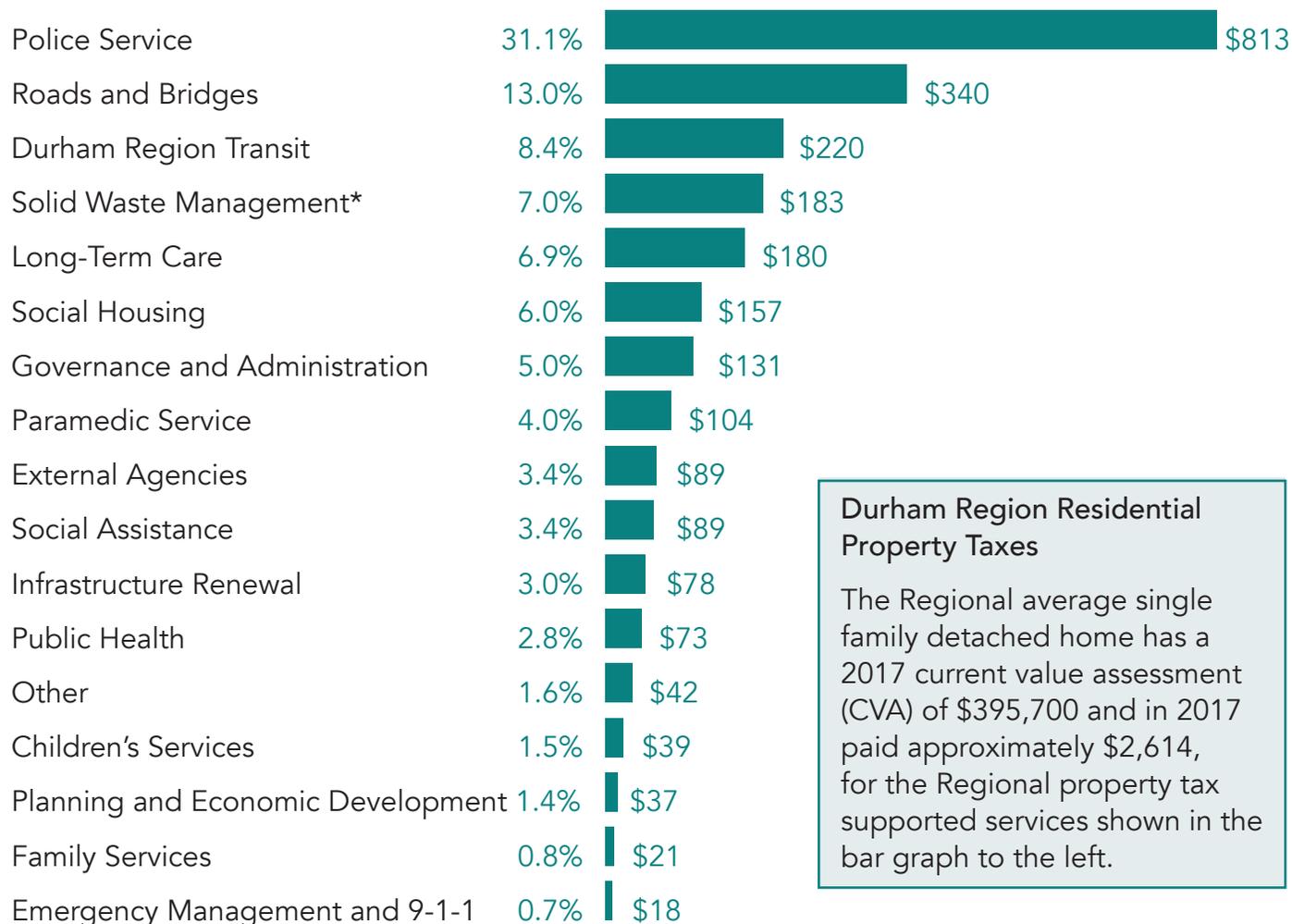


2017 Property Tax Supported Budgets

Durham Regional Council's approved 2017 property tax supported Business Plans and Budgets maintained existing service levels and addressed critical needs, while providing additional funding for key strategic priorities, including responding to:

- Growth in service demands;
- Changes to Provincial policy and legislation in health and social services, including the addition of 45 new fee subsidy child care spaces;
- Operating costs for a new Paramedic Station and capital investment in equipment;
- Increase in conventional transit services and capital funding for facilities, and replacement and new buses; and,
- Capital investment of \$81.2 million in Regional transportation infrastructure, including bridge work, road expansions and rehabilitations, Highway 407 related projects, and traffic control.

2017 Average Residential Property Taxes



Durham Region Residential Property Taxes

The Regional average single family detached home has a 2017 current value assessment (CVA) of \$395,700 and in 2017 paid approximately \$2,614, for the Regional property tax supported services shown in the bar graph to the left.

*Waste collection services are provided locally by Oshawa and Whitby and by the Region in the other six local municipalities; therefore, Regional property taxes for Oshawa and Whitby are slightly less than other local municipalities.

The Region provides water and sanitary sewer services, billed on a consumption basis, to customers who are connected to the Regional system. These services are user rate supported and are not funded from Regional property taxes. In 2017, the average water and sewer residential bill was \$908 based on 223 cubic metres per year.

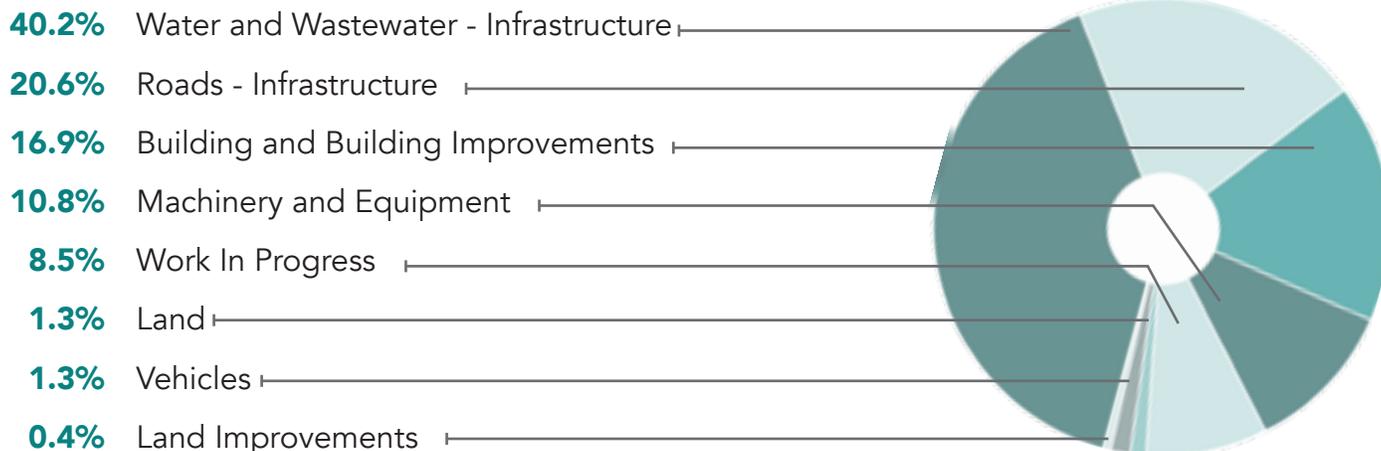
Financial Results

Tangible Capital Assets

The net book value of the Region's tangible capital assets at December 31, 2017 was \$4.0 billion. Net book value is the cost of assets put into service, less the accumulated amortization recorded at December 31, 2017.

Regional Council annually allocates funds to ensure infrastructure rehabilitation and replacement requirements are addressed through asset management planning, business planning and budget deliberations. Capital spending in 2017 included capital improvements, replacements and additions required to accommodate expanded water supply, wastewater treatment, transportation, solid waste management and police services infrastructure. The Region's 2017 capital expenditure program was financed from property taxes, user rates, reserves and reserve funds, developer contributions, debenture proceeds, grants and recoveries.

