



# 2018 Annual Report

for the year ended December 31, 2018

The Regional Municipality of Durham  
Ontario, Canada





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The Regional Municipality of Durham, Ontario, Canada

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

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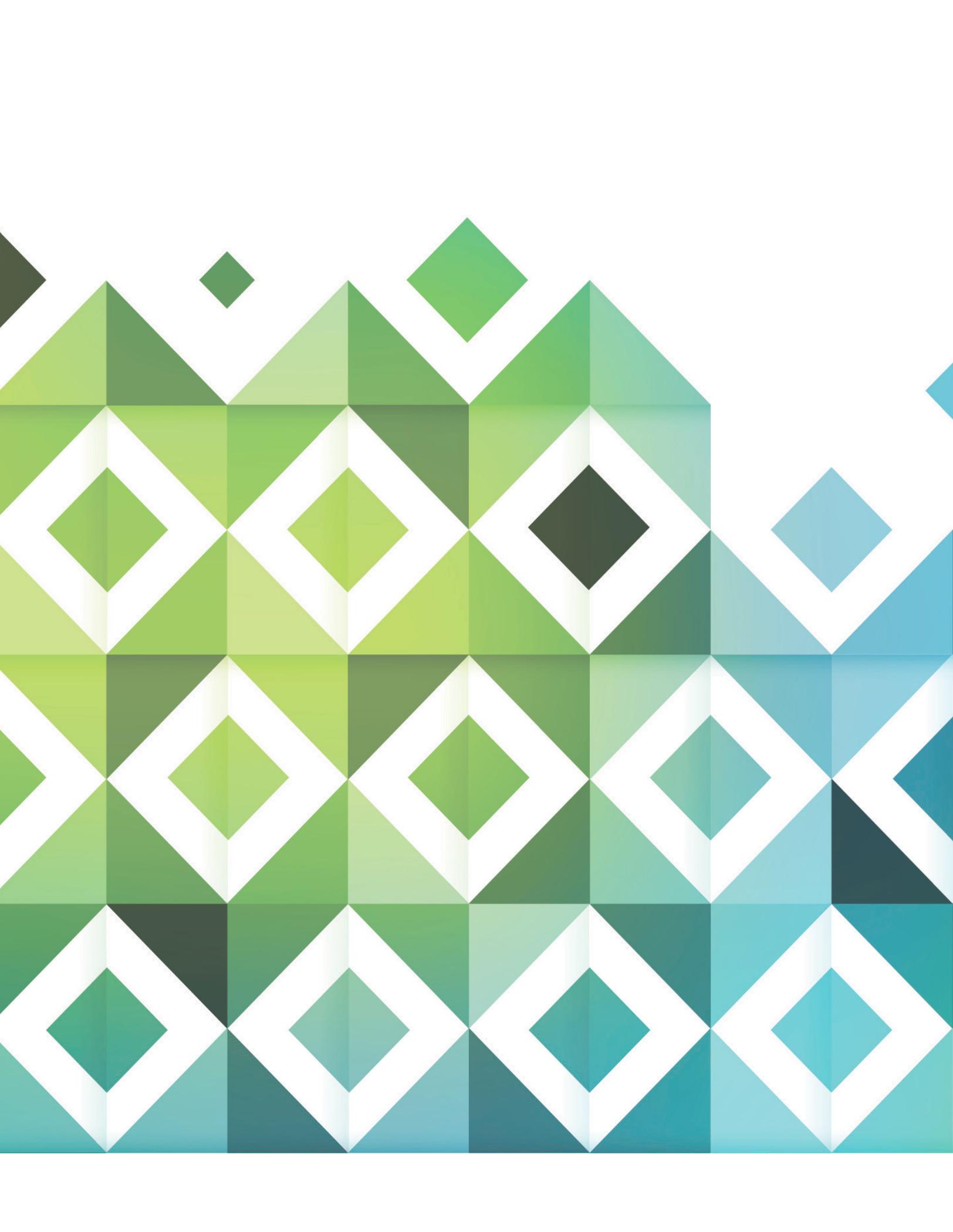
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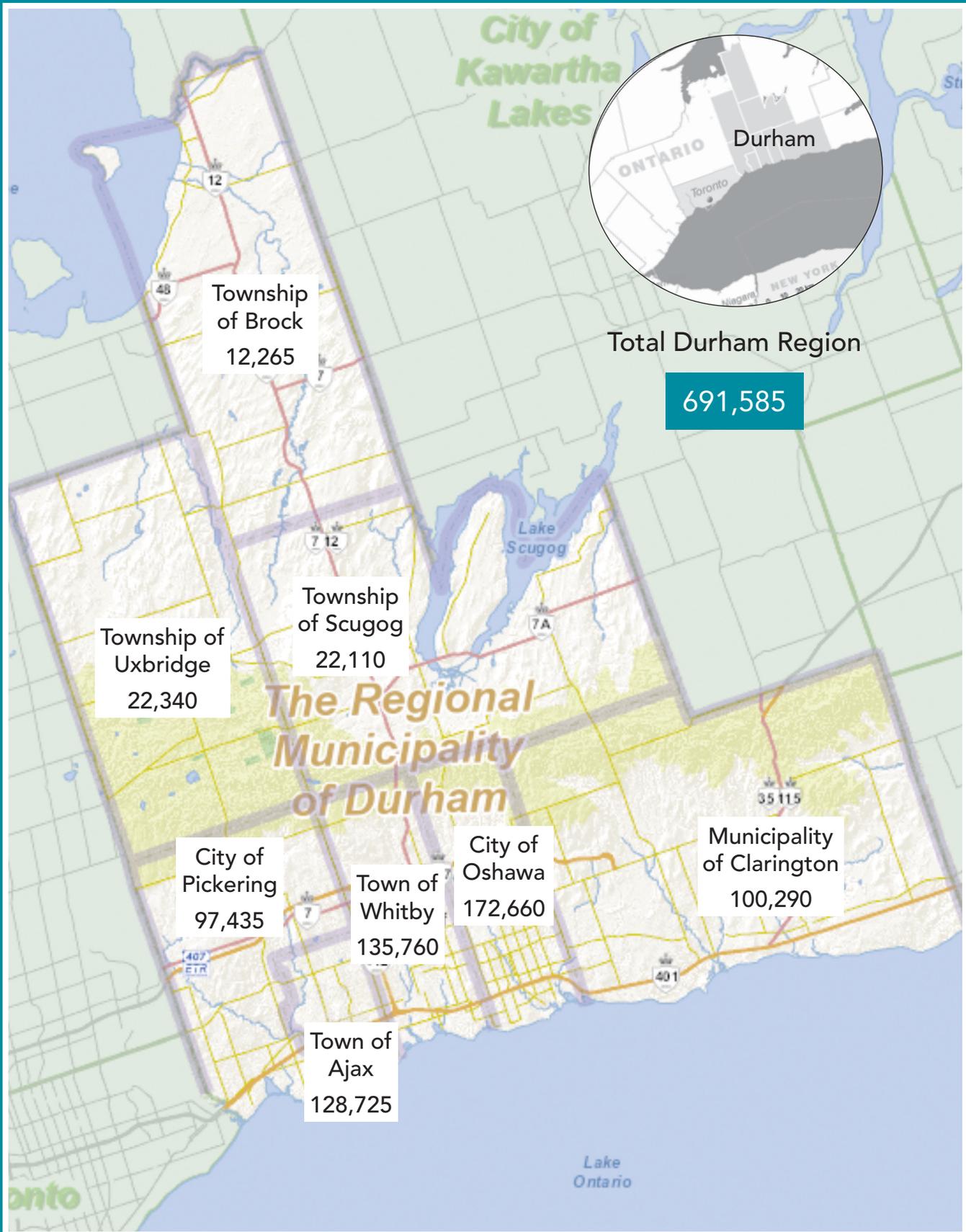
# Introductory Information

For the year ended December 31, 2018

The Regional Municipality of Durham, Ontario, Canada



# Estimated Year-end Population\*



\*Source: Durham Region Planning and Economic Development Department

# A Great Place to Work, Live and Play

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

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

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

## Higher Education

- Ontario Tech University
- Durham College
- Centennial College Pickering
- Trent University Durham GTA
- Queen's University School of Medicine:  
Department of Family Medicine

## Key Economic Sectors

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

## Population

Durham is a fast-growing community and it is notable that the Region's population grew by 6.2 per cent from 2011 to the most recent 2016 Census, compared to the province's overall growth rate of 4.6 per cent during the same period. Durham Region is anticipated to reach a total of 1.2 million residents by 2041 compared to the estimated 691,585 people at December 31, 2018. Immigration remains a significant catalyst for growth and contributes to Durham's rich cultural diversity.

The Region has eight local municipalities: the Cities of Oshawa and Pickering, the Towns of Ajax and Whitby, the Municipality of Clarington and the Townships of Brock, Scugog and Uxbridge.



Improving transportation is a key consideration and we have already begun to implement a renewed Transportation Master Plan, set to guide our needs beyond 2031.

## Message from John Henry

### Regional Chair and Chief Executive Officer



Durham is a fast growing and dynamic region. We are proud of our skilled workforce, quality education and health care institutions, a growing technology sector and a unique rural/urban landscape.

Many of our communities appear in national 'top 10 lists' of best places to live or start a business. We have an exceptional quality of life and everyone is noticing. In 2018, 5,000 building permits for residential units and non-residential floor space were approved, evidence of the extreme growth we are experiencing. Our newest community developments, including the areas of Seaton, West Whitby, Brooklin, North Oshawa and Clarington, are being designed to recognize the importance of maintaining Durham's balanced lifestyle; each with their own unique blend of urban amenities and green space. On the business front, we support the continued growth of the 12,600 businesses that provide over 200,000 jobs in the Region. Our low-cost commercial and industrial land, and competitive development charges make us an attractive location for business in the Greater Toronto Area.

The initial announcement that Oshawa's GM Canada plant would be halting vehicle assembly in 2019 raised concerns about social and economic challenges. Subsequent plans announced by GM to reinvest in Oshawa operations and transition to vehicle automation and a test track are encouraging. As a Region, we are ready to adjust to future challenges by embracing innovation and technology; ensuring transparent, accessible and stable government; and by empowering our citizens and business community.

As the Regional Chair, I am confident we will continue to move forward together, to realize our full potential, by building on recent achievements and collaborating on a shared strategic vision for the next 20 years. The Region will be a leader in areas such as clean energy, intelligent infrastructure and action on climate change.

Key areas of focus include supporting our vulnerable population by addressing affordable housing and homelessness, continuing to grow the economy by attracting and retaining business and supporting residents with affordable taxes, and infrastructure development. Improving transportation infrastructure is the focus of our renewed Transportation Master Plan set to guide our needs beyond 2031. The plan includes integrated and alternative transportation with key connections to broad infrastructure investments already underway. Durham will also continue to press the federal government for a decision on the Pickering airport lands as an employment hub and critical missing link in the Greater Toronto Area transportation network.

Regional Council is committed to a more affordable, more accountable and more progressive Durham Region. We will lead positive change and promote Durham Region both within and outside our boundaries. We look forward to working together with our stakeholders for the positive transformation of our Region.

*John Henry*

John Henry,  
Regional Chair and CEO



The new Strategic Plan will provide direction to staff, who will ensure an effective response to the evolving needs of our Region's communities.



## Message from Elaine Baxter-Trahair Chief Administrative Officer



With significant changes occurring over 2018 – including a new provincial government, new Regional Council and a new Regional Chair and Chief Administrative Officer – Durham Region’s skilled and professional employees have demonstrated their ability to adapt; ensuring a seamless continuation of high-quality Regional services and infrastructure.

Change is being seized as an opportunity to assess, refocus and strengthen our organization; enrich its culture; and enhance the provision of our services.

Durham Region has been long recognized for efforts to ensure long-term financial sustainability. This includes prudent planning for service provision, infrastructure growth and renewal requirements. In Durham Region, services are designed, funded and delivered in a cost-effective manner, on a broad geographical scale. Continuous improvement is a core business objective.

Internally, our corporation continues to advance several initiatives to promote accessibility and inclusion; while supporting the promotion, attraction and retention of a diverse workforce. We are also enhancing our focus on innovation, including opportunities to use technology to streamline business functions, reduce waste, and improve customer experiences.

Efforts are underway to modernize infrastructure and applications to improve efficiencies and client service. A space optimization pilot is also underway at Regional Headquarters to optimize available work space, reduce future space requirements, and enhance opportunities for teamwork.

The renewal of the Region’s Strategic Plan is another key initiative, driven by a Strategic Plan Development Task Force comprised of senior management and Regional Councillors. This new plan will allow us to articulate the Region’s priorities through to 2025, while setting a roadmap to the future. It will include a renewed mission, vision, goals and objectives; determined in collaboration with the community and stakeholders.

Once approved, the Strategic Plan will set the direction for both the new Regional Council and Regional employees. It will provide direction to staff, who will ensure an effective response to the evolving needs of our communities.

I look forward to seeing how our collaborative efforts and innovative ideas will propel the Region forward into the next stages of our communities’ development.

*Elaine Baxter-Trahair*

Elaine Baxter-Trahair  
Chief Administrative Officer

# Two-tiered Governance

The Regional Municipality of Durham began operations on January 1, 1974.

As part of a two-tiered governance structure, the Region is the upper tier, while the eight local municipalities located within regional boundaries administer local programs within their jurisdictions as the lower tier. The system permits a Region-wide approach to development, infrastructure and service delivery while retaining proximity to local constituents served within each unique community. While each municipal organization has their own jurisdictional responsibilities, collaboration and partnerships are customary to ensure the most effective and efficient service delivery across jurisdictions.

## Regional Responsibilities

- Municipal water supply treatment, distribution and billing
- Municipal sanitary sewerage collection, treatment and billing
- Regional roads, bridges, traffic signals/controls and related storm sewers
- Durham Regional Police Service
- Region of Durham Paramedic Service
- Emergency management and 9-1-1 dispatch
- Public health programs and services
- Durham Region Transit
- Durham Region Official Plan and delegated authority for local plans
- Strategic land use planning
- Land division and development approvals
- Subdivision and condominium approvals
- Economic development and tourism
- 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 Regional and local area municipalities
- Property taxation policy
- Provincial offences court administration, prosecution services and collection of fines



## Local Municipal Responsibilities

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

## Our Vision

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

## Our Mission

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

## Our Corporate Values

### Ethical Leadership

Integrity, vision, good governance and management

### Accountability

Transparent government within a framework of financial stability

### Service Excellence

Professional excellence through collaboration, partnerships and teamwork in an environment that fosters trust and respect

### Continuous Learning and Improvement

Support for life-long learning, commitment to innovation, research, knowledge exchange and ongoing program evaluation

### Inclusion

An accessible inclusive environment that values the diversity of staff and the community

## Regional Partnerships

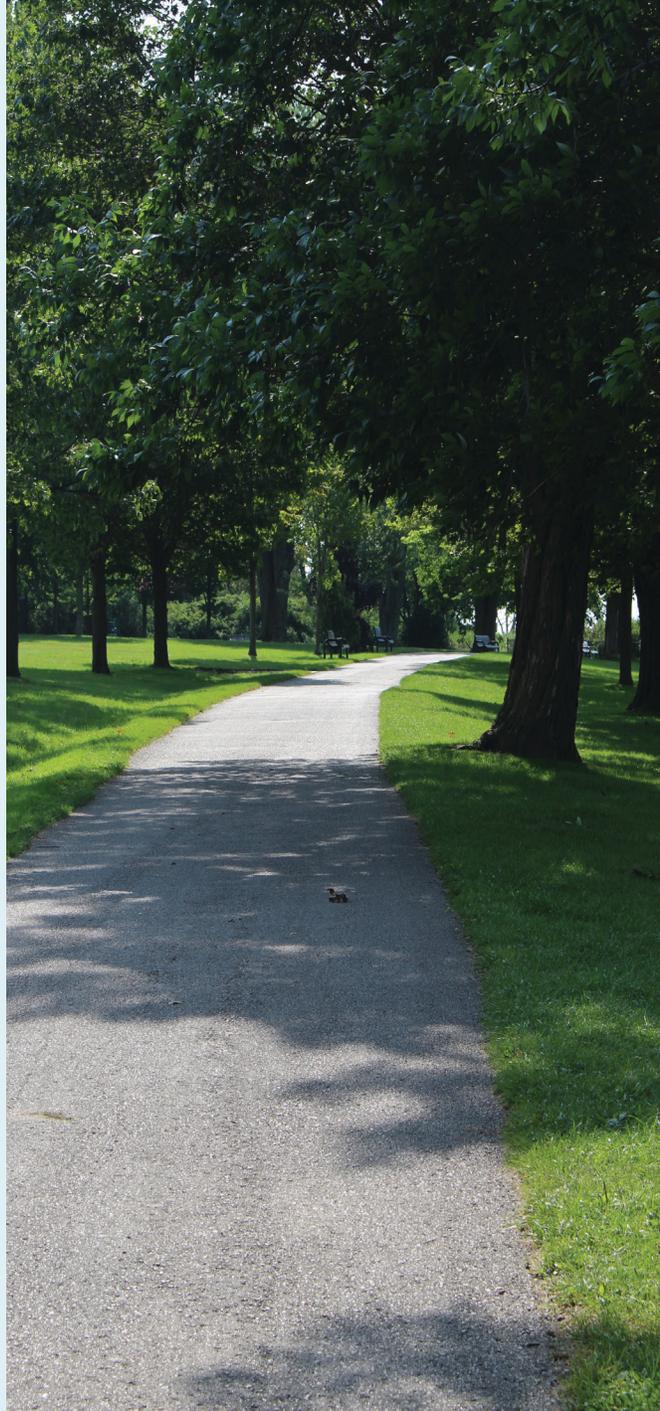
Hosted Grade 9 Take Our Kids to Work Day, in partnership with Durham District School Board	Inaugural mapathon, with high-school students, to leverage knowledge of community and open data	Launched Ontario's first municipal 10-month law articling student program	Hosted National Housing Day to promote affordable housing	Highest waste diversion in municipal category (thanks to residents!)	Conducted seventh annual Business Count project
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# The Durham Region Strategic Plan

Since 2015, the Region has been guided by the Durham Region Strategic Plan 2015 to 2019, developed in consultation with the community. This Plan, expiring in 2019, includes a focus on :

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

Development of a new strategic plan is currently underway to identify a new direction and priorities and is being led by a Strategic Plan Task Force consisting of four Regional Councillors and two members of the Department Head team. Public consultation sessions will be announced in 2019 and the public is encouraged to get involved!



Delivered and hosted a Provincial Offences Act Collections Conference, in partnership with the Municipal Court Managers Association

Funding partnership with Durham College for their Centre of Collaborative Education

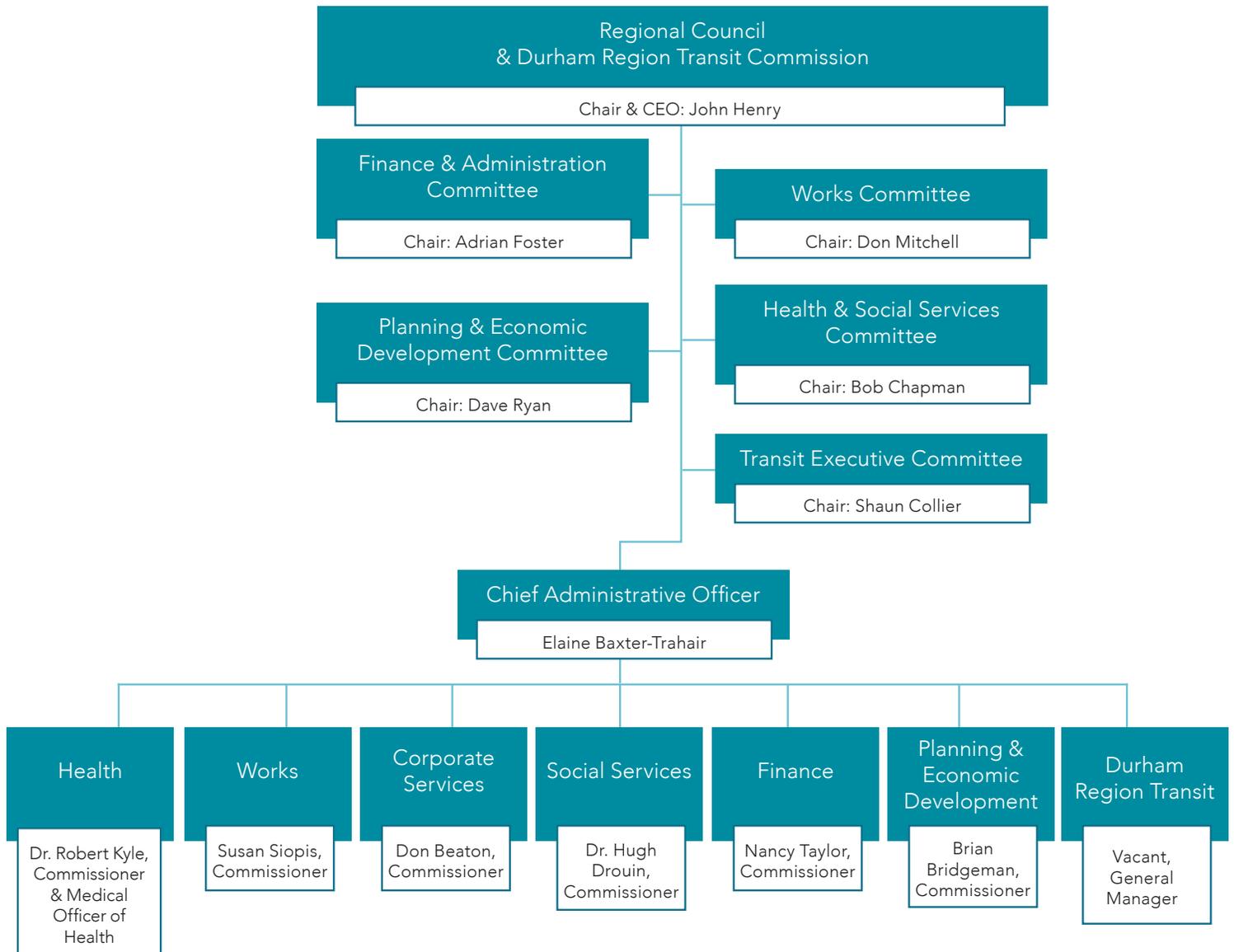
Funding partnership with several agencies; supporting hospices in Whitby, Clarington and Port Perry, as well as a community health centre in Cannington

Partnered with Trent University Durham on a capstone project for sustainability initiatives

Supported and promoted four innovative agricultural programs with post-secondary institutions

Showcased agricultural community, via annual Farm Tour

# Organizational Structure



## Notes:

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

# Regional Council

Legislative responsibility for the Regional Corporation lies with Regional Council, which is comprised of 29 Councillors, including the Regional Chair, who is also Chief Executive Officer (CEO) of the Regional Corporation and presides over all Council meetings. The Regional Chair is a directly elected position while the Mayors of each local municipality are Regional Councillors and 20 Regional Councillors are directly elected as combined Regional and local representatives.

In 2018, a new Regional Council was elected to provide direction on the delivery of Regional services and infrastructure priorities to the end of the current term in 2022.



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

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

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

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

Two Triple A credit ratings (S&P Global and Moody's Investors Service)

Age-Friendly Communities Award received from the Ontario Ministry of Seniors Affairs

2018 Federation of Canadian Municipalities Sustainable Communities Award for Durham Community Climate Adaptation Plan

Nonquon Water Pollution Control Plant named Ontario Public Works Association Project of the Year for 2017

2018 Gold Award, for Energy from Waste, from the Solid Waste Association of North America

United Way of Durham Region McLaughlin Award (first time awarded to public sector)

Received Government Finance Officers Canadian Award for Financial Reporting for the 15th consecutive year

International Association of Business Communicators Canada 2018 Silver Leaf Award of Merit and National Association of Government Communicators Award of Excellence for Amazon Headquarters 2 website

Social Services Excellence Canada Gold Certification in the Excellence, Innovation and Wellness standard

16 initiatives recognized via internal Commitment to Excel Awards for innovation, service excellence and more

Honourable mention from Hermes Creative Awards for [durham.ca](http://durham.ca)

The Economic Developers Council of Ontario Award of Excellence for Film Durham promo video

Economic Development Council of Ontario (EDCO) Award of Excellence honourable mention for the Hello Tomorrow: Durham Smart Cities Forum



First in Advanced Care Paramedics Division of National Paramedic Competition (two staff)

Centralized traffic control system partnership earned a Transportation Systems (ITS) Canada Award of Excellence

# Agencies, Boards and Advisory Committees

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

## Environment and Climate Change

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

## Inclusion and Accessibility

- Accessibility Advisory Committee
- Local Diversity and Immigration Partnership Council

## Public Safety and Protection

- 9-1-1 Management Board
- Durham Regional Police Services Board

## Transportation

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

## Planning and Economic Development

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

## Health and Social Services

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

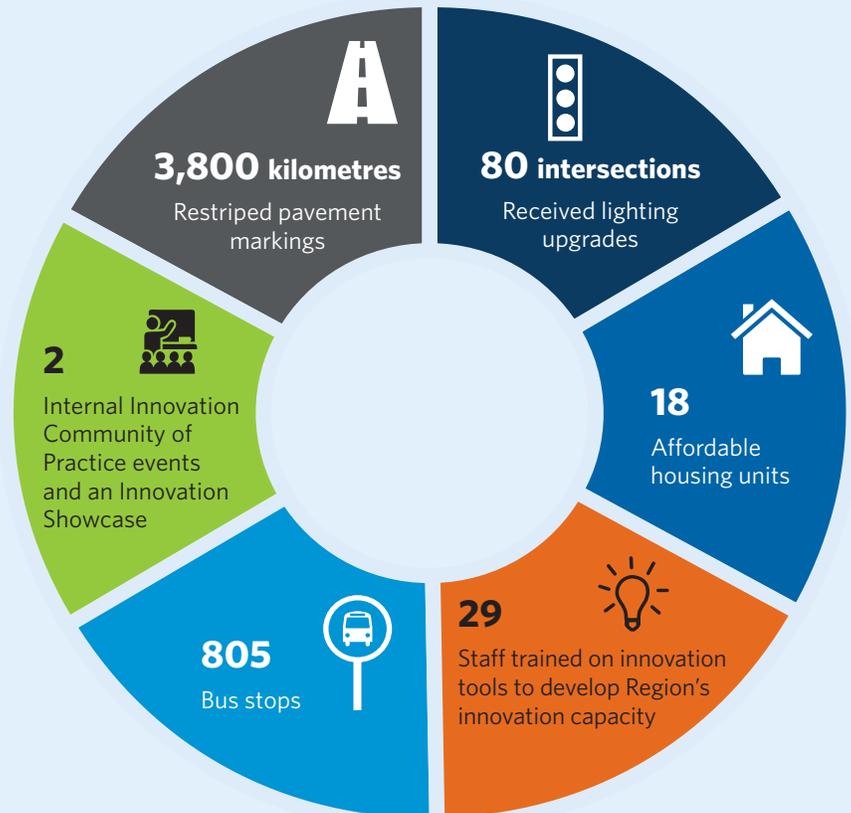
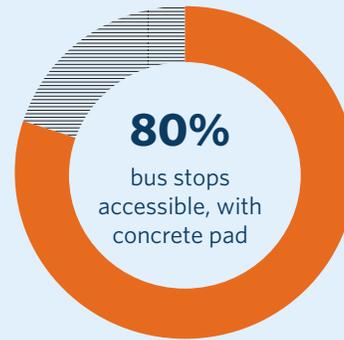
## Other

- Development Charges Complaint Committee

For additional information on Durham's boards, committees or agencies, please visit the Region's website at [www.durham.ca](http://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](mailto:info@durham.ca).