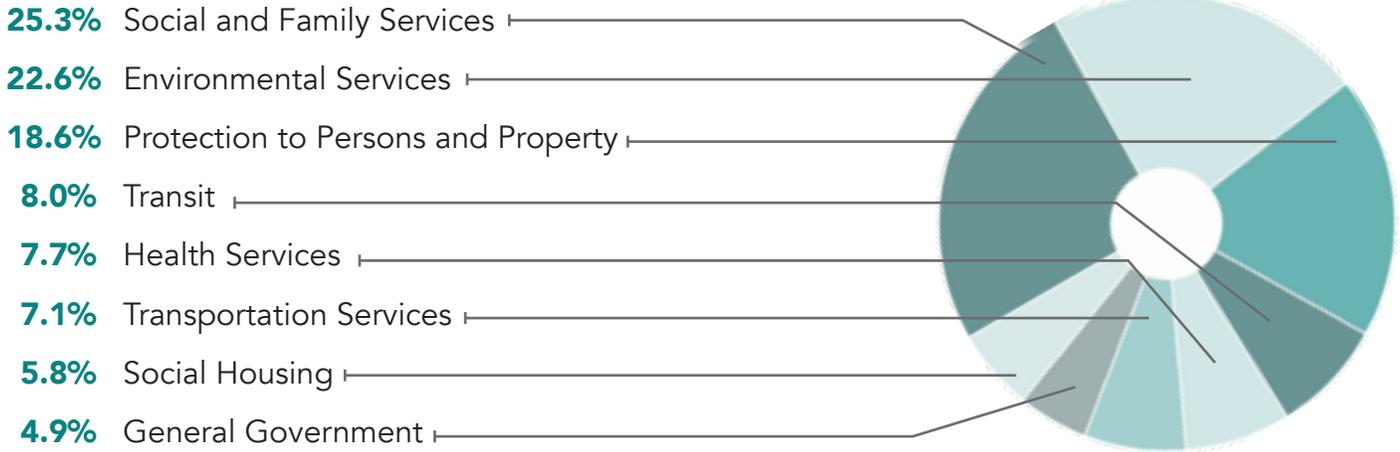
2017 Tangible Capital Assets Net Book Value (\$4.0 Billion)



Operating Expenses

Expenses for operations for 2017 increased by just over five per cent from 2016, from \$1.14 billion in 2016 to \$1.20 billion in 2017.

2017 Operating Expenses (\$1.2 Billion)



Revenues

Total Revenues in 2017 (\$1.5 billion) were utilized to finance operations, reserve and reserve fund contributions and tangible capital asset acquisitions. Revenues include property taxation, user charges, provincial and federal government transfers and subsidies, contributions from development charges for growth related capital and other conditional subsidies (deferred revenue earned) as well as Provincial Offences Act fines. Revenue from property taxes increased from \$616.2 million in 2016 to \$636.1 million in 2017, due to assessment growth and a Regional property tax budgetary rate increase of 1.8 per cent.

2017 Revenues (\$1.5 Billion)



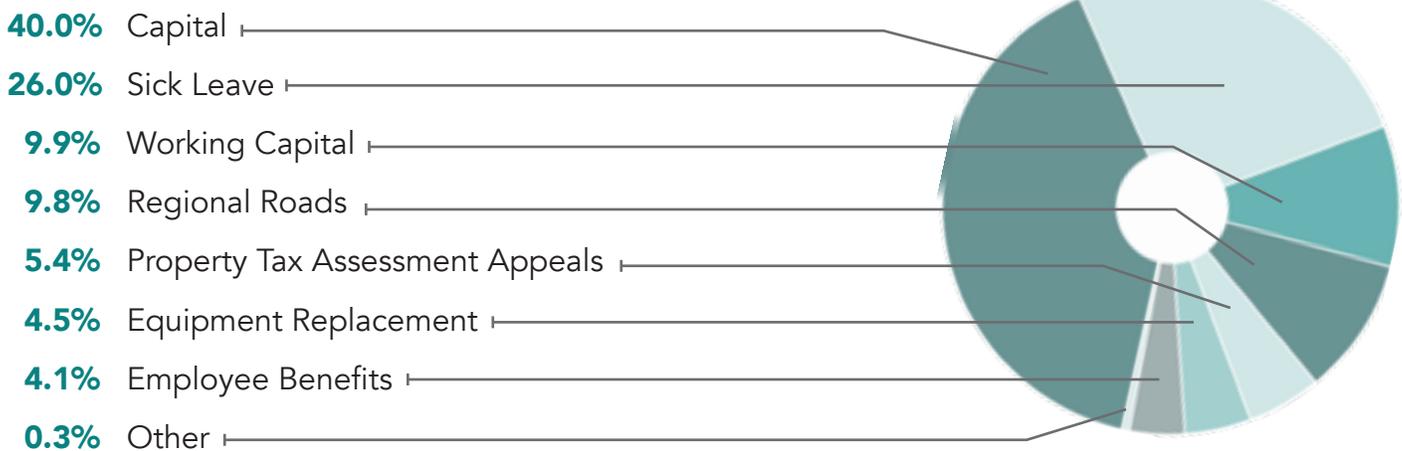
Reserve and Reserve Fund Management

Recognizing their importance to the overall financial strategy, the Region maintains strong reserve and reserve fund positions to ensure financial flexibility and minimal impacts from growth and future liabilities.

Reserves Set Aside by Council

Reserves set aside by Council as at year-end 2017 totalled \$465.1 million. The Region's reserves are established for various reasons. Reserves mitigate fluctuations in annual cash flows, provide the Region with financing for future liabilities and/or contingencies, are established to enable up-front financing of major capital expenditures and are used to finance projects budgeted in one year, but with construction taking place over more than one year.

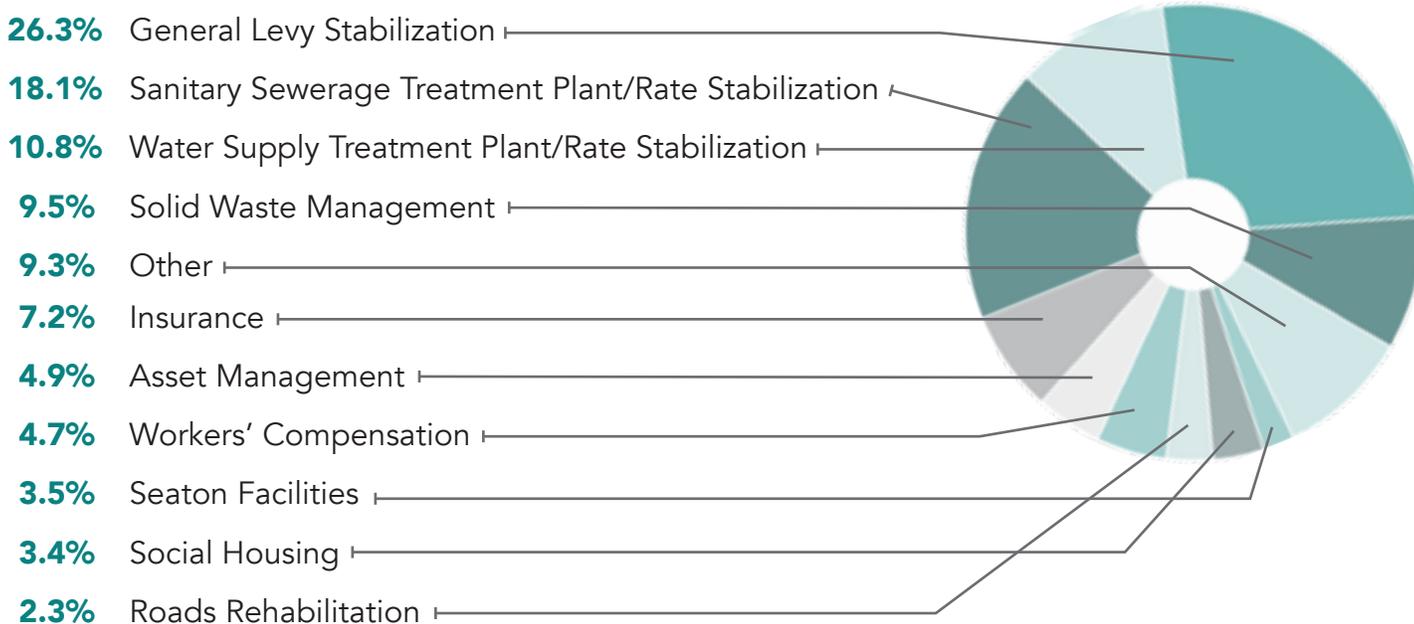
2017 Reserves (\$465.1 Million)



Reserve Funds Set Aside for Specific Purpose by Council

Reserve funds are monies set aside to finance more specific future costs. The Region's reserve funds totalled \$865.6 million at year-end 2017 and included contributions to specific reserve funds, based on strategic assessments of potential capital requirements and long-term financing strategies to accommodate future needs e.g., sanitary sewerage treatment plant/rate stabilization; water supply treatment plant/rate stabilization; roads rehabilitation; asset management; and social housing reserve funds.