# Durham Region 2018 Service Improvements

- Launched Check&GO! health-related disclosure program: on-site and online postings of health inspection results; confirmed infection prevention and control lapses; complaints; legal activities, including convictions of inspected facilities
- Created council e-agendas, in house
- Opened Sunderland's first permanent, 24/7 Paramedic Response Station
- Solar power pilot at two bus shelters to provide safe, well-lit locations
- Introduced e-voting (recorded votes in Council Chambers)
- Started internal Electronic Information Management Strategy for records management
- Released CS-HR's Our People, Our Future Strategy
- Using DRT Next Ride for real-time bus location updates
- Released Durham Digital 2023 Strategy
- Office 365 and Outlook upgrade
- Celebrated one-year anniversary of corporate innovation team
- First full year of operating the e-bidding website



Launched new online road permit system

Started Blackstock landfill mining

Refurbishment of RHQ parking garage and pedestrian improvements

Finalized Transportation Master Plan and approved Amendment No. 171 to implement key transportation network changes

Retention of HR testing scores for six months

Used space optimization pilot to showcase proposed space standards, design principles and work station options for future roll out; helps to defer RHQ expansion for several years

Adoption of early learning and child care plan to strengthen system

Implemented innovative approaches to advance major developments: Durham Live, West Whitby, Seaton Employment Lands, and Kedron Secondary Plan Area

Payment advices now emailed to suppliers receiving electronic payments

Released final broadband strategy

# Message from Nancy Taylor Commissioner of Finance and Treasurer



I am pleased to present the Regional Municipality of Durham's annual financial results for the year ended December 31, 2018.

I have also taken this opportunity to highlight additional information on the economic environment, the Region's financial management framework and the approved 2018 business plans, property tax supported budgets and resulting average residential property taxes.

Durham's financial management policies, systems and reporting structures will continue to support long-term financial sustainability, transparency and accountability to Durham's residents, businesses and other stakeholders.

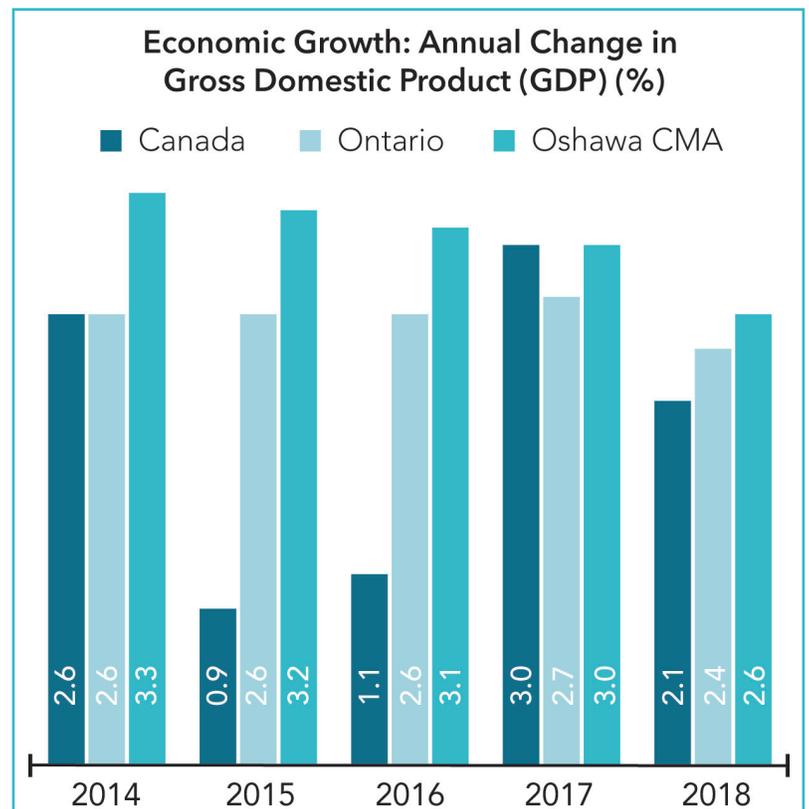
The consolidated financial statements and all other related information within this report are the responsibility of the management of the Regional Corporation.

## Economic Overview

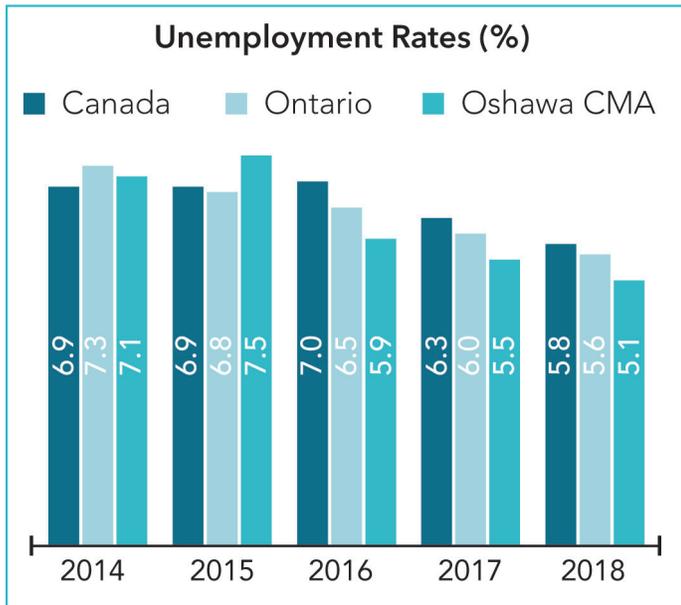
To assist in setting the context for Durham Region's 2018 financial results, the following provides a brief preamble demonstrating key economic indicators applicable to Durham Region. While economic growth and unemployment indicators are based on the Oshawa Census Metropolitan Area (CMA), representing approximately 59 per cent of Durham's total population (including the City of Oshawa, Town of Whitby and the Municipality of Clarington), other indicators are presented on a Region-wide basis.

### Economic Growth

In 2018, the 2.6 per cent economic growth in the Oshawa CMA, as measured by the annual rate of growth in gross domestic product, continued to outpace national (2.1 per cent) and provincial growth (2.4 per cent), according to the Conference Board of Canada.



Source: Conference Board of Canada



Source: Statistics Canada

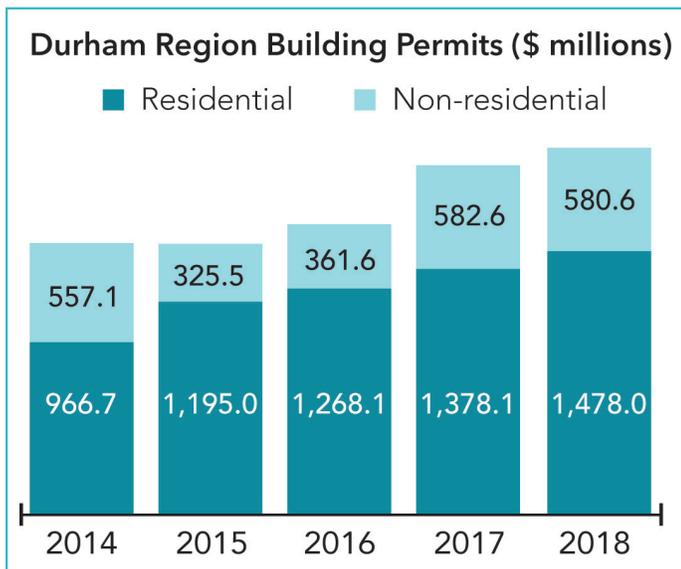
## Unemployment

Since 2016, the average annual unemployment rate within the Oshawa CMA has been recorded by Statistics Canada at levels below the unemployment rate for both Ontario and Canada. In 2018, the gap narrowed marginally; however, the local Oshawa CMA unemployment rate of 5.1 per cent remained 0.5 per cent below the provincial rate and 0.7 per cent below the national rate.

## Building Permits

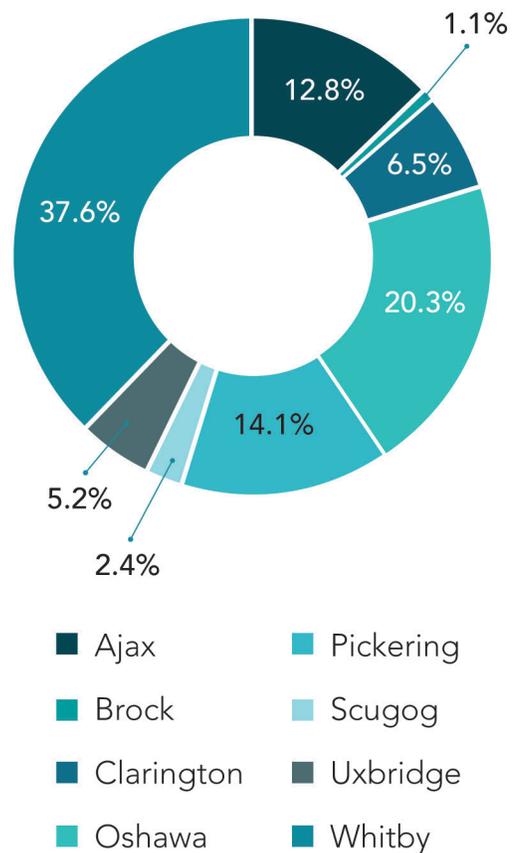
In 2018, building permits valued at \$2.1 billion were issued, consisting of \$1.5 billion in residential building permits (up approximately seven per cent compared to 2017) and \$580.6 million in non-residential building permits, a level comparable to 2017.

Non-residential building permit values were highest in the Town of Whitby at \$218.3 million, followed by the City of Oshawa at \$118.2 million.

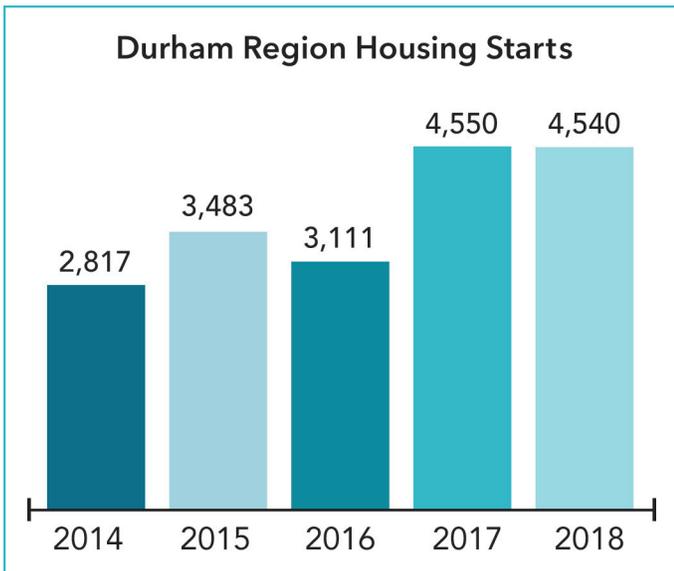


Source: Durham Region Planning and Economic Development Department

## Non-residential Building Permit Activity by Area Municipality 2018



## Durham Region Housing Starts



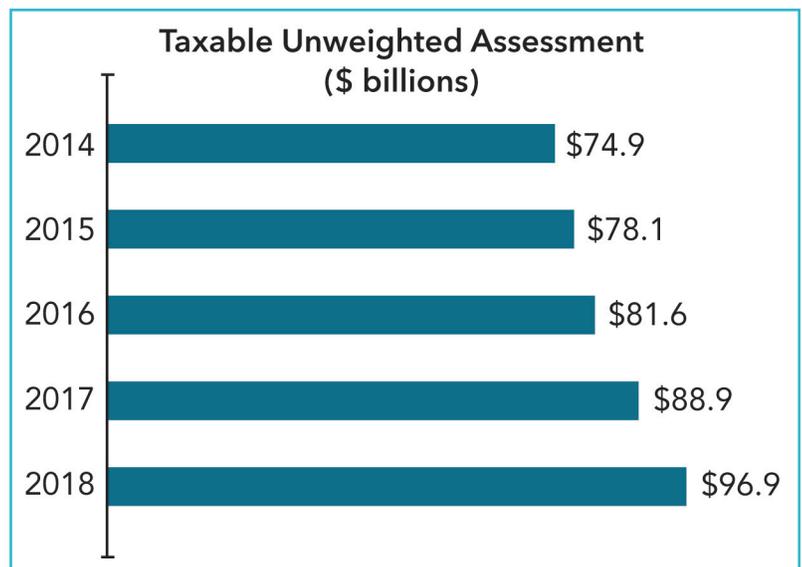
Source: Canada Mortgage and Housing Corporation

## Housing Starts

With 4,540 starts recorded by Canada Mortgage and Housing Corporation for 2018, starts are off only marginally from the peak of 4,550 in 2017. Housing remains a strong economic indicator for Durham Region, with the 2018 housing starts 61 per cent higher than 2014.