2017 Reserve Funds (\$865.6 Million)



Debt: Policy and Position

Debt management policies are governed by provincial legislation and Regional Council. The Region only issues debt for major capital projects. Strong reserves and reserve funds allow the Region to balance debt issuance and reduce debenture interest costs through the prudent up-front financing of a portion of major capital projects. Forward looking financing strategies permit the Region to ensure the provision of a sustainable capital infrastructure over the long-term, while maintaining the flexibility to mitigate risks and uncertainties.

The Region's overall responsibility includes debenture debt totaling \$259 million at December 31, 2017. Approximately 55.6 per cent (\$144.0 million), was issued on behalf of Durham local area municipalities who maintain responsibility for repayment of related principal and interest. The Region is the legislated authority for debt issuance on behalf of local municipalities within its jurisdictional boundaries.

During 2017, the Region issued new debt totalling \$18.3 million on behalf of four of the Region's lower-tier municipalities. The Region's year-end net debt burden decreased by \$57.0 million to a level of \$114.9 million in 2017, due to debt repayment.

Financial Statements and Financial Management

The consolidated financial statements and all other related information contained in this 2017 Annual Report are the responsibility of the management of the Regional Corporation.

Financial Accountability

The Region fully supports the goal of financial accountability to taxpayers as expressed in the Durham Region Strategic Plan titled, "Growing Together, Reaching Further, Aspiring Higher, A New Strategic Plan for Durham Region: 2015 to 2019." Strong financial policies, including the Region's budget management policy and Purchasing By-law, provide an accountability framework to establish the extent of authority for spending decisions and outline the discretion permitted in those decisions as delegated by Regional Council.

In addition, Durham Region is an active member of various performance measurement initiatives, including the Municipal Benchmarking Network Canada, a national municipal initiative to identify and share best practices including service efficiency and quality.

Financial Management Controls

Regional Council has the 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, relevant and Regional assets are protected. Robust financial systems are in place for accounting, business planning and budgeting, and internal audit, as well as other internal administrative and financial controls. 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.

The Region's internal audit function is maintained through an audit committee comprised of the Office of the Commissioner of Finance (includes involvement of the Treasurer and senior staff audit positions), the CAO and the Regional Chair and CEO. 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, where necessary, under appropriate reporting mechanisms.

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.

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 responsible and sustainable capital financing structure. To minimize debenture costs, the Region's 'pay-as-you-go' policy encourages long-term infrastructure planning and the accumulation of funds for major projects, balanced debt levels and enhanced financial flexibility. The 'pay-as-you-go' financing philosophy, 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.

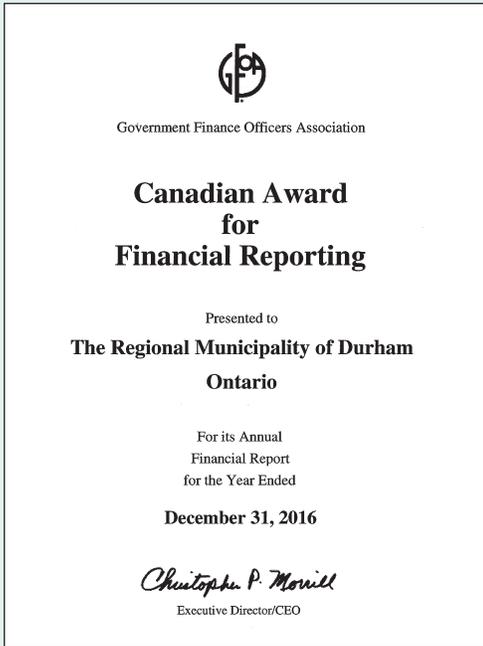
The 'growth-pays-for-growth' development finance policy is implemented through Development Charges By-laws, that are reviewed at least every five years. Development charges are collected and held to finance future growth related projects. In 2017, development charges collected totalled \$123.8 million, for a total balance of \$542.8 million at December 31, 2017. 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, 2017 determined available financing for 2018 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 2017 consolidated financial statements present the Region's financial position and operating results fairly in all material respects.

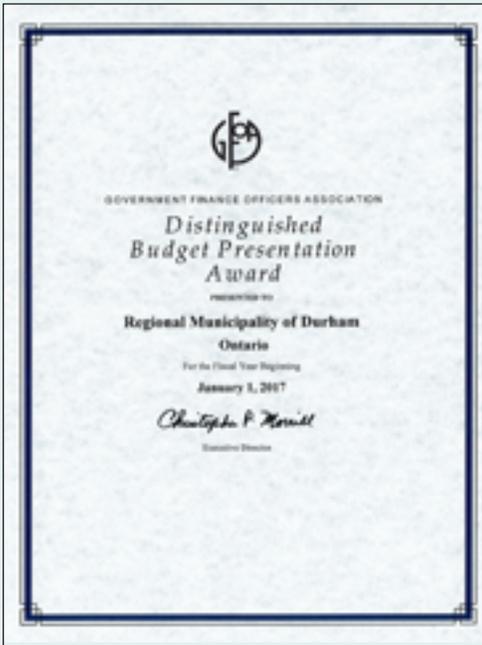
The 2017 Consolidated Financial Statements and Trust Funds Financial Statements have been independently audited by Deloitte LLP. The Independent Auditor's Reports, included within this document, confirm the fair presentation of Durham's financial position, operations and accumulated surplus, change in net financial assets, and statement of cash flows for the year ended December 31, 2017.

The Region of Durham's commitment to long-term financial planning and sound fiscal policies provides a solid foundation for financial management.



Canadian Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a fourteenth consecutive 'Canadian Award for Financial Reporting' to the Regional Municipality of Durham for its Annual Report for the fiscal year ended December 31, 2016. 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 2016 award, and it is our belief that this current 2017 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.



Distinguished Budget Presentation Award

The Region of Durham has been awarded the highly prestigious Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada (GFOA) for the sixth consecutive year. The GFOA presented the award to the Regional Municipality of Durham, Ontario for its annual budget for the fiscal year beginning January 1, 2017. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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.

To assist in conducting the financial functions and transactions of the Regional Corporation, professional services are provided to the Regional Municipality of Durham as follows: Deloitte LLP (Auditor); Royal Bank of Canada (Banker); and, RBC Dominion Securities Inc. and CIBC World Markets (Fiscal Agents).

In closing, I would like to acknowledge the dedication and hard work of the Region's financial management team, who work together and with their staff to ensure accurate and timely financial information to Regional Council, the Regional Chair and CEO, Standing Committees, the CAO, other departments and stakeholders within the community and beyond.



M.E. Simpson, CPA, CMA, MA
Acting Commissioner of Finance and Treasurer
June 29, 2018

Financial Management Team

M.E. Simpson, CPA, CMA, MA

Acting Commissioner of Finance and Treasurer (April 2018) and Director of Financial Planning and Purchasing

R.J. Clapp, CPA, CA

Commissioner of Finance and Treasurer (Retired April 2018)

J.M. Cermak, CPA, CA

Director, Financial Services

K. Honey, BMgmt, MBA, MCT

Director, Financial Information Management Services

N. Pincombe, CPA, CMA, MPA

Director, Business Planning, Budgets & Risk Management

H. Benson, CPA, CGA

Manager, Business Plans and Budgets

S. Chambers, PMP

Manager, Financial Information Management Services (Projects)

K. Chatten, CSCMP

Manager, Purchasing

S. Coward, BA, FCIP, CRM

Manager, Insurance and Risk Management

K. Facca

Manager, Collections and Customer Service

J. Fice, CPA, CA

Manager, Financial Reporting and Analysis

R. Hutchinson, MBA, PMP, CGEIT

Manager, Financial Information Management Services Application (Projects)

T. Jones, BBA, CSCMP

Manager, Materials and Office Services

D. Siciliano, BAS

Manager, Utility Finance

S. Simpson, BBA

Manager, Financial Information Management Services (Support)

S. Tsenis, MBA

Manager, Corporate Asset Management





Consolidated Financial Statements

and Independent Auditor's Report
for the year ended December 31, 2017

The Regional Municipality of Durham, Ontario, Canada



Independent Auditor's Report

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

We have audited the accompanying financial statements of the Corporation of the Regional Municipality of Durham, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Durham as at December 31, 2017 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants,
Licensed Public Accountants
May 31, 2018



The Corporation of the Regional Municipality of Durham

Consolidated Statement of Financial Position

December 31, 2017
(in thousands of dollars)

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 59,480	\$ 126,564
Investments (Note 4)	2,298,855	2,044,638
Accounts receivable	139,422	109,672
Other current assets	635	816
Debenture debt recoverable from local municipalities (Note 5)	144,023	140,551
	2,642,415	2,422,241
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	378,781	382,786
Deferred revenue - Schedule 1	561,933	510,188
Debenture debt (Note 5)	258,955	312,404
Employee benefits and post-employment liabilities (Note 6)	192,149	183,637
Landfill closure and post closure liabilities (Note 7)	12,833	13,694
	1,404,651	1,402,709
NET FINANCIAL ASSETS	\$ 1,237,764	\$ 1,019,532
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	3,974,376	3,890,013
Inventories	5,169	4,919
	3,979,545	3,894,932
ACCUMULATED SURPLUS (Note 10)	\$ 5,217,309	\$ 4,914,464

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

The Corporation of the Regional Municipality of Durham

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2017

(in thousands of dollars)

	2017		2016
	Budget (Note 11)	Actual	Actual
REVENUES			
Property taxes	\$ 632,364	\$ 636,098	\$ 616,239
User charges			
Water and sewer	199,789	201,737	202,775
Other	114,091	116,929	109,378
Government transfers			
Canada	26,295	12,326	10,588
Ontario	298,942	298,290	282,039
Deferred revenue earned - Schedule 1	104,084	120,695	89,188
Fines (Note 15)	7,300	7,230	7,301
Contributed tangible capital assets (Note 9)	29,251	29,251	21,628
Other	15,388	78,822	50,907
TOTAL REVENUES	1,427,504	1,501,378	1,390,043
EXPENSES			
General government	66,455	58,259	55,579
Protection to persons and property	219,766	222,871	215,862
Transportation services	82,415	85,225	82,668
Transit	87,712	96,432	95,091
Environmental services	290,744	270,872	259,231
Health services	95,133	92,695	87,559
Social and family services	292,453	302,556	282,365
Social housing	74,010	69,623	58,443
TOTAL EXPENSES	1,208,688	1,198,533	1,136,798
ANNUAL SURPLUS	218,816	302,845	253,245
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,914,464	4,914,464	4,661,219
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	\$ 5,133,280	\$ 5,217,309	\$ 4,914,464

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

The Corporation of the Regional Municipality of Durham

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2017
(in thousands of dollars)

	2017		2016
	Budget (Note 11)	Actual	Actual
ANNUAL SURPLUS	\$ 218,816	\$ 302,845	\$ 253,245
Acquisition of tangible capital assets	(265,796)	(197,972)	(234,937)
Contributed tangible capital assets (Note 9)	(29,251)	(29,251)	(21,628)
Amortization of tangible capital assets	136,719	136,719	131,031
Loss on disposal of tangible capital assets	5,797	5,797	8,469
Proceeds on disposal of tangible capital assets	344	344	207
Change in inventories	-	(250)	1,081
INCREASE IN NET FINANCIAL ASSETS	66,629	218,232	137,468
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,019,532	1,019,532	882,064
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,086,161	\$ 1,237,764	\$ 1,019,532

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

The Corporation of the Regional Municipality of Durham

Consolidated Statement of Cash Flows

Year ended December 31, 2017

(in thousands of dollars)

	2017	2016
OPERATING		
Annual surplus	\$ 302,845	\$ 253,245
Non-cash charges to operations		
Amortization of tangible capital assets	136,719	131,031
Contributed tangible capital assets (Note 9)	(29,251)	(21,628)
Loss on disposal of tangible capital assets	5,797	8,469
Amortization of bond (discount)/premium	(2,458)	9,044
Change in non-cash assets and liabilities		
Accounts receivable	(29,750)	(3,024)
Other current assets	181	191
Accounts payable and accrued liabilities	(4,005)	8,777
Deferred revenue	51,745	27,773
Employee benefits and post-employment liabilities	8,512	6,409
Landfill closure and post closure liabilities	(861)	2,127
Inventories	(250)	1,081
Net increase in cash from operating activities	439,224	423,495
CAPITAL		
Proceeds on disposal of tangible capital assets	344	207
Acquisition of tangible capital assets	(197,972)	(234,937)
Net decrease in cash from capital activities	(197,628)	(234,730)
INVESTING		
Proceeds from disposal of investments	584,398	433,496
Acquisition of investments	(836,157)	(563,027)
Net decrease in cash from investing activities	(251,759)	(129,531)
FINANCING		
Regional debenture debt principal repayments	(56,921)	(31,245)
Net decrease in cash from financing activities	(56,921)	(31,245)
NET (DECREASE)/INCREASE IN CASH, DURING THE YEAR	(67,084)	27,989
CASH, BEGINNING OF YEAR	126,564	98,575
CASH, END OF YEAR	\$ 59,480	\$ 126,564

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

December 31, 2017
(in thousands of dollars)

1. Municipal Structure

The Corporation of the Regional Municipality of Durham (the “Region”) came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, under authority of the Regional Municipality of Durham Act, 1973, 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 CAO, Finance, Corporate Services, Legal 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 all communities in the Region.

December 31, 2017
(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 fully-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 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 changes thereto. 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 other 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 social housing expenses in the Consolidated Statement of Operations and Accumulated Surplus.

December 31, 2017
(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 held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets, excluding land and active landfill sites, is amortized on a straight line basis over their 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 asset is 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.

December 31, 2017
(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, certain post-employment benefits and workplace safety and insurance ("WSI") benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave, other 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. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service life of the employee groups.

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 tax roll provided by the Municipal Property Assessment Corporation, using current value assessments included in the tax roll, and for supplementary or omitted assessments using property values that can be reasonably estimated, at tax rates authorized by Regional Council, in the period for which the tax is levied.

December 31, 2017
(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.

December 31, 2017
(in thousands of dollars)

3. Accounting Standards Issued for Future Adoption

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

PS 2200, Related Party Disclosures, identifies and defines the types of related parties that can exist and establishes the recognition, measurement, and disclosure of such transactions. PS 3420, Inter-entity Transactions, addresses the reporting of transactions between public sector entities that comprise a government's reporting entity, from both a provider and recipient perspective.

PS 3210, Assets, PS 3320, Contingent Assets, and PS 3380, Contractual Rights, provide guidance on the definition and establishes general disclosure requirements for the respective assets and rights, and should be considered for concurrent adoption. PS 3210 deals with economic resources controlled by a public sector entity as a result of past transactions or events and from which future economic benefits are expected to be obtained. PS 3320 covers contingent assets as possible assets arising from existing conditions or situations where uncertainty is involved. PS 3380 relates to contractual rights to economic resources arising from contracts or agreements that result in both an asset and revenue in the future.

December 31, 2017
(in thousands of dollars)

3. Accounting Standards Issued for Future Adoption (Continued)

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.

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

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 2200 - Related Party Transactions	April 1, 2017
PS 3420 - Inter-entity Transactions	April 1, 2017
PS 3210 - Assets	April 1, 2017
PS 3320 - Contingent Assets	April 1, 2017
PS 3380 - Contractual Rights	April 1, 2017
PS 3430 - Restructuring Transactions	April 1, 2018
PS 1201 - Financial Statement Presentation	April 1, 2019
PS 3450 - Financial Instruments	April 1, 2019
PS 3041 - Portfolio Investments	April 1, 2019
PS 2601 - Foreign Currency Translation	April 1, 2019

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

4. Investments

Investments consisting of bankers acceptances, treasury bills, bonds and money market funds have an amortized cost of \$2,298,855 (2016 – \$2,044,638) and a market value of \$2,304,593 (2016 – \$2,061,293). Included in the Consolidated Statement of Operations and Accumulated Surplus is bond discount amortization of \$2,458 (2016 – bond premium amortization of \$9,044).