## Taxable Unweighted Assessment

Durham Region's taxable unweighted assessment continued to increase and in 2018 reached approximately \$96.9 billion, compared to \$88.9 billion in 2017, an increase of approximately nine per cent. 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: Municipal Property Assessment Corporation

## Business by Employment Size (2018)



businesses employing ≤10 people provide **34,921 jobs**



businesses employing 11-100 people provide **80,941 jobs**



businesses employing >100 people provide **84,429 jobs**

**200,291** jobs (2018)

177,563

2015

193,630

2016

196,713

2017

**12,599** businesses (2018)

12,069

2015

12,220

2016

12,364

2017

Source: Durham Region Planning and Economic Development Department

## Annual Financial Planning Cycle

Senior management, staff and Regional Council have a long-standing commitment to long-term financial planning and sustainability achieved through the Region's annual financial planning cycle. Supporting continuous improvements in service and financial outcomes, the cycle includes four key steps supporting prioritization and the prudent annual allocation of resources:



- i. Strategic and master planning across program/service areas is guided by the overarching Durham Region Strategic Plan 2015-2019, which identifies multi-year priorities for staff and Council (currently being updated, including stakeholder consultations).
- ii. The annual Asset Management Plan, individual program-level reviews, detailed studies and forecasts assist the establishment of multi-year servicing and financing strategies and prudent current-year property tax funding guidelines ahead of detailed annual business plans and budgets.
- iii. Detailed program-based business plans and budgets are finalized based upon senior management and Regional Council reviews, public consultations and Regional Council approvals and direction.
- iv. Formalized processes for performance measurement include measuring success against identified planning targets/goals and performance comparisons with municipal peers (e.g. the Municipal Benchmarking Network Canada (MBNCanada) and National Water and Wastewater Benchmarking Initiative).

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

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



## Performance Measurement

Durham Region is a long-time member of MBNCanada, a performance measurement collaboration of 16 municipalities across six Canadian provinces which is led by a Board of Chief Administrative Officers and City Managers from participating municipalities. The collaboration provides opportunities to network with a common goal to improve municipal services, facilitate strategic discussions and increase accountability. The 2017 MBNCanada Performance Measurement Report is available at [www.mbncanada.ca](http://www.mbncanada.ca) and includes 177 measures across 36 service areas, in which Durham Region is identified in 25 areas.

## Long-term Financial Planning

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The Regional Municipality of Durham relies on its solid record of long-term financial planning to meet obligations, accommodate pressures and address uncertainties.

Infrastructure planning is comprehensive and envelopes the entire life-cycle of Regional assets. The ability of assets to effectively support Regional service delivery goals and meet regulatory compliance and implement Regional directives are key considerations. Asset management ensures the Region can proactively maintain, refurbish and eventually replace aged infrastructure. Sustainable and affordable long-term financial strategies and capital plans are imperative to ensuring resilient infrastructure and service strategies.

## Fiscal Sustainability

Financial flexibility and liquidity are maintained through a disciplined approach, including commitments to: long-term financial planning; best practice asset management; and, prudent management of debt.

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

The Region's overall debt responsibility at December 31, 2018 included debenture debt totaling \$226.0 million, with \$132.3 million, or 59 per cent of this total issued on behalf of local municipalities. The resulting year-end 2018 net Regional debt burden was \$93.7 million, after debt repayment of \$21.3 million. No new Regional debt was issued in 2018.

The Region's net financial assets of \$1.5 billion leave Durham in a strong financial position and support the Region's ability to adapt to future challenges, including anticipated changes to the provincial funding structure. Adequate liquidity allows Durham Region to absorb potential provincial funding or service delivery shifts, as well as plan for future service enhancements in priority categories.

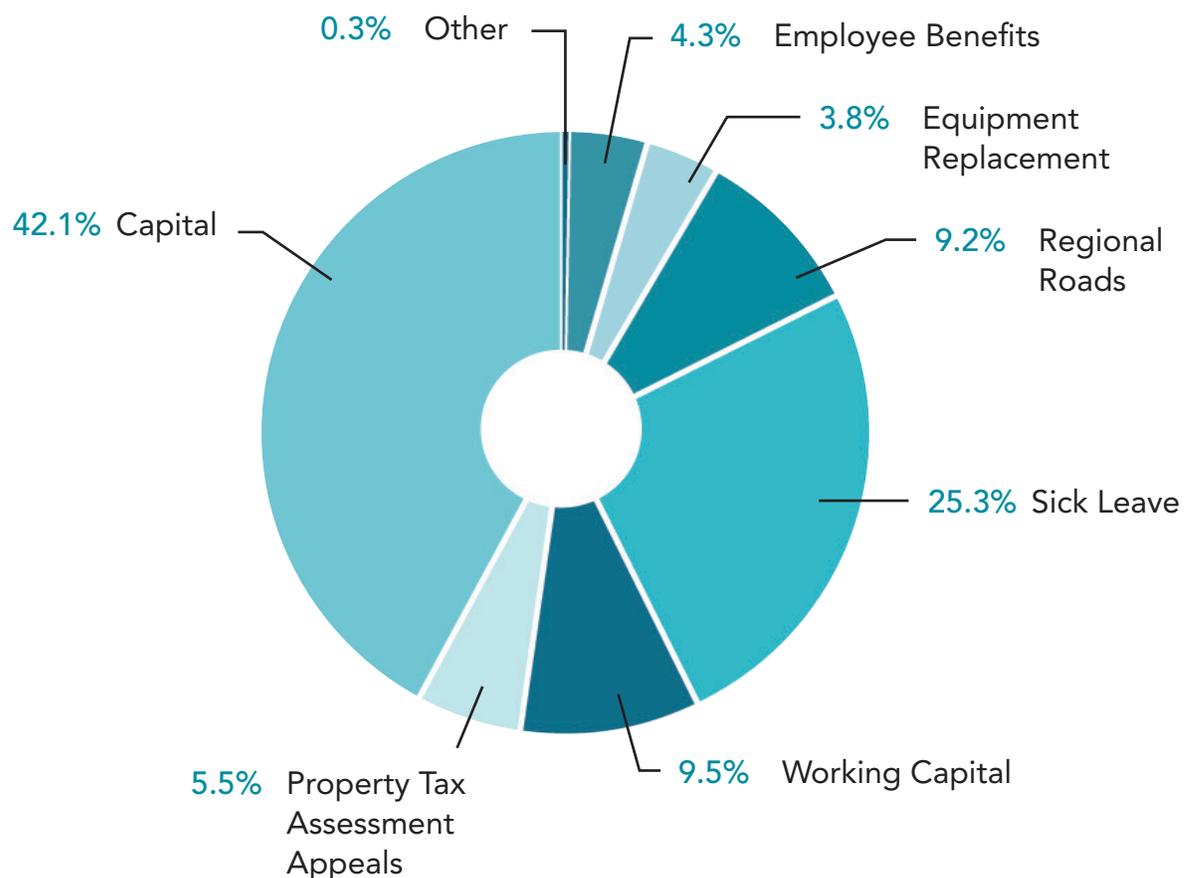
## Reserve and Reserve Fund Management

Debt issuance is balanced by maintenance of adequate reserves and reserve funds. Recognizing their strategic importance, these funds provide for: contingencies; property tax and user rate stabilization; the funding of long-term liabilities; working capital; support for growth infrastructure requirements (through development charge revenues or deferred revenues); the prudent up-front financing of major capital expenditures; and, future service enhancements to residents. The Region's up-front financing policy significantly reduces annual costs for debt service.

### Reserves Set Aside by Council

Reserves set aside by Council as at year-end 2018 totalled \$498.7 million. The Region's reserves are established and utilized for various purposes. Reserves provide working capital to mitigate fluctuations in annual cash flows. Various reserves provide the Region with financing for known future liabilities. Other reserves are established to enable up-front financing of major capital expenditures or finance projects budgeted in one year, but with construction taking place over more than one year.

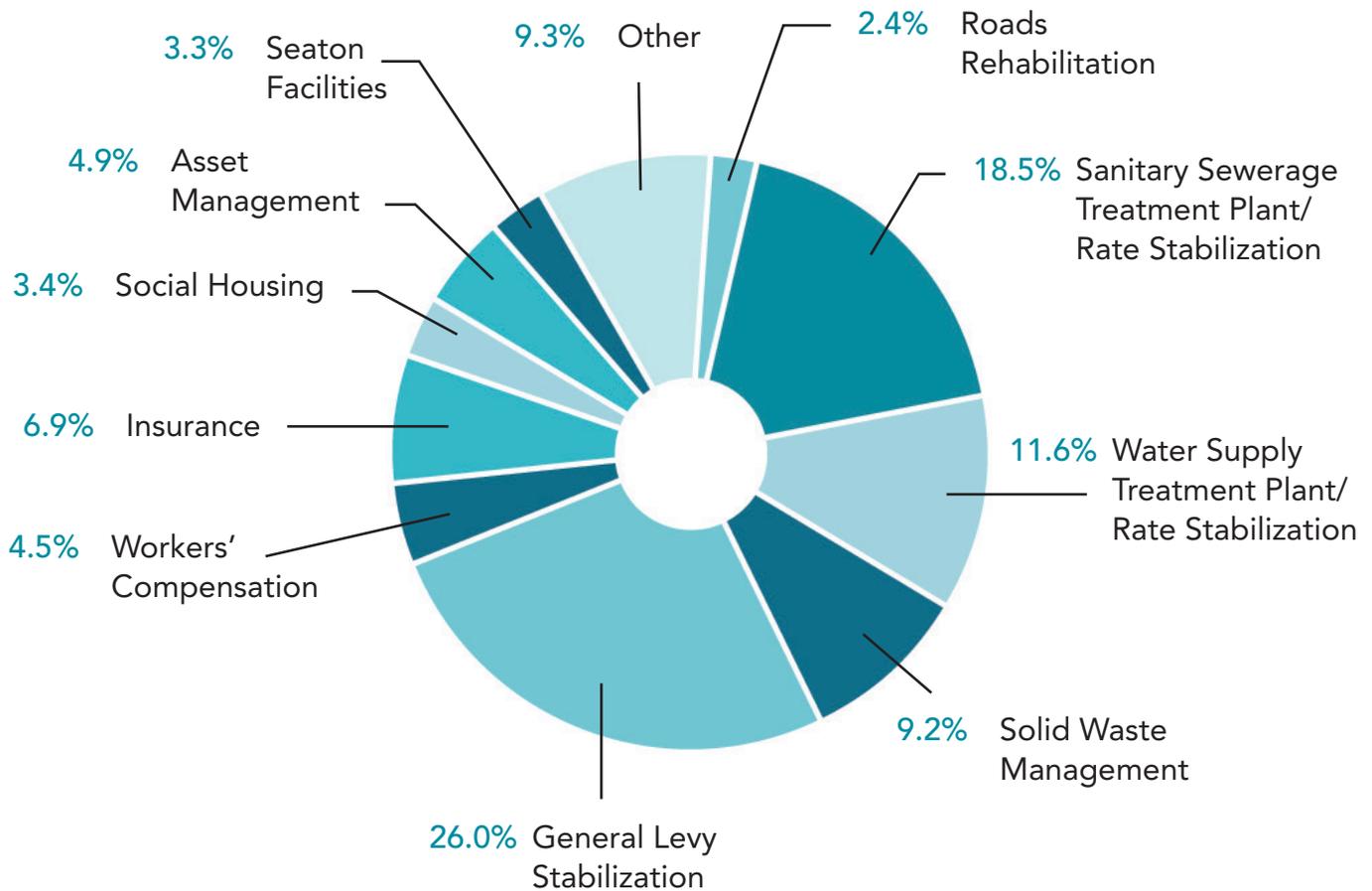
2018 Reserves (\$498.7 Million)



## Reserve Funds Set Aside for Specific Purposes

Reserve funds are monies set aside to finance more specific future costs. The Region's reserve funds totalled \$943.7 million at year-end 2018 and included contributions to specific reserve funds based on strategic assessment of multi-year capital requirements and related financing strategies: e.g. sanitary sewerage treatment plant/rate stabilization; water supply treatment plant/rate stabilization; roads rehabilitation; asset management; and solid waste management reserve funds.

2018 Reserve Funds (\$943.7 Million)



## Corporate Asset Management

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

The annual corporate Asset Management Plan, a key component of annual business planning, results from comprehensive and multi-disciplinary reviews of all Regional infrastructure and related service requirements.

### The scope of Asset Management Planning and Analyses

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

## 2018 Property Tax Supported Budgets

The 2018 business plans and budgets allowed the Region to maintain existing service levels and also provided financing for strategic operating programs and capital infrastructure investments within an affordable budgetary property tax increase of 1.9 per cent. New investments included:

- Approximately \$92.8 million dedicated to bridge work and transportation infrastructure, including road rehabilitation and expansion, traffic control and Regional roads' cycling infrastructure;
- Durham Regional Police Service staffing and capital in addition to funding of a Body Worn Camera Pilot Project;
- Additional conventional Durham Region Transit service and capital investments in growth and replacement transit vehicles and technology;
- Increased paramedic service, by increasing the north Oshawa station service to a 24-hour, seven day a week operation;
- Expanded social services, including child care and early learning programs and investments in housing services to address emergency shelter, homelessness, affordable and senior's housing and poverty reduction initiatives.

## 2018 Average Residential Property Taxes

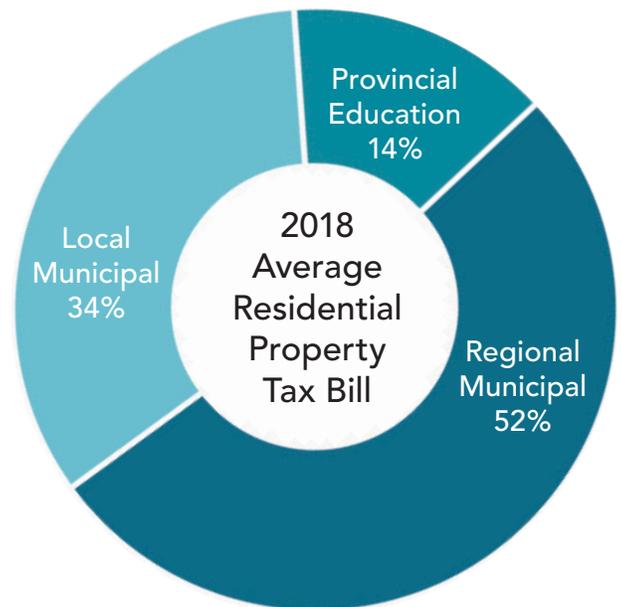
Police Services	30.9%		\$826
Roads and Bridges	13.2%		\$353
Durham Region Transit	8.7%		\$233
Long-Term Care	6.8%		\$182
Solid Waste Management*	6.6%		\$177
Social Housing	5.9%		\$158
Governance and Administration	5.8%		\$155
Paramedic Service	4.2%		\$112
External Agencies	3.3%		\$88
Infrastructure Renewal	3.0%		\$80
Social Assistance	2.9%		\$78
Public Health	2.8%		\$75
Other	1.7%		\$45
Children's Services	1.4%		\$37
Planning and Economic Development	1.4%		\$37
Family Services	0.8%		\$21
9-1-1 Phone Services	0.6%		\$16

\*Regional Solid Waste Management services and associated costs vary by local municipality.

## The Average Residential Property Tax Bill

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

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



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

## 2018 Water Supply and Sanitary Sewerage Budgets

The Region's water supply and sanitary sewerage budgets and user rates are reviewed annually and approved by Regional Council in December, prior to a January 1<sup>st</sup> implementation of approved user rates. In 2018, the average water and sewer residential bill (based on 223m<sup>3</sup>/year) was \$944.16 per household.

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

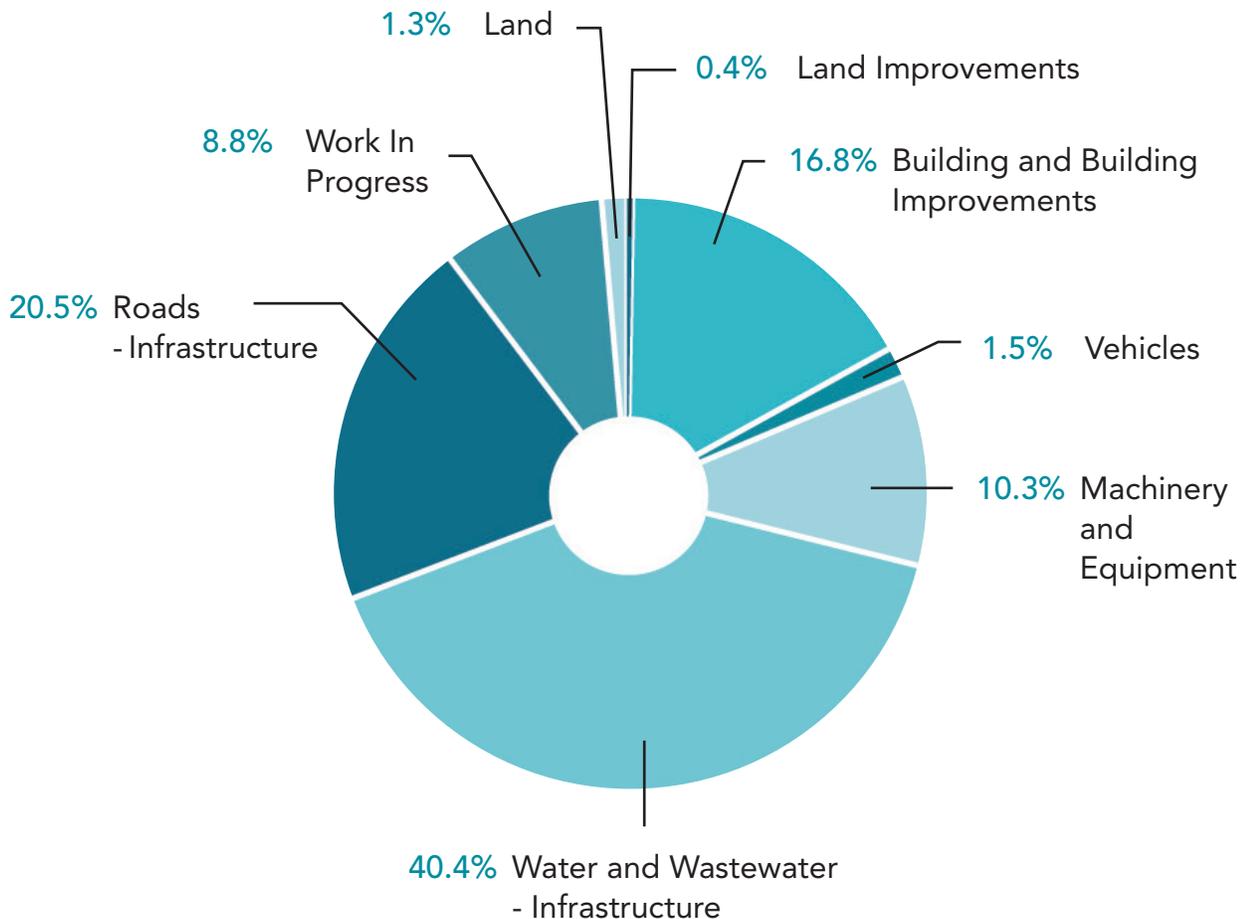


## Tangible Capital Assets

The net book value of the Region's tangible capital assets at December 31, 2018 was \$4.0 billion. Net book value is the cost of assets put into service, less the accumulated amortization recorded at December 31, 2018. Regional Council annually allocates funds to ensure infrastructure rehabilitation and replacement requirements are addressed through business planning and budget deliberations. Capital spending in 2018 included capital improvements, replacements and additions required to accommodate expanded water supply, wastewater, transportation, solid waste and police services infrastructure.

The Region's 2018 capital expenditure program was financed from property taxes, user rates, reserves and reserve funds, developer contributions, grants and recoveries.

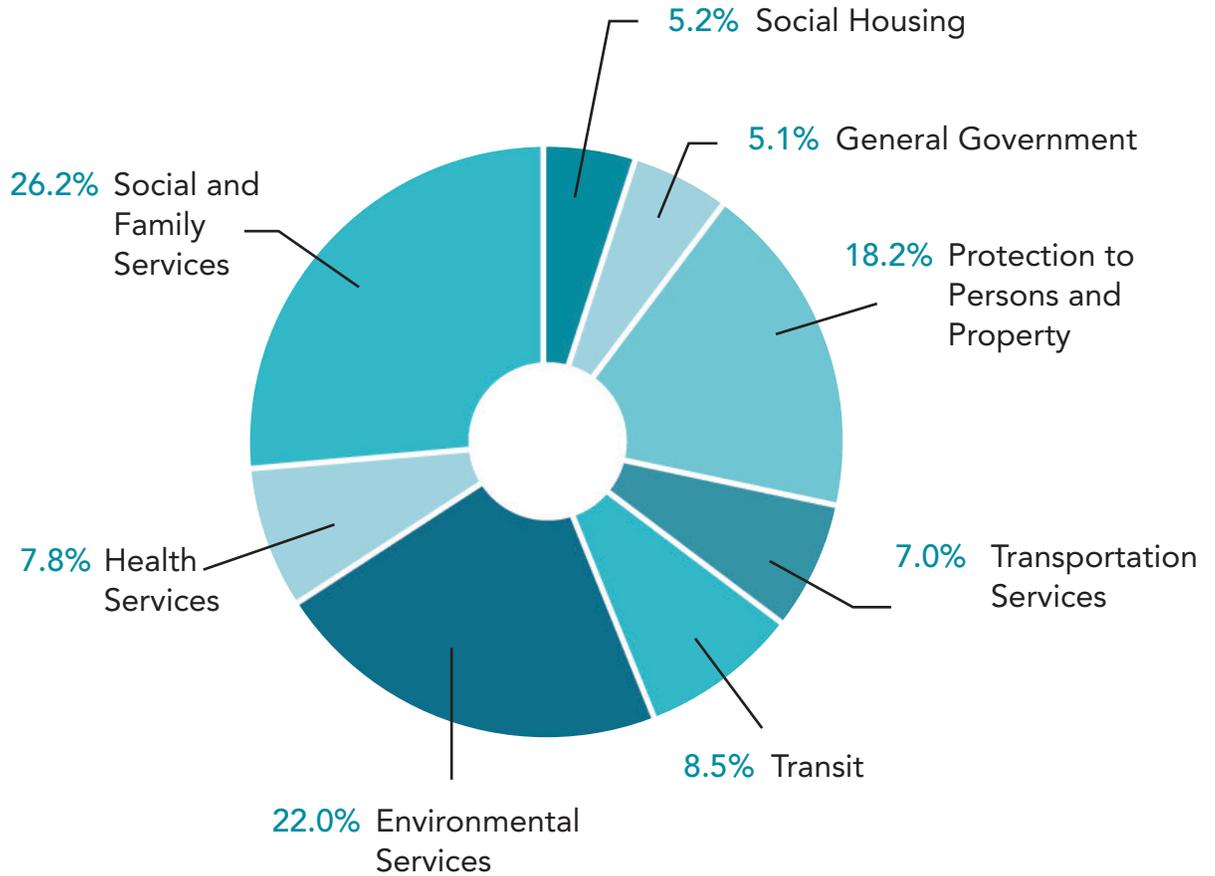
2018 Net Book Value (\$4.0 Billion)



## Operating Expenses

Expenses for operations increased from \$1.2 billion in 2017 to \$1.3 billion in 2018.

### 2018 Operating Expenses (\$1.3 Billion)

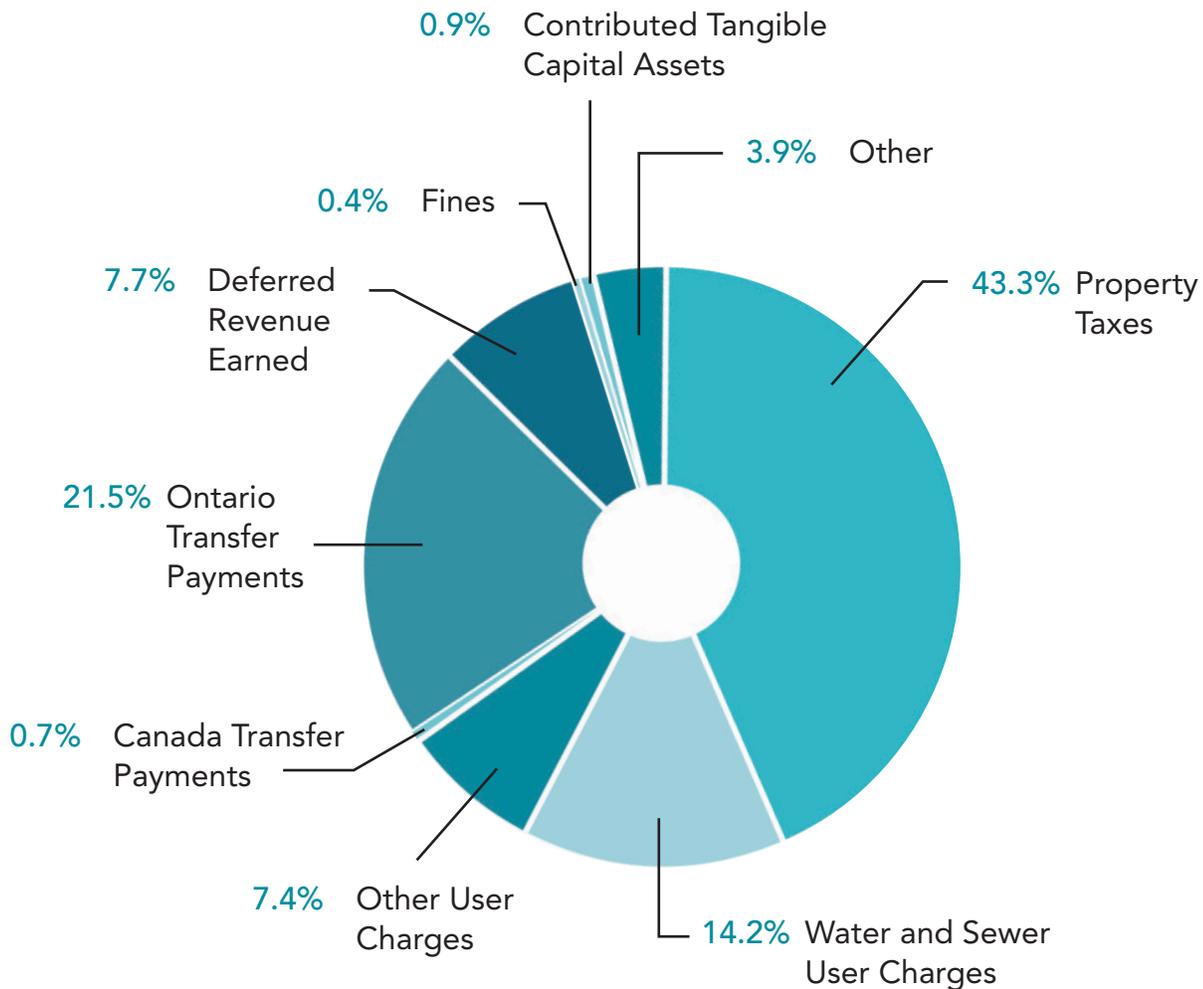


## Revenues

Total Revenues in 2018 (\$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 (deferred revenue earned) and Provincial Offences Act fines.