December 31, 2017
(in thousands of dollars)

5. Debenture Debt

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

	<u>2017</u>	<u>2016</u>
Total debenture debt	\$ 258,955	\$ 312,404
Debenture debt recoverable from local municipalities	(144,023)	(140,551)
Regional debenture debt (Note 10)	\$ 114,932	\$ 171,853

Interest rates for debenture debt range from 1.1% to 5.73%, with maturities between October 2018 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:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Thereafter</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
Sanitary Sewerage	5,498	5,730	5,971	694	716	5,670	24,279
Solid Waste Management	5,094	5,190	-	-	-	-	10,284
Long Term Care	4,701	4,953	5,221	5,504	5,806	20,097	46,282
General Government	2,513	2,657	2,810	2,971	3,142	1,638	15,731
Transit	468	482	497	-	-	-	1,447
Police Services	2,986	3,064	3,152	3,252	2,189	2,266	16,909
	<u>21,260</u>	<u>22,076</u>	<u>17,651</u>	<u>12,421</u>	<u>11,853</u>	<u>29,671</u>	<u>114,932</u>

Total interest charges for Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$6,326 (2016 - \$7,947).

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.

December 31, 2017
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities

The Region provides certain employee benefits that require funding in future periods. These benefits include extended health and dental, sick leave, and benefits mandated under the *Workplace Safety and Insurance Act*. The accrued benefit liability and expense amounts for these employee benefits are based on the most recent triennial actuarial valuations, prepared by an independent actuary at December 31, 2015, updated to December 31, 2017. These benefits are comprised of:

	<u>2017</u>	<u>2016</u>
Sick leave benefits	\$ 85,353	\$ 82,782
Post-employment benefits	88,449	82,557
Workplace safety and insurance benefits	18,347	18,298
Employee benefits and post-employment liabilities	192,149	183,637
Funded post-employment benefits	(24,705)	(22,298)
Unfunded employee benefits and post-employment liabilities (Note 10)	\$ 167,444	\$ 161,339

Significant management assumptions used in the actuarial valuations are:

Discount rate	4.50% (sick leave and post-employment) 4.00% (workplace safety and insurance)
Inflation rate	2%
Dental benefit cost escalation	4%
Medical benefit cost escalation	5.333% reducing to 4% over 4 years

December 31, 2017
(in thousands of dollars)

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

(a) Sick Leave Benefits

Employees accrue sick leave benefits for future use. In addition, certain sick leave benefit plans provide for accumulation of unused benefits and employees may become entitled to a cash payment when they leave the Region's employment. The liability for these two components of sick leave benefits and expense, as determined by actuarial valuation, updated to December 31, 2017, is as follows:

	<u>2017</u>	<u>2016</u>
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	\$ 82,379	\$ 81,199
Current period benefit cost	5,836	5,475
Interest on accrued benefit obligation	3,682	3,599
Benefit payments	(6,932)	(7,894)
Accrued benefit obligation, end of year	<u>84,965</u>	<u>82,379</u>
Unamortized actuarial gains	388	403
Liability for sick leave benefits	<u>\$ 85,353</u>	<u>\$ 82,782</u>
Sick leave benefit expense		
Current period benefit cost	\$ 5,836	\$ 5,475
Interest on accrued benefit obligation	3,682	3,599
Amortization of actuarial gains	(15)	(15)
Total sick leave benefit expense	<u>\$ 9,503</u>	<u>\$ 9,059</u>

Actuarial gains/losses are amortized over the expected average remaining service life of twelve to thirteen years.

December 31, 2017
(in thousands of dollars)

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

(b) Post-Employment Benefits

The Region provides certain benefits to qualifying employees following retirement. Benefit entitlement ceases at age 65, with the exception of Police Services employees whose entitlement ceases at either age 70 or 75, and of certain DRT employees whose coverage is maintained for life. The liability for post-employment benefits and expense, as determined by actuarial valuation, updated to December 31, 2017, is as follows:

	<u>2017</u>	<u>2016</u>
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	\$ 96,031	\$ 92,287
Current period benefit cost	4,352	4,113
Interest on accrued benefit obligation	4,268	4,097
Benefit payments	(4,429)	(4,466)
Accrued benefit obligation, end of year	100,222	96,031
Unamortized actuarial losses	(11,773)	(13,474)
Liability for post-employment benefits	\$ 88,449	\$ 82,557
Post-employment benefit expense		
Current period benefit cost	\$ 4,352	\$ 4,113
Interest on accrued benefit obligation	4,268	4,097
Amortization of actuarial losses	1,701	1,701
Total post-employment benefit expense	\$ 10,321	\$ 9,911

Actuarial gains/losses are amortized over the expected average remaining service life of twelve to thirteen years.

December 31, 2017
(in thousands of dollars)

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

(c) Workplace Safety and Insurance (WSI) Benefits

The Region is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for employees. Accordingly, the Region assumes liability for awards made under the Act, reimbursing the Workplace Safety and Insurance Board for costs relating to its workers' claims. The liability for WSI benefits and expense, as determined by actuarial valuation, updated to December 31, 2017, is as follows:

	<u>2017</u>	<u>2016</u>
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	\$ 18,321	\$ 18,297
Current period benefit cost	1,774	1,713
Interest on accrued benefit obligation	720	718
Benefit payments	(2,415)	(2,407)
Accrued benefit obligation, end of year	18,400	18,321
Unamortized actuarial losses	(53)	(23)
Liability for WSI benefits	\$ 18,347	\$ 18,298
WSI benefit expense		
Current period benefit cost	\$ 1,774	\$ 1,713
Interest on accrued benefit obligation	720	718
Amortization of actuarial gains	(30)	(225)
Total WSI benefit expense	\$ 2,464	\$ 2,206

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

December 31, 2017
(in thousands of dollars)

7. Landfill Closure and Post Closure Liabilities

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

The total estimated cost for closure and post closure care is \$12,833 (2016 - \$13,694) and is reported on the Consolidated Statement of Financial Position. A discount factor of 4.25%, less an estimated inflation factor of 2%, has been used to calculate the total estimated cost.

8. Liability for Contaminated Sites

A contaminated site exists when substances introduced into the air, soil, water or sediment exceeds the maximum acceptable environmental standards. A liability for remediation occurs when a site is not in productive use and 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, 2017, there are no contaminated sites that meet the specified criteria and no liability (2016 - \$nil) for contaminated sites has been recorded in these Consolidated Financial Statements.

December 31, 2017
(in thousands of dollars)

9. Tangible Capital Assets

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

	2017	2016
Land	\$ 49,868	\$ 49,229
Land improvements	15,913	11,224
Building and building improvements	673,216	609,357
Vehicles	53,440	57,367
Machinery and equipment	428,685	422,935
Water and wastewater - infrastructure	1,597,491	1,564,932
Roads - infrastructure	818,087	807,720
	3,636,700	3,522,764
Work in progress	337,676	367,249
	\$ 3,974,376	\$ 3,890,013

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 \$337,676 (2016 - \$367,249) 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 2017 was \$29,251 (2016 - \$21,628).

(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 (2016 - \$nil), no interest was capitalized (2016 - \$nil), and there are no capital lease obligations (2016 - \$nil).