Revenue from property taxes increased from \$636.1 million in 2017 to \$665.9 million in 2018, due to assessment growth and the Regional property tax budgetary rate increase of 1.9 per cent.

2018 Revenues (\$1.5 Billion)



## Financial Statements and Financial Management

The consolidated financial statements and all other related information contained in this 2018 Annual Report are the responsibility of the management of the Regional Corporation.

### Financial Management Team

**N. Taylor, BBA, CPA, CA**

Commissioner of Finance and Treasurer

**M.E. Simpson, CPA, CMA, MA**

Director, Financial Planning and Purchasing

**J.M. Cermak, CPA, CA**

Director, Financial Services

**N. Pincombe, CPA, CMA, MPA**

Director, Business Planning, Budgets and Risk Management

**B. Goodwin, CPA, CGA, BComm, CMIII**

Director, Financial Solutions and Business Development

**H. Benson, CPA, CGA**

Manager, Business Plans and Budgets

**S. Tsenis, MBA**

Manager, Corporate Asset Management

**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

**D. Siciliano, BAS**

Manager, Utility Finance

**T. Jones, BBA, CSCMP**

Manager, Materials and Office Services

**S. Simpson, BBA**

Manager, Financial Information Management Services (Support)

**S. Chambers, PMP**

Manager, Financial Information Management Services (Projects)

## Financial Management Controls

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

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

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

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

## Triple A Credit Rating

In 2018, both S&P Global Ratings and Moody's Investors Service reaffirmed Durham Region's triple 'A' credit rating (AAA/Stable and Aaa/Stable respectively). Both agencies cited Regional strengths related to strong fiscal management, financial flexibility and liquidity, low burden of debt, and the economic context highlighted by a growing and diversified economy.

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

"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."

"Annual user rate and property tax-supported service and financing studies drive Durham's well established long-term financial planning process to allow it to meet fiscal challenges, which feed into annual budgets, which we view as detailed and realistic."

S&P Global Ratings, February 2018

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. Long-term financial planning processes and the Budget Management Policy address the balance between expenditures and the availability of funding for the current year and beyond.

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 sustainable capital financing structure. The Region’s ‘pay-as-you-go’ financing policy encourages long-term infrastructure planning and the accumulation of funds for major projects, balanced debt levels and enhanced financial flexibility. 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 in part 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 2018, development charges collected totalled \$155.4 million, for a total balance of \$630.1 million at December 31, 2018. 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, 2018 determined available financing for 2019 growth-related capital programs. Legislative changes pertaining to Development Charges are being finalized by the Province of Ontario.

**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 2018 consolidated financial statements present the Region’s financial position and operating results fairly in all material respects.

The 2018 Consolidated Financial Statements and Trust Funds Financial Statements have been independently audited by Deloitte LLP. The Independent Auditor’s Reports, included within this document, confirm the fair presentation of Durham’s financial position, operations and accumulated surplus, change in net financial assets, and cash flows for the year ended December 31, 2018.

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

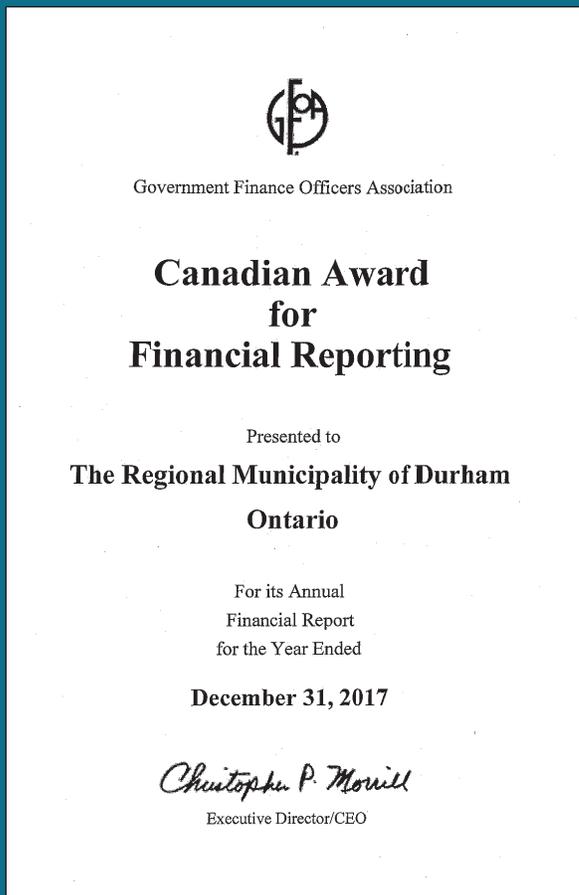
Financial data presented elsewhere in the annual report is consistent with that of the consolidated financial statements. Where the determination of assets and liabilities is dependent upon future events, amounts are based upon reasonably determined estimates and judgments.

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

As referenced in the Message from the Chief Administrative Officer on page five, there is an enhanced focus on innovation and modernization going forward. I look forward to the results of these collaborative efforts.

*Nancy Taylor*

Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance and Treasurer  
June 28, 2019



## Canadian Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a fifteenth consecutive 'Canadian Award for Financial Reporting' to the Regional Municipality of Durham for its Annual Report for the fiscal year ended December 31, 2017. 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 2017 award, and it is our belief that this current 2018 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.



## The Regional Municipality of Durham

Telephone: 905.668.7711

Toll free: 1.800.372.1102

Facsimile: 905.668.1567

Email: [info@durham.ca](mailto:info@durham.ca)

Website: [www.durham.ca](http://www.durham.ca)

### City of Pickering

905-683-7575

[pickering.ca](http://pickering.ca)

### Town of Ajax

905-683-4550

[ajax.ca](http://ajax.ca)

### Town of Whitby

905-668-5803

[whitby.ca](http://whitby.ca)

### City of Oshawa

905-436-3311

[oshawa.ca](http://oshawa.ca)

### Municipality of Clarington

905-623-3379

[clarington.net](http://clarington.net)

### Township of Uxbridge

905-852-9181

[uxbridge.ca](http://uxbridge.ca)

### Township of Brock

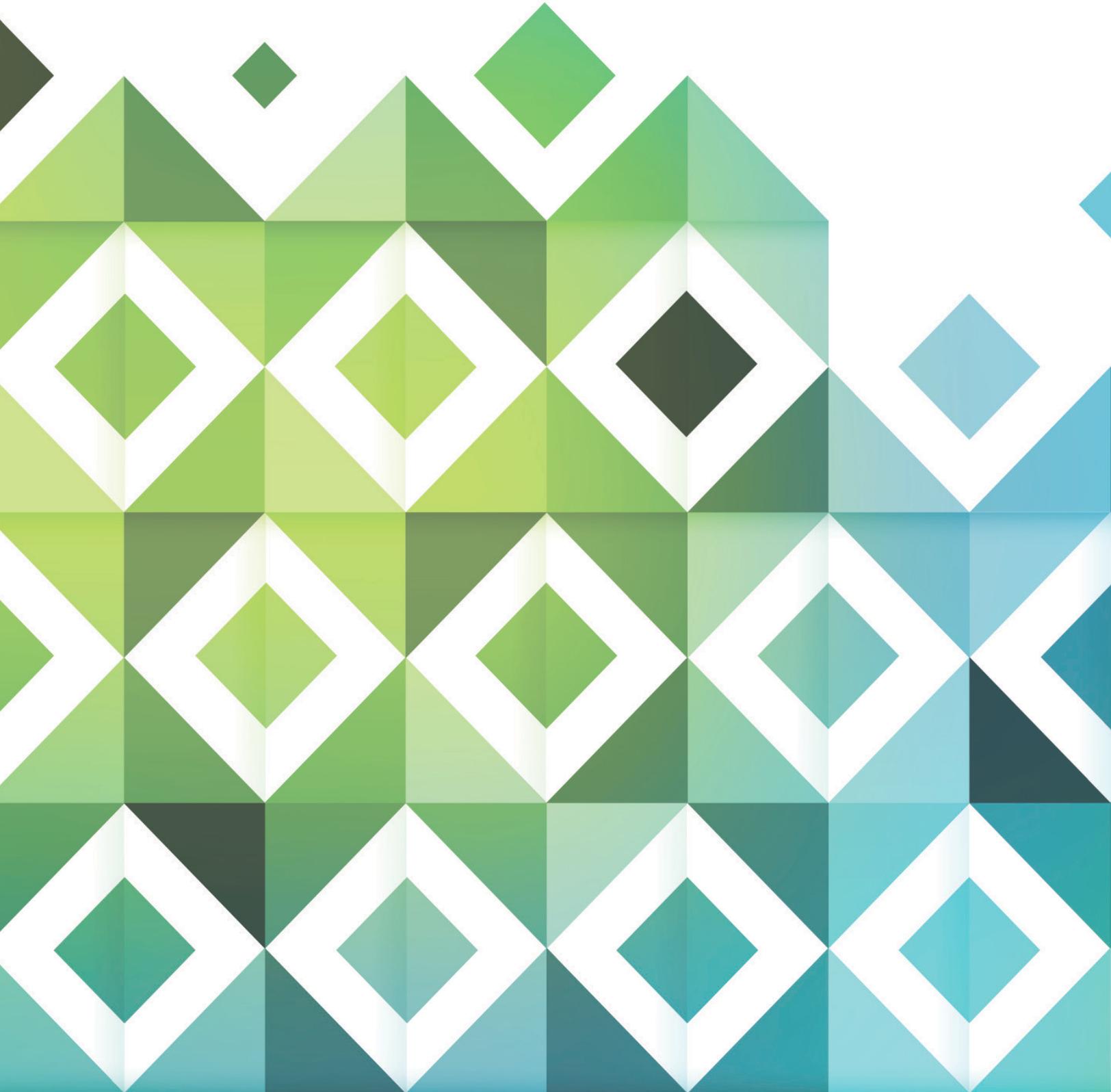
705-432-2355

[townshipofbrock.ca](http://townshipofbrock.ca)

### Township of Scugog

905-985-7346

[scugog.ca](http://scugog.ca)



# Consolidated Financial Statements

and Independent Auditor's Report  
for the year ended December 31, 2018

The Regional Municipality of Durham, Ontario, Canada



## Independent Auditor's Report

To the Members of Council of  
the Regional Municipality of Durham

### Opinion

We have audited the consolidated financial statements of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Durham as at December 31, 2018, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of The Regional Municipality of Durham in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

## **Auditor's Responsibilities for the Audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Municipality of Durham's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Municipality of Durham's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Municipality of Durham to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Regional Municipality of Durham to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows a handwritten signature in cursive that reads "Deloitte LLP".

Chartered Professional Accountants  
Licensed Public Accountants  
May 30, 2019

# The Corporation of the Regional Municipality of Durham

## Consolidated Statement of Financial Position

December 31, 2018

(in thousands of dollars)

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	\$ 435,341	\$ 59,480
Investments (Note 5)	2,178,077	2,298,855
Accounts receivable	159,572	139,422
Other current assets	513	635
Debenture debt recoverable from local municipalities (Note 6)	132,310	144,023
	<b>2,905,813</b>	<b>2,642,415</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	359,927	378,781
Deferred revenue - Schedule 1	651,812	561,933
Debenture debt (Note 6)	225,982	258,955
Employee benefits and post-employment liabilities (Note 7)	201,178	192,149
Landfill closure and post closure liabilities (Note 8)	12,221	12,833
	<b>1,451,120</b>	<b>1,404,651</b>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 1,454,693</b>	<b>\$ 1,237,764</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	4,043,855	3,974,376
Inventories	4,252	5,169
	<b>4,048,107</b>	<b>3,979,545</b>
<b>ACCUMULATED SURPLUS (Note 11)</b>	<b>\$ 5,502,800</b>	<b>\$ 5,217,309</b>

*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, 2018  
(in thousands of dollars)

	2018		2017
	Budget (Note 12)	Actual	Actual
<b>REVENUES</b>			
Property taxes	\$ 655,554	\$ 665,935	\$ 636,098
User charges			
Water and sewer	206,155	217,682	201,737
Other	116,545	113,939	116,929
Government transfers			
Canada	14,782	10,166	12,326
Ontario	296,955	332,078	298,290
Deferred revenue earned - Schedule 1	121,594	118,177	120,695
Fines (Note 16)	7,300	6,645	7,230
Contributed tangible capital assets (Note 10)	17,896	13,390	29,251
Other	29,404	59,552	78,822
<b>TOTAL REVENUES</b>	<b>1,466,185</b>	<b>1,537,564</b>	<b>1,501,378</b>
<b>EXPENSES</b>			
General government	70,236	63,780	58,259
Protection to persons and property	237,992	228,248	222,871
Transportation services	76,508	88,113	85,225
Transit	94,975	105,159	96,432
Environmental services	286,832	275,204	270,872
Health services	100,931	97,952	92,695
Social and family services	322,309	328,277	302,556
Social housing	70,364	65,340	69,623
<b>TOTAL EXPENSES</b>	<b>1,260,147</b>	<b>1,252,073</b>	<b>1,198,533</b>
<b>ANNUAL SURPLUS</b>	<b>206,038</b>	<b>285,491</b>	<b>302,845</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>5,217,309</b>	<b>5,217,309</b>	<b>4,914,464</b>
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 11)</b>	<b>\$ 5,423,347</b>	<b>\$ 5,502,800</b>	<b>\$ 5,217,309</b>

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, 2018  
(in thousands of dollars)