December 31, 2017
(in thousands of dollars)

10. Accumulated Surplus

The accumulated surplus consists of the following:

	<u>2017</u>	<u>2016</u>
Surplus		
Tangible capital assets (Note 9)	\$ 3,974,376	\$ 3,890,013
Regional debenture debt (Note 5)	(114,932)	(171,853)
Unexpended capital financing for future capital acquisitions	207,469	190,787
Employee benefits and post-employment liabilities (Note 6)	(167,444)	(161,339)
Landfill closure and post closure liabilities (Note 7)	(12,833)	(13,694)
Total Surplus	3,886,636	3,733,914
Reserves Set Aside By Council		
Working capital	46,140	44,840
Property tax assessment appeals	25,003	22,350
Equipment replacement	21,171	19,308
Regional roads	45,624	44,637
Contingencies	400	400
Sick leave	120,813	109,428
Capital	185,985	175,955
Homes for the aged	-	1,133
Employee benefits	18,980	17,481
University of Ontario Institute of Technology	937	937
Total Reserves	465,053	436,469
Reserve Funds Set Aside For Specific Purpose By Council		
Treatment plant/rate stabilization - Sanitary sewerage	156,340	147,222
Treatment plant/rate stabilization - Water supply	93,875	83,635
Regional share of non-residential development - Sanitary sewerage	4,864	4,777
Regional share of non-residential development - Water supply	3,825	3,756
Solid waste management	81,982	70,761
General levy stabilization	227,613	194,027
Regional revitalization	8,040	6,461
Workers' compensation	40,199	38,422
York/Durham sanitary sewerage	8,387	7,853
Insurance	62,393	58,024
Social housing	29,716	27,337
Roads rehabilitation	20,092	14,363
Asset management	42,482	35,983
Seaton facilities	30,050	-
Other reserve funds	55,762	51,460
Total Reserve Funds	865,620	744,081
Accumulated Surplus	\$ 5,217,309	\$ 4,914,464

December 31, 2017
(in thousands of dollars)

11. Budget Amounts

The budget amounts presented in these consolidated financial statements are based on the 2017 operating and capital budgets for Property Tax, Water Supply and Sanitary Sewer as approved by Regional Council. The 2017 budgets approved by Regional Council are prepared on a cash basis. Public Sector Accounting Standards (PSAS) require that financial statements include comparative budget values, prepared on a full accrual basis. Therefore, the budget figures in the Consolidated Statements of Operations and Changes in Net Financial Assets representing the budget adopted by Regional Council, with reclassifications, is as follows:

	Property Tax	Water Supply	Sanitary Sewerage	Total
	\$	\$	\$	\$
Revenues				
Approved Budget	1,139,061	134,626	198,643	1,472,330
Reclassifications between revenue and expense	(1,599)	(96)	(12,800)	(14,495)
Budget before PSAS adjustments	1,137,462	134,530	185,843	1,457,835
Contributed tangible capital assets	-	13,521	15,730	29,251
Transfers from reserves and reserve funds	(43,711)	(4,293)	(7,853)	(55,857)
Proceeds of debt issued for Regional purposes	(3,725)	-	-	(3,725)
Total Revenues	1,090,026	143,758	193,720	1,427,504
Expenses				
Approved Budget	1,139,061	134,626	198,643	1,472,330
Reclassifications between revenue and expense	(1,599)	(96)	(12,800)	(14,495)
Budget before PSAS adjustments	1,137,462	134,530	185,843	1,457,835
Amortization	86,522	22,220	27,977	136,719
Non-tangible capital asset expenses	7,371	1,021	2,659	11,051
Loss on disposal of tangible capital assets	4,722	242	833	5,797
Proceeds on sale of tangible capital assets	344	-	-	344
Transfers to reserves and reserve funds	(91,227)	(6,148)	(22,921)	(120,296)
Acquisition of tangible capital assets	(136,114)	(66,733)	(62,949)	(265,796)
Regional debenture debt principal repayments	(9,757)	(228)	(6,981)	(16,966)
Total Expenses	999,323	84,904	124,461	1,208,688
Annual Surplus	90,703	58,854	69,259	218,816

The budget for property tax purposes was presented to Regional Council under Report #2017-COW-37 and was approved February 8, 2017 under by-laws #10-2017, #11-2017, and #12-2017.

The budget for water supply and sanitary sewerage were presented to Regional Council in Report #2016-COW-105 and were approved December 14, 2016 under by-laws #63-2016 and #64-2016.

December 31, 2017
(in thousands of dollars)

12. Contractual Obligations

(a) Sanitary Sewerage System

The Region and the Regional Municipality of York jointly own certain sanitary sewerage systems and have entered into a joint operating agreement, whereby Durham operates and maintains these facilities. Each co-owner is responsible for its share of 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 proportionate share of waste tonnages processed.

(c) Lease Commitments

The Region has commitments under various building, land and equipment lease agreements expiring from 2018 to 2028. These operating leases require approximate annual rental payments as follows:

2018	3,389
2019	2,646
2020	2,105
2021	1,625
2022	286
Thereafter	889
	\$ 10,940

(d) Tangible Capital Assets Commitments

Contractual obligations for tangible capital asset work in progress total approximately \$154,007 (2016 - \$171,189). 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-law in exchange for the advancement of construction of infrastructure assets that become tangible capital assets of the Region.

Development charge revenue, 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 under such agreements total \$75,635 (2016 - \$13,954), of which \$33,035 (2016 - \$13,954) has been recognized as revenue.

December 31, 2017
(in thousands of dollars)

13. Pension Contributions

The Region contributed \$42,524 (2016 - \$41,829) to OMERS on behalf of 5,218 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, 2017, the OMERS plan, with approximately 482,000 members, has a funding deficit that is approximately \$5.4 billion.

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, 2017; 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. Provincial Offences Administration

Effective December 4, 2000, the Region assumed responsibility for the administration of fines arising under the Provincial Offences Act ("POA") from the Ministry of the Attorney General. The Region performs 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"). The Region recognizes fine revenue when the receipt of funds is recorded in ICON, regardless of the location where payment is made.

Gross revenues for POA charges total \$7,230 (2016 - \$7,301). Net revenues amount to \$999 (2016 - \$1,305). Local municipalities share 60 per cent of net revenues and the Region retains 40 per cent or \$399 (2016 - \$522).

16. Trust Funds

Trust Funds administered by the Region amount to \$756 (2016 - \$715) and are presented in separate Trust Funds Statements of Financial Position and Financial Activities and Fund Balances. As such, balances held in trust by the Region for the benefit of others have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

The Corporation of the Regional Municipality of Durham

Consolidated Schedule of Deferred Revenue

Year ended December 31, 2017
(in thousands of dollars)

Schedule 1

	INCREASE IN DEFERRED REVENUE					DEFERRED REVENUE EARNED	BALANCE, END OF YEAR
	BALANCE, BEGINNING OF YEAR	Interest	Government transfers	Development charges collected	Total		
	\$	\$	\$	\$	\$	\$	\$
Development Charges							
Residential & Non-Residential							
Sanitary sewerage	100,182	1,456	-	48,834	50,290	29,106	121,366
Water supply	227,375	2,929	-	36,731	39,660	19,451	247,584
Roads	131,202	1,429	-	31,466	32,895	24,025	140,072
Transit	13,831	266	-	1,877	2,143	34	15,940
Residential							
Police	10,339	187	-	1,881	2,068	18	12,389
Homes for the Aged	220	5	-	89	94	222	92
Development Charge Study	567	11	-	89	100	90	577
GO Transit	-	-	-	2,116	2,116	2,116	-
Emergency Medical Services	4,723	41	-	429	470	1,628	3,565
Health & Social Services	876	18	-	293	311	-	1,187
Development Charges	489,315	6,342	-	123,805	130,147	76,690	542,772
Gas Tax							
Federal	-	119	18,813	-	18,932	18,932	-
Provincial	16,371	251	8,210	-	8,461	8,661	16,171
Gas Tax	16,371	370	27,023	-	27,393	27,593	16,171
Conditional Grants							
Transit	530	-	-	-	-	-	530
Municipal Infrastructure	1,362	-	-	-	-	713	649
Social Housing	2,610	13	14,887	-	14,900	15,699	1,811
Conditional Grants	4,502	13	14,887	-	14,900	16,412	2,990
Total	510,188	6,725	41,910	123,805	172,440	120,695	561,933

The Corporation of the Regional Municipality of Durham

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2017
(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	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	49,229	1,199	18,716	850,761	134,107	767,624	2,137,466	1,286,931	367,249	5,613,282
Additions	1,466	-	5,593	85,226	9,402	43,128	31,394	51,336	197,972	425,517
Contributed tangible capital assets	-	-	-	-	-	-	29,251	-	-	29,251
Work in progress completed	-	-	-	-	-	-	-	-	(227,545)	(227,545)
Disposals	(827)	-	-	-	(6,487)	(2,327)	(801)	(12,588)	-	(23,030)
BALANCE, END 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
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	7,492	241,404	76,740	344,689	572,534	479,211	-	1,723,269
Amortization of tangible capital assets	-	-	904	21,367	12,974	37,227	27,842	36,405	-	136,719
Disposals	-	-	-	-	(6,132)	(2,176)	(557)	(8,024)	-	(16,889)
BALANCE, END OF YEAR	-	1,199	8,396	262,771	83,582	379,740	599,819	507,592	-	1,843,099
NET BOOK VALUE, END OF YEAR	49,868	-	15,913	673,216	53,440	428,685	1,597,491	818,087	337,676	3,974,376