	2018		2017
	Budget (Note 12)	Actual	Actual
ANNUAL SURPLUS	\$ 206,038	\$ 285,491	\$ 302,845
Acquisition of tangible capital assets	(304,073)	(204,848)	(197,972)
Contributed tangible capital assets (Note 10)	(17,896)	(13,390)	(29,251)
Amortization of tangible capital assets	139,000	142,182	136,719
Loss on disposal of tangible capital assets	-	5,612	5,797
Proceeds on disposal of tangible capital assets	-	965	344
Change in inventories	-	917	(250)
INCREASE IN NET FINANCIAL ASSETS	23,069	216,929	218,232
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,237,764	1,237,764	1,019,532
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,260,833	\$ 1,454,693	\$ 1,237,764

*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, 2018  
(in thousands of dollars)

	2018	2017
<b>OPERATING</b>		
Annual surplus	\$ 285,491	\$ 302,845
Non-cash charges to operations		
Amortization of tangible capital assets	142,182	136,719
Contributed tangible capital assets (Note 10)	(13,390)	(29,251)
Loss on disposal of tangible capital assets	5,612	5,797
Amortization of bond premium/(discount)	10,006	(2,458)
Change in non-cash assets and liabilities		
Accounts receivable	(20,150)	(29,750)
Other current assets	122	181
Accounts payable and accrued liabilities	(18,854)	(4,005)
Deferred revenue	89,879	51,745
Employee benefits and post-employment liabilities	9,029	8,512
Landfill closure and post closure liabilities	(612)	(861)
Inventories	917	(250)
Net increase in cash from operating activities	490,232	439,224
<b>CAPITAL</b>		
Proceeds on disposal of tangible capital assets	965	344
Acquisition of tangible capital assets	(204,848)	(197,972)
Net decrease in cash from capital activities	(203,883)	(197,628)
<b>INVESTING</b>		
Proceeds on maturity of investments	1,266,962	584,398
Acquisition of investments	(1,156,190)	(836,157)
Net increase/(decrease) in cash from investing activities	110,772	(251,759)
<b>FINANCING</b>		
Regional debenture debt principal repayments	(21,260)	(56,921)
Net decrease in cash from financing activities	(21,260)	(56,921)
<b>NET INCREASE/(DECREASE) IN CASH, DURING THE YEAR</b>	<b>375,861</b>	<b>(67,084)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>59,480</b>	<b>126,564</b>
<b>CASH, END OF YEAR</b>	<b>\$ 435,341</b>	<b>\$ 59,480</b>

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

December 31, 2018

(in thousands of dollars)

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### 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, and operates as an upper tier government in the Province of Ontario, Canada.

The Region comprises the following local municipalities:

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

Within these local municipalities, the Region provides a wide range of services, which reflect the major organizational divisions and service offerings provided to stakeholders. The services are classified in the following segments:

#### **General Government**

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

#### **Protection to Persons and Property**

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

#### **Roadways**

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

#### **Transit**

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

December 31, 2018

(in thousands of dollars)

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

#### *(a) Reporting Entity*

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

December 31, 2018

(in thousands of dollars)

## 2. Summary of Accounting Policies (Continued)

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

### (b) Basis of Accounting

- i. Accrual Basis of Accounting

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

- ii. Non-financial assets

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

### (a) Tangible capital assets

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

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

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

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

- (b) Contributed tangible capital assets

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

December 31, 2018

(in thousands of dollars)

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## 2. Summary of Accounting Policies (Continued)

### (c) Leases

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

### (d) Inventories

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

### iii. Pension and Employee Benefits and Post-Employment Liabilities

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

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

### iv. Deferred Revenue

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

### v. Investments

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

### vi. Tax Revenue

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

December 31, 2018

(in thousands of dollars)

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## 2. Summary of Accounting Policies (Continued)

### vii. Government Transfers

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

### viii. Use of Estimates

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

### ix. Segment Disclosure

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

## 3. Adoption of Accounting Policies

Effective January 1, 2018, the Region adopted the following new Public Sector Accounting Standards on a prospective basis. The adoption of these new standards has not had a material impact on these financial statements.

PS 2200, Related Party Disclosures, defines related parties and establishes disclosures required for related party transactions. PS 3420, Inter-entity Transactions, provides guidance on how to account for and report transactions between public sector entities that comprise a government's reporting entity, from both a provider and recipient perspective. These two standards are interdependent and required concurrent adoption.

PS 3210, Assets, PS 3320, Contingent Assets, and PS 3380, Contractual Rights, provide guidance on the definition and establish general disclosure requirements for the respective assets and rights, and required 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 defines contingent assets as possible assets arising from existing conditions or situations where uncertainty is involved. Disclosure is required under this standard when the occurrence of a confirming future event is considered likely. PS 3380 requires disclosure of contractual rights to economic resources arising from contracts or agreements that result in both an asset and revenue in the future.

December 31, 2018

(in thousands of dollars)

### 4. Accounting Standards Issued for Future Adoption

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

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 of gains and losses.

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

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 3430 - Restructuring Transactions	April 1, 2018
PS 1201 - Financial Statement Presentation	April 1, 2021
PS 3450 - Financial Instruments	April 1, 2021
PS 3041 - Portfolio Investments	April 1, 2021
PS 2601 - Foreign Currency Translation	April 1, 2021
PS 3280 - Asset Retirement Obligations	April 1, 2021

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

### 5. Investments

Investments consisting of bankers acceptances, guaranteed investment certificates, treasury bills, bonds and money market funds have an amortized cost of \$2,178,077 (2017 – \$2,298,855) and a market value of \$2,187,980 (2017 – \$2,304,593). Included in the Consolidated Statement of Operations and Accumulated Surplus is bond premium amortization of \$10,006 (2017 – bond discount amortization of \$2,458).

December 31, 2018

(in thousands of dollars)

## 6. Debenture Debt

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

	2018	2017
Total debenture debt	<b>\$225,982</b>	\$258,955
Debenture debt recoverable from local municipalities	<b>(132,310)</b>	(144,023)
<b>Regional debenture debt (Note 11)</b>	<b>\$ 93,672</b>	\$114,932

Interest rates for debenture debt range from 1.1% to 5.73%, with maturities between July 2019 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:

	2019	2020	2021	2022	2023	Thereafter	Total
	\$	\$	\$	\$	\$	\$	\$
Sanitary Sewerage	5,730	5,971	694	716	738	4,931	18,780
Solid Waste Management	5,190	-	-	-	-	-	5,190
Long Term Care	4,953	5,221	5,504	5,806	6,126	13,972	41,582
General Government	2,657	2,810	2,971	3,142	1,638	-	13,218
Transit	482	497	-	-	-	-	979
Police Services	3,064	3,152	3,252	2,189	2,266	-	13,923
	22,076	17,651	12,421	11,853	10,768	18,903	93,672

Total interest charges for Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$4,746 (2017 - \$6,326).

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

December 31, 2018

(in thousands of dollars)

## 7. Employee Benefits and Post-Employment Liabilities

The Region provides certain employee benefits that require funding in future periods. These benefits include post-employment benefits for health and dental coverage, sick leave, and benefits mandated under the Workplace Safety and Insurance Act. The accrued benefit liability and expense amounts for these employee benefits are based on the results of the December 31, 2018 triennial actuarial valuations, prepared by an independent actuary. These benefits are comprised of:

	2018	2017
Sick leave benefits	<b>\$ 88,097</b>	\$ 85,353
Post-employment benefits	<b>94,647</b>	88,449
Workplace safety and insurance benefits	<b>18,434</b>	18,347
Employee benefits and post-employment liabilities	<b>201,178</b>	192,149
Funded post-employment benefits	<b>(28,536)</b>	(24,705)
Unfunded employee benefits and post-employment liabilities (Note 11)	<b>\$ 172,642</b>	\$ 167,444

Significant management assumptions used in the actuarial valuations are:

Discount rates for accrued benefit obligations	3.6% (sick leave) 3.40% to 3.60% (post-employment) 3.40% (workplace safety and insurance)
Inflation rate	3% (sick leave and post-employment) 4% (workplace safety and insurance)
Healthcare benefit cost escalation	
Dental	7% in 2019, reducing to 4% over 15 years
Healthcare spending account	6% in 2019, reducing to 0% over 15 years
Vision	2.5% in 2019, reducing to 0% over 10 years
Dental and other health	4%

December 31, 2018

(in thousands of dollars)

## 7. Employee Benefits and Post-Employment Liabilities (Continued)

### (a) Sick Leave Benefits

Employees accrue sick leave benefits for future use. In addition, certain sick leave benefit plans provide for accumulation of unused benefits and employees may become entitled to a cash payment when they leave the Region's employment. The liability for these two components of sick leave benefits and expense, as determined by actuarial valuation at December 31, 2018, is as follows:

	2018	2017
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	\$ 84,965	\$ 82,379
Current period benefit cost	6,999	5,836
Plan amendment	(92)	-
Interest on accrued benefit obligation	3,928	3,682
Actuarial loss	6,387	-
Benefit payments	(8,200)	(6,932)
Accrued benefit obligation, end of year	93,987	84,965
Unamortized actuarial (losses)/gains	(5,890)	388
Liability for sick leave benefits	<b>\$ 88,097</b>	<b>\$ 85,353</b>
Sick leave benefit expense		
Current period benefit cost	\$ 6,999	\$ 5,836
Plan amendment incurred during the year	(92)	-
Interest on accrued benefit obligation	3,928	3,682
Amortization of actuarial losses/(gains)	109	(15)
Total sick leave benefit expense	<b>\$ 10,944</b>	<b>\$ 9,503</b>

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

December 31, 2018

(in thousands of dollars)

## 7. Employee Benefits and Post-Employment Liabilities (Continued)

### (b) Post-Employment Benefits

The Region provides certain benefits to qualifying employees following retirement. Benefit entitlement ceases at age 65, with the exception of Police Services employees whose entitlement ceases at either age 70 or 75, and of certain employees whose coverage is maintained for life. The liability for post-employment benefits and expense, as determined by actuarial valuation at December 31, 2018, is as follows:

	2018	2017
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	\$ 100,222	\$ 96,031
Plan amendment	(1,484)	-
Current period benefit cost	5,438	4,352
Interest on accrued benefit obligation	4,608	4,268
Actuarial loss	20,192	-
Benefit payments	(5,534)	(4,429)
Accrued benefit obligation, end of year	123,442	100,222
Unamortized actuarial losses	(28,795)	(11,773)
Liability for post-employment benefits	<b>\$ 94,647</b>	<b>\$ 88,449</b>
Post-employment benefit expense		
Current period benefit cost	\$ 5,438	\$ 4,352
Plan amendment incurred during the year	(1,484)	-
Interest on accrued benefit obligation	4,608	4,268
Amortization of actuarial losses	3,170	1,701
Total post-employment benefit expense	<b>\$ 11,732</b>	<b>\$ 10,321</b>

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

December 31, 2018

(in thousands of dollars)

## 7. Employee Benefits and Post-Employment Liabilities (Continued)

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

The Region is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for employees. Accordingly, the Region assumes liability for awards made under the Act, reimbursing the Workplace Safety and Insurance Board for costs relating to its workers' claims. The liability for WSI benefits and expense, as determined by actuarial valuation at December 31, 2018, is as follows:

	2018	2017
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	\$ 18,400	\$ 18,321
Current period benefit cost	1,836	1,774
Interest on accrued benefit obligation	724	720
Actuarial loss	9,402	-
Benefit payments	(2,443)	(2,415)
Accrued benefit obligation, end of year	27,919	18,400
Unamortized actuarial losses	(9,485)	(53)
Liability for WSI benefits	<b>\$ 18,434</b>	<b>\$ 18,347</b>
WSI benefit expense		
Current period benefit cost	\$ 1,836	\$ 1,774
Interest on accrued benefit obligation	724	720
Amortization of actuarial gains	(30)	(30)
Total WSI benefit expense	<b>\$ 2,530</b>	<b>\$ 2,464</b>

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

December 31, 2018

(in thousands of dollars)

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## 8. Landfill Closure and Post Closure Liabilities

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

The total estimated cost for closure and post closure care is \$12,221 (2017 - \$12,833) and is reported on the Consolidated Statement of Financial Position. A discount factor of 4.25%, less an estimated inflation factor of 2%, has been used to calculate the total estimated cost.

## 9. Liability for Contaminated Sites

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

As at December 31, 2018, there are no contaminated sites that meet the specified criteria and no liability (2017 - \$nil) for contaminated sites has been recorded in these Consolidated Financial Statements.

December 31, 2018

(in thousands of dollars)

## 10. Tangible Capital Assets

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

	2018	2017
Land	\$ 50,762	\$ 49,868
Land improvements	15,525	15,913
Building and building improvements	682,105	673,216
Vehicles	59,725	53,440
Machinery and equipment	414,574	428,685
Water and wastewater - infrastructure	1,634,511	1,597,491
Roads - infrastructure	832,336	818,087
	<b>3,689,538</b>	<b>3,636,700</b>
Work in progress	354,317	337,676
	<b>\$ 4,043,855</b>	<b>\$ 3,974,376</b>

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 \$354,317 (2017 - \$337,676) 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 2018 was \$13,390 (2017 - \$29,251).

(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 (2017 - \$nil), no interest was capitalized (2017 - \$nil), and there are no capital lease obligations (2017 - \$nil).