The Corporation of the Regional Municipality of Durham
Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2016
 (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	2016 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	47,274	1,199	18,192	770,358	138,656	608,372	2,078,744	1,255,384	476,091	5,394,270
Additions	67	-	524	80,403	10,355	164,008	40,172	48,250	234,937	578,716
Contributed tangible capital assets	1,888	-	-	-	-	-	19,740	-	-	21,628
Work in progress completed	-	-	-	-	-	-	-	-	(343,779)	(343,779)
Disposals	-	-	-	-	(14,904)	(4,756)	(1,190)	(16,703)	-	(37,553)
BALANCE, END OF YEAR	49,229	1,199	18,716	850,761	134,107	767,624	2,137,466	1,286,931	367,249	5,613,282
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	6,682	221,202	78,129	314,136	546,186	453,581	-	1,621,115
Amortization of tangible capital assets	-	-	810	20,202	12,726	35,197	27,026	35,070	-	131,031
Disposals	-	-	-	-	(14,115)	(4,644)	(678)	(9,440)	-	(28,877)
BALANCE, END OF YEAR	-	1,199	7,492	241,404	76,740	344,689	572,534	479,211	-	1,723,289
NET BOOK VALUE, END OF YEAR	49,229	-	11,224	609,357	57,367	422,935	1,564,932	807,720	367,249	3,890,013

The Corporation of the Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2017
(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	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	636,098	636,098
User charges	1,305	5,992	4,829	26,823	248,814	1,563	22,273	7,067	-	318,666
Government transfers	132	7,806	380	15,373	15,126	55,591	204,475	11,733	-	310,616
Deferred revenue earned	90	18	24,025	11,524	67,489	1,628	222	15,699	-	120,695
Fines	-	7,230	-	-	-	-	-	-	-	7,230
Contributed tangible capital assets	-	-	-	-	29,251	-	-	-	-	29,251
Other	40	158	1,489	-	1,239	77	19	-	75,800	78,822
TOTAL REVENUES	1,567	21,204	30,723	53,720	361,919	58,859	226,989	34,499	711,898	1,501,378
EXPENSES										
Salaries, wages and benefits	44,305	176,469	18,868	46,725	65,348	78,588	129,745	4,831	-	564,879
Operating materials and supplies	11,186	19,344	17,474	17,269	68,450	7,942	18,304	7,219	-	167,188
Contracted services	12,006	5,663	2,752	11,321	53,562	1,706	56,566	67	-	143,643
Rents and financial services	568	2,495	4,896	226	8,571	561	1,649	2,436	-	21,402
Government transfers	1,312	8,168	-	9,480	-	-	85,962	53,454	-	158,376
Amortization of tangible capital assets	4,052	9,656	41,205	8,942	61,747	3,010	7,359	748	-	136,719
Interfunctional charges	(15,340)	261	(17)	2,394	10,833	734	292	843	-	-
Debtenture interest	170	815	47	75	2,361	154	2,679	25	-	6,326
TOTAL EXPENSES	58,259	222,871	85,225	96,432	270,872	92,695	302,556	69,623	-	1,198,533
ANNUAL SURPLUS	(56,692)	(201,667)	(54,502)	(42,712)	91,047	(33,836)	(75,567)	(35,124)	711,898	302,845

The Corporation of the Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2016
(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	2016 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	616,239	616,239
User charges	1,089	5,727	3,394	26,160	246,360	905	21,689	6,829	-	312,153
Government transfers	102	8,227	201	20,835	9,757	55,262	186,448	11,795	-	292,627
Deferred revenue earned	22	103	26,171	6,931	50,348	203	219	5,191	-	89,188
Fines	-	7,301	-	-	-	-	-	-	-	7,301
Contributed tangible capital assets	-	-	438	-	20,982	208	-	-	-	21,628
Other	43	118	90	-	6,629	63	15	-	43,949	50,907
TOTAL REVENUES	1,256	21,476	30,294	53,926	334,076	56,641	208,371	23,815	660,188	1,390,043
EXPENSES										
Salaries, wages and benefits	43,644	171,813	16,726	45,263	61,871	73,797	122,999	4,741	-	540,854
Operating materials and supplies	10,470	18,114	16,326	15,581	62,901	7,656	18,658	6,693	-	156,399
Contracted services	10,438	4,895	2,640	10,191	52,412	1,736	47,348	128	-	129,788
Rents and financial services	457	2,261	7,629	950	8,895	574	1,488	2,333	-	24,587
Government transfers	1,324	8,228	-	12,527	-	-	81,122	42,991	-	146,192
Amortization of tangible capital assets	4,057	9,447	39,297	8,268	58,791	2,934	7,540	697	-	131,031
Interfunctional charges	(15,003)	201	(3)	2,222	10,785	687	280	831	-	-
Debtenture interest	192	903	53	89	3,576	175	2,930	29	-	7,947
TOTAL EXPENSES	55,579	215,862	82,668	95,091	259,231	87,559	282,365	58,443	-	1,136,798
ANNUAL SURPLUS	(54,323)	(194,386)	(52,374)	(41,165)	74,845	(30,918)	(73,994)	(34,628)	660,188	253,245





Trust Funds Financial Statements

and Independent Auditor's Report
for the year ended December 31, 2017

The Regional Municipality of Durham, Ontario, Canada



Independent Auditor's Report

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

We have audited the accompanying financial statements of the Corporation of the Regional Municipality of Durham Trust Funds, which comprise the statement of financial position as at December 31, 2017, and the statement of financial activities and fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Regional Municipality of Durham Trust Funds as at December 31, 2017, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants
Licensed Public Accountants
May 31, 2018

The Corporation of the Regional Municipality of Durham

Trust Funds: Statement of Financial Position

December 31, 2017
(in thousands of dollars)

	2017					2016
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSET						
Cash	209	257	98	192	756	715
FUND BALANCES	209	257	98	192	756	715

The Corporation of the Regional Municipality of Durham

Trust Funds: Statement of Financial Activities and Fund Balances

Year ended December 31, 2017
(in thousands of dollars)

	2017					2016
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
REVENUES						
Residents	644	38	-	-	682	682
Recipients	-	-	-	553	553	478
Interest earned	-	4	2	1	7	7
TOTAL REVENUES	644	42	2	554	1,242	1,167
EXPENSES ON BEHALF OF						
Residents	650	20	1	-	671	696
Recipients	-	-	-	530	530	447
TOTAL EXPENSES	650	20	1	530	1,201	1,143
NET (EXPENSES)/REVENUES	(6)	22	1	24	41	24
FUND BALANCES, BEGINNING OF YEAR	215	235	97	168	715	691
FUND BALANCES, END OF YEAR	209	257	98	192	756	715

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

December 31, 2017
(in thousands of dollars)

1. Accounting Policies

The financial statements of the trust funds of the Corporation of the Regional Municipality of Durham are the representations of management 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

2013-2017 (Unaudited)

The Regional Municipality of Durham, Ontario, Canada

The Corporation of the Regional Municipality of Durham

Statistical Review (Unaudited)

Years ended 2013 to 2017
(in thousands of dollars)

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS					
Analysis of Revenues					
Property taxes	636,098	616,239	602,175	587,566	569,342
User charges					
Water and sewer	201,737	202,775	187,183	176,557	166,441
Other	116,929	109,378	100,064	101,482	97,480
Government Transfers					
Canada	12,326	10,588	10,500	11,056	10,475
Ontario	298,290	282,039	266,334	240,376	228,316
Deferred revenue earned	120,695	89,188	69,461	72,074	86,885
Fines	7,230	7,301	7,746	7,255	7,348
Contribution of tangible capital assets	29,251	21,628	7,625	4,239	18,067
Other	78,822	50,907	45,915	45,230	30,314
TOTAL REVENUES	1,501,378	1,390,043	1,297,003	1,245,835	1,214,668
Analysis of Expenses by Object					
Salaries, wages and employee benefits	564,879	540,854	531,611	521,236	502,152
Operating and general expenditure	332,233	310,774	293,214	279,992	270,584
Government transfers	158,376	146,192	144,083	167,309	162,925
Amortization of tangible capital assets	136,719	131,031	117,601	114,840	105,780
Debenture interest	6,326	7,947	8,835	9,198	8,753
TOTAL EXPENSES	1,198,533	1,136,798	1,095,344	1,092,575	1,050,194
Analysis of Expenses by Function					
General government	58,259	55,579	54,388	57,917	56,842
Protection to persons and property	222,871	215,862	212,227	200,202	196,526
Transportation services	85,225	82,668	77,923	75,200	73,904
Transit	96,432	95,091	94,202	107,987	111,820
Environmental services	270,872	259,231	239,871	235,555	224,983
Health services	92,695	87,559	87,781	83,887	81,375
Social and family services	302,556	282,365	273,181	268,804	252,345
Social housing	69,623	58,443	55,771	63,023	52,399
TOTAL EXPENSES	1,198,533	1,136,798	1,095,344	1,092,575	1,050,194
ANNUAL SURPLUS	302,845	253,245	201,659	153,260	164,474
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,914,464	4,661,219	4,459,560	4,306,300	4,141,826
ACCUMULATED SURPLUS, END OF YEAR	5,217,309	4,914,464	4,661,219	4,459,560	4,306,300
NET FINANCIAL ASSETS	1,237,764	1,019,532	882,064	784,664	721,480
ACQUISITION OF TANGIBLE CAPITAL ASSETS	197,972	234,937	214,863	202,532	241,768

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 Corporation of the Regional Municipality of Durham

Statistical Review (Unaudited)

Years ended 2013 to 2017
(in thousands of dollars)

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
RESERVES					
Working capital	46,140	44,840	43,301	41,866	40,634
Property tax assessment appeals	25,003	22,350	19,698	18,888	18,578
Equipment replacement	21,171	19,308	18,229	17,213	15,227
Regional roads	45,624	44,637	45,110	43,286	35,199
Contingencies	400	400	400	400	400
Sick leave	120,813	109,428	104,309	91,029	86,133
Capital	185,985	175,955	144,133	125,053	102,767
Homes for the aged	-	1,133	1,133	1,133	1,133
Employee benefits	18,980	17,481	16,600	15,274	14,378
University of Ontario Institute of Technology	937	937	1,737	1,737	1,737
TOTAL RESERVES	465,053	436,469	394,650	355,879	316,186

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
RESERVE FUNDS					
Treatment plant/rate stabilization					
Sanitary sewerage	156,340	147,222	125,639	111,329	109,245
Water supply	93,875	83,635	69,285	59,881	54,320
Regional share of non-residential development					
Sanitary sewerage	4,864	4,777	4,685	4,589	4,495
Water supply	3,825	3,756	3,684	3,609	3,534
Solid waste management	81,982	70,761	61,867	57,690	51,014
General levy stabilization	227,613	194,027	161,463	112,314	95,221
Regional revitalization	8,040	6,461	4,477	3,025	2,403
Workers' compensation	40,199	38,422	36,632	34,859	33,144
York/Durham sanitary sewerage	8,387	7,853	7,182	6,318	5,663
Insurance	62,393	58,024	50,635	51,763	50,070
Social housing	29,716	27,337	25,102	22,608	20,692
Roads rehabilitation	20,092	14,363	12,918	11,026	10,325
Asset management	42,482	35,983	32,516	30,462	26,955
Seaton facilities	30,050	-	-	-	-
Other miscellaneous reserve funds	55,762	51,460	48,272	41,597	37,418
TOTAL RESERVE FUNDS	865,620	744,081	644,357	551,070	504,499

The Corporation of the Regional Municipality of Durham

Statistical Review (Unaudited)

Years ended 2013 to 2017
(in thousands of dollars)

	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
OBLIGATIONS					
Debt Incurred					
Total debenture debt	258,955	312,404	338,772	381,967	363,709
Debt assumed for others*	(144,023)	(140,551)	(135,674)	(148,633)	(142,204)
Regional debt	114,932	171,853	203,098	233,334	221,505
Recovered from					
Tax levy/user rates	85,887	98,655	112,285	125,347	137,884
Other/Reserve Funds	29,045	73,198	90,813	107,987	83,621
	114,932	171,853	203,098	233,334	221,505
Regional debt per capita (\$)	168	255	305	353	339
Regional debt as percentage of total expenses	9.6%	15.1%	18.5%	21.4%	21.1%
Debt Servicing					
Debt servicing payments	63,246	39,192	39,071	33,197	29,627
Debt servicing as percentage of total expenses	5.3%	3.4%	3.6%	3.0%	2.8%
Annual debt repayment limit	197,040	187,489	186,584	179,223	177,458
TAXABLE ASSESSMENT (\$ millions)**					
Residential and farm (including multiple residentials)	76,922	70,260	67,083	64,117	61,101
Industrial and commercial	9,699	9,292	9,097	8,923	8,605
Farmland	1,947	1,751	1,687	1,607	1,519
Other	285	269	256	243	231
Total	88,853	81,572	78,123	74,890	71,456
Assessment analysis					
Annual tax assessment growth rate	1.7%	1.4%	1.1%	1.6%	1.4%

* Local municipalities

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

Years ended 2013 to 2017

	2017	2016	2015	2014	2013
MISCELLANEOUS INFORMATION					
Full time employees	4,746	4,681	4,630	4,607	4,577
Building permit values (\$ millions)*	1,961	1,630	1,520	1,524	1,391
Average monthly social assistance case load	8,921	9,161	9,427	9,461	9,279
Unemployment rate, Oshawa CMA **	5.5%	6.0%	7.6%	7.3%	7.6%
Kilometres of roads	2,376	2,372	2,368	2,344	2,151
Annual volume of treated wastewater (megalitres)	71,296	74,845	73,070	79,135	79,102
Annual volume of treated drinking water (megalitres)	61,970	65,841	63,903	63,555	63,407
Annual disposal of residential solid waste (metric tonnes)	115,271	107,887	110,498	110,417	109,641
Annual diversion of residential solid waste (metric tonnes)	108,127	111,102	119,811	125,607	120,098
Regular service passenger transit trips (000's)	10,230	10,192	10,316	10,791	10,626
Tax collection rate*	96.1%	96.3%	95.9%	94.3%	94.7%
BENCHMARK INFORMATION					
Percentage of paved lane kilometres where the condition is rated good to very good	36.9%	37.6%	37.1%	39.7%	39.6%
Number of conventional transit passenger trips per person in the service area in a year	17.66	18.0 ⁺	18.6	19.6	19.5
Number of wastewater main backups per 100 kilometres of wastewater main in a year	0.09	0.14	0.28	0.43	0.29
Percentage of wastewater estimated to have bypassed treatment	0.00%	0.00%	0.02%	0.00%	0.00%
Number of water main breaks per 100 kilometres of water distribution pipe in a year	5.2	6.2	6.8	7.3	5.8
Percentage of residential solid waste diverted for recycling (based on GAP) ***	50.5%	52.8%	52.0%	53.0%	52.2%
DEMOGRAPHICS					
Population ****	682,250	673,070	666,780	660,700	654,160
Households ****	232,495	229,005	226,480	224,090	221,565

* Lower-tier municipalities are responsible for collecting taxes and issuing building permits.

** Source: Statistics Canada. Historical data restated from 2016 Annual Report.

*** Generally Agreed Principles (GAP) provides a framework for municipalities to collect information on municipality-managed waste and diversion for statistical reporting.

**** Source "Report 2018-INFO-64: Monitoring of Growth Trends" Regional Municipality of Durham Planning and Economic Development Department (May 4, 2018).

+ Restated from 2016 Annual Report.

Principal Corporate Taxpayers

General Motors of Canada

Ontario Power Generation

St. Mary's Votorantim Cement North America LLC

Enbridge Pipelines Inc.

Hydro One Networks Inc.

Lafarge Canada Inc.

Gerdau

Purdue Pharma (Canada)

Sobeys Capital Incorporated

Great West Life Assurance Company

Sun Life Assurance Company

Picov Farms Incorporated

TransCanada PipeLines Limited

ALFA Hoteliers Inc.

Loblaw Companies Limited

Patheon Inc.

Atlantic Packaging Products

Shining Star Warehouse Inc.

Gripmore Tires Inc.

Suncor Energy Products Inc.

Global Aluminum (Canada) Inc.

Del Monte Fresh Produce (Canada) Corp

Coveris Flexibles Canada Inc.

Messier-Dowty Inc.





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