# The Corporation of the Regional Municipality of Durham

## Notes to the Consolidated Financial Statements

December 31, 2018

(in thousands of dollars)

### 11. Accumulated Surplus

The accumulated surplus consists of the following:

	2018	2017
Surplus		
Tangible capital assets (Note 10)	\$ 4,043,855	\$ 3,974,376
Regional debenture debt (Note 6)	(93,672)	(114,932)
Unexpended capital financing for future capital acquisitions	295,086	207,469
Employee benefits and post-employment liabilities (Note 7)	(172,642)	(167,444)
Landfill closure and post closure liabilities (Note 8)	(12,221)	(12,833)
<b>Total Surplus</b>	<b>4,060,406</b>	<b>3,886,636</b>
Reserves Set Aside By Council		
Working capital	47,332	46,140
Property tax assessment appeals	27,654	25,003
Equipment replacement	18,817	21,171
Regional roads	46,025	45,624
Contingencies	400	400
Sick leave	126,126	120,813
Capital	210,148	185,985
Employee benefits	21,232	18,980
University of Ontario Institute of Technology	937	937
<b>Total Reserves</b>	<b>498,671</b>	<b>465,053</b>
Reserve Funds Set Aside For Specific Purpose By Council		
Treatment plant/rate stabilization - Sanitary sewerage	174,554	156,340
Treatment plant/rate stabilization - Water supply	109,019	93,875
Regional share of non-residential development - Sanitary sewerage	4,963	4,864
Regional share of non-residential development - Water supply	3,903	3,825
Solid waste management	86,541	81,982
General levy stabilization	245,656	227,613
Regional revitalization	9,085	8,040
Workers' compensation	42,143	40,199
York/Durham sanitary sewerage	8,633	8,387
Insurance	65,392	62,393
Social housing	32,273	29,716
Roads rehabilitation	22,683	20,092
Asset management	46,542	42,482
Seaton facilities	31,248	30,050
Other reserve funds	61,088	55,762
<b>Total Reserve Funds</b>	<b>943,723</b>	<b>865,620</b>
<b>Accumulated Surplus</b>	<b>\$ 5,502,800</b>	<b>\$ 5,217,309</b>

# The Corporation of the Regional Municipality of Durham

## Notes to the Consolidated Financial Statements

December 31, 2018

(in thousands of dollars)

### 12. Budget Amounts

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

	Property Tax \$	Water Supply \$	Sanitary Sewerage \$	Total \$
<b>Revenues</b>				
Approved Budget	1,194,815	182,584	176,440	1,553,839
Reclassifications between revenue and expense	(5,126)	(1,545)	(12,975)	(19,646)
Budget before PSAS adjustments	1,189,689	181,039	163,465	1,534,193
Contributed tangible capital assets	3,775	7,291	6,830	17,896
Transfers from reserves and reserve funds	(54,649)	(4,509)	(7,360)	(66,518)
Proceeds of debt issued for Regional purposes	(1,806)	(17,580)	-	(19,386)
<b>Total Revenues</b>	<b>1,137,009</b>	<b>166,241</b>	<b>162,935</b>	<b>1,466,185</b>
<b>Expenses</b>				
Approved Budget	1,194,815	182,584	176,440	1,553,839
Reclassifications between revenue and expense	(5,126)	(1,545)	(12,975)	(19,646)
Budget before PSAS adjustments	1,189,689	181,039	163,465	1,534,193
Post-employment benefit expense	8,109	435	507	9,051
Landfill closure and post closure costs	(1)	-	-	(1)
Amortization	86,426	22,591	29,983	139,000
Transfers to reserves and reserve funds	(79,960)	(6,484)	(10,319)	(96,763)
Acquisition of tangible capital assets	(143,824)	(116,792)	(57,972)	(318,588)
Less: Recovery for shared ownership	(1)	1,550	12,966	14,515
Net Acquisition of tangible capital assets	(143,825)	(115,242)	(45,006)	(304,073)
Regional debenture debt principal repayments	(15,280)	(241)	(5,739)	(21,260)
<b>Total Expenses</b>	<b>1,045,158</b>	<b>82,098</b>	<b>132,891</b>	<b>1,260,147</b>
<b>Annual Surplus</b>	<b>91,851</b>	<b>84,143</b>	<b>30,044</b>	<b>206,038</b>

The budget for property tax purposes was presented to Regional Council under Report #2018-COW-19 and was approved February 14, 2018 under by-laws #02-2018, #03-2018, and #04-2018.

The budget for water supply and sanitary sewerage were presented to Regional Council in Report #2017-COW-284 and were approved December 13, 2017 under by-laws #74-2017 and #75-2017.

December 31, 2018  
 (in thousands of dollars)

### 13. Contractual Obligations

(a) *Sanitary Sewerage System*

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

(b) *Solid Waste Management*

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

(c) *Lease Commitments*

The Region has commitments under various building, land and equipment lease agreements expiring from 2019 to 2028. These operating leases require approximate annual rental payments as follows:

2019	3,393
2020	2,823
2021	2,325
2022	987
2023	885
Thereafter	868
	\$ 11,281

(d) *Tangible Capital Assets Commitments*

Contractual obligations for tangible capital asset work in progress total approximately \$123,975 (2017 - \$154,007). Financing for these commitments has been approved by Regional Council.

(e) *Advancement of Infrastructure*

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

Deferred revenue earned from development charges, equivalent to the value of the infrastructure assets, is recognized at the time payment is received for regionally-constructed works, or when the developer-constructed assets are transferred to the Region. Credits issued and outstanding under such agreements total \$90,137 (2017 - \$75,635), of which \$19,745 (2017 - \$26,034) is recognized as deferred revenue earned in the current year.

December 31, 2018

(in thousands of dollars)

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### 14. Pension Contributions

The Region contributed \$43,803 (2017 - \$42,524) to OMERS on behalf of 5,295 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, 2018, the OMERS plan, with approximately 496,000 members, has a funding deficit that is approximately \$4.2 billion.

### 15. 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, 2018; 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.

### 16. Provincial Offences Administration

The Region has assumed responsibility for the administration of fines arising under the Provincial Offences Act ("POA") from the Ministry of the Attorney General. The Region provides court support, administration and collection functions for all related fines and fees and prosecutes matters under the POA. The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, municipal by-laws and minor federal offences. Offenders may pay their fines at any Provincial Offences court office in Ontario, at which time the receipts are recorded in the Integrated Courts Operation Network system ("ICON"). 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 \$6,645 (2017 - \$7,230). Net revenues amount to \$129 (2017 - \$999). Local municipalities share 60 per cent of net revenues and the Region retains 40 per cent or \$52 (2017 - \$399).

### 17. Trust Funds

Trust Funds administered by the Region amount to \$778 (2017 - \$756) and are presented in separate Trust Funds Statements of Financial Position and Financial Activities and Fund Balances. As such, balances held in trust by the Region for the benefit of others have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

### 18. Comparative Figures

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

# The Corporation of the Regional Municipality of Durham

## Consolidated Schedule of Deferred Revenue

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

Schedule 1

	INCREASE IN DEFERRED REVENUE				BALANCE, BEGINNING OF YEAR	DEFERRED REVENUE EARNED	BALANCE, END OF YEAR
	Interest	Government transfers	Development charges collected	Total			
	\$	\$	\$	\$	\$	\$	
Development Charges							
Residential & Non-Residential							
Sanitary sewerage	1,855	-	56,180	58,035	33,493	145,908	
Water supply	3,835	-	38,389	42,224	16,420	273,388	
Roads	1,662	-	49,114	50,776	18,222	172,626	
Transit	368	-	5,119	5,487	4,788	16,639	
Residential							
Police	254	-	2,381	2,635	2	15,022	
Homes for the Aged	3	-	110	113	205	-	
Development Charge Study	12	-	79	91	90	578	
GO Transit	-	-	2,586	2,586	2,586	-	
Emergency Medical Services	56	-	554	610	364	3,811	
Health & Social Services	28	-	385	413	-	1,600	
Social Housing	2	-	521	523	-	523	
Development Charges	8,075	-	155,418	163,493	76,170	630,095	
Gas Tax							
Federal	123	19,366	-	19,489	18,201	1,288	
Provincial	390	8,676	-	9,066	11,718	13,519	
Gas Tax	513	28,042	-	28,555	29,919	14,807	
Conditional Grants							
Transit	-	-	-	-	159	371	
Municipal Infrastructure	-	2,217	-	2,217	80	2,786	
Social Housing	16	13,775	-	13,791	11,849	3,753	
Conditional Grants	16	15,992	-	16,008	12,088	6,910	
Total	8,604	44,034	155,418	208,056	118,177	651,812	

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

Year ended December 31, 2018  
 (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	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>COST</b>										
Balance, beginning of year	49,868	1,199	24,309	935,987	137,022	808,425	2,197,310	1,325,679	337,676	5,817,475
Additions	622	-	750	32,672	20,669	23,680	53,994	55,820	204,848	393,055
Contributed tangible capital assets	272	-	-	-	-	-	13,118	-	-	13,390
Work in progress completed	-	-	-	-	-	-	-	-	(188,207)	(188,207)
Disposals	-	-	(1)	(33)	(14,949)	(3,092)	(2,506)	(9,588)	-	(30,169)
<b>BALANCE, END OF YEAR</b>	<b>50,762</b>	<b>1,199</b>	<b>25,058</b>	<b>968,626</b>	<b>142,742</b>	<b>829,013</b>	<b>2,261,916</b>	<b>1,371,911</b>	<b>354,317</b>	<b>6,005,544</b>
<b>ACCUMULATED AMORTIZATION</b>										
Balance, beginning of year	-	1,199	8,396	262,771	83,582	379,740	599,819	507,592	-	1,843,099
Amortization of tangible capital assets	-	-	1,138	23,777	13,688	37,753	28,812	37,014	-	142,182
Disposals	-	-	(1)	(27)	(14,253)	(3,054)	(1,226)	(5,031)	-	(23,592)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>1,199</b>	<b>9,533</b>	<b>286,521</b>	<b>83,017</b>	<b>414,439</b>	<b>627,405</b>	<b>539,575</b>	<b>-</b>	<b>1,961,689</b>
<b>NET BOOK VALUE, END OF YEAR</b>	<b>50,762</b>	<b>-</b>	<b>15,525</b>	<b>682,105</b>	<b>59,725</b>	<b>414,574</b>	<b>1,634,511</b>	<b>832,336</b>	<b>354,317</b>	<b>4,043,855</b>

# 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 (Continued)

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater infrastructure	Roads - infrastructure	Work in progress	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>COST</b>										
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)
<b>BALANCE, END OF YEAR</b>	<b>49,868</b>	<b>1,199</b>	<b>24,309</b>	<b>935,987</b>	<b>137,022</b>	<b>808,425</b>	<b>2,197,310</b>	<b>1,325,679</b>	<b>337,676</b>	<b>5,817,475</b>
<b>ACCUMULATED AMORTIZATION</b>										
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)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>1,199</b>	<b>8,396</b>	<b>262,771</b>	<b>83,582</b>	<b>379,740</b>	<b>599,819</b>	<b>507,592</b>	<b>-</b>	<b>1,843,099</b>
<b>NET BOOK VALUE, END OF YEAR</b>	<b>49,868</b>	<b>-</b>	<b>15,913</b>	<b>673,216</b>	<b>53,440</b>	<b>428,685</b>	<b>1,597,491</b>	<b>818,087</b>	<b>337,676</b>	<b>3,974,376</b>

# The Corporation of the Regional Municipality of Durham

## Consolidated Schedule of Segment Disclosure

Year ended December 31, 2018  
(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	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>										
Property taxes	-	-	-	-	-	-	-	-	665,935	665,935
User charges	1,462	6,104	3,542	28,867	260,732	939	22,816	7,159	-	331,621
Government transfers	222	8,496	(1,797)	17,899	18,470	58,324	229,609	11,021	-	342,244
Deferred revenue earned	90	2	21,733	19,331	64,603	364	205	11,849	-	118,177
Fines	-	6,645	-	-	-	-	-	-	-	6,645
Contributed tangible capital assets	-	-	272	-	13,118	-	-	-	-	13,390
Other	37	177	(1,111)	61	8,071	44	54	-	52,219	59,552
<b>TOTAL REVENUES</b>	<b>1,811</b>	<b>21,424</b>	<b>22,639</b>	<b>66,158</b>	<b>364,994</b>	<b>59,671</b>	<b>252,684</b>	<b>30,029</b>	<b>718,154</b>	<b>1,537,564</b>
<b>EXPENSES</b>										
Salaries, wages and benefits	47,308	181,168	20,556	49,677	67,708	82,931	136,603	5,008	-	590,959
Operating materials and supplies	13,458	20,251	18,764	19,731	63,965	8,470	18,273	7,634	-	170,546
Contracted services	11,571	5,641	2,919	12,338	56,681	1,634	73,189	107	-	164,080
Rents and financial services	849	2,393	3,927	898	9,974	606	1,652	2,485	-	22,784
Government transfers	1,946	8,023	-	9,910	-	-	88,443	48,454	-	156,776
Amortization of tangible capital assets	3,903	9,795	41,951	10,126	64,782	3,524	7,330	771	-	142,182
Interfunctional charges	(15,400)	261	(44)	2,420	10,875	655	374	859	-	-
Debtenture interest	145	716	40	59	1,219	132	2,413	22	-	4,746
<b>TOTAL EXPENSES</b>	<b>63,780</b>	<b>228,248</b>	<b>88,113</b>	<b>105,159</b>	<b>275,204</b>	<b>97,952</b>	<b>328,277</b>	<b>65,340</b>	<b>-</b>	<b>1,252,073</b>
<b>ANNUAL SURPLUS</b>	<b>(61,969)</b>	<b>(206,824)</b>	<b>(65,474)</b>	<b>(39,001)</b>	<b>89,790</b>	<b>(38,281)</b>	<b>(75,593)</b>	<b>(35,311)</b>	<b>718,154</b>	<b>285,491</b>

# The Corporation of the Regional Municipality of Durham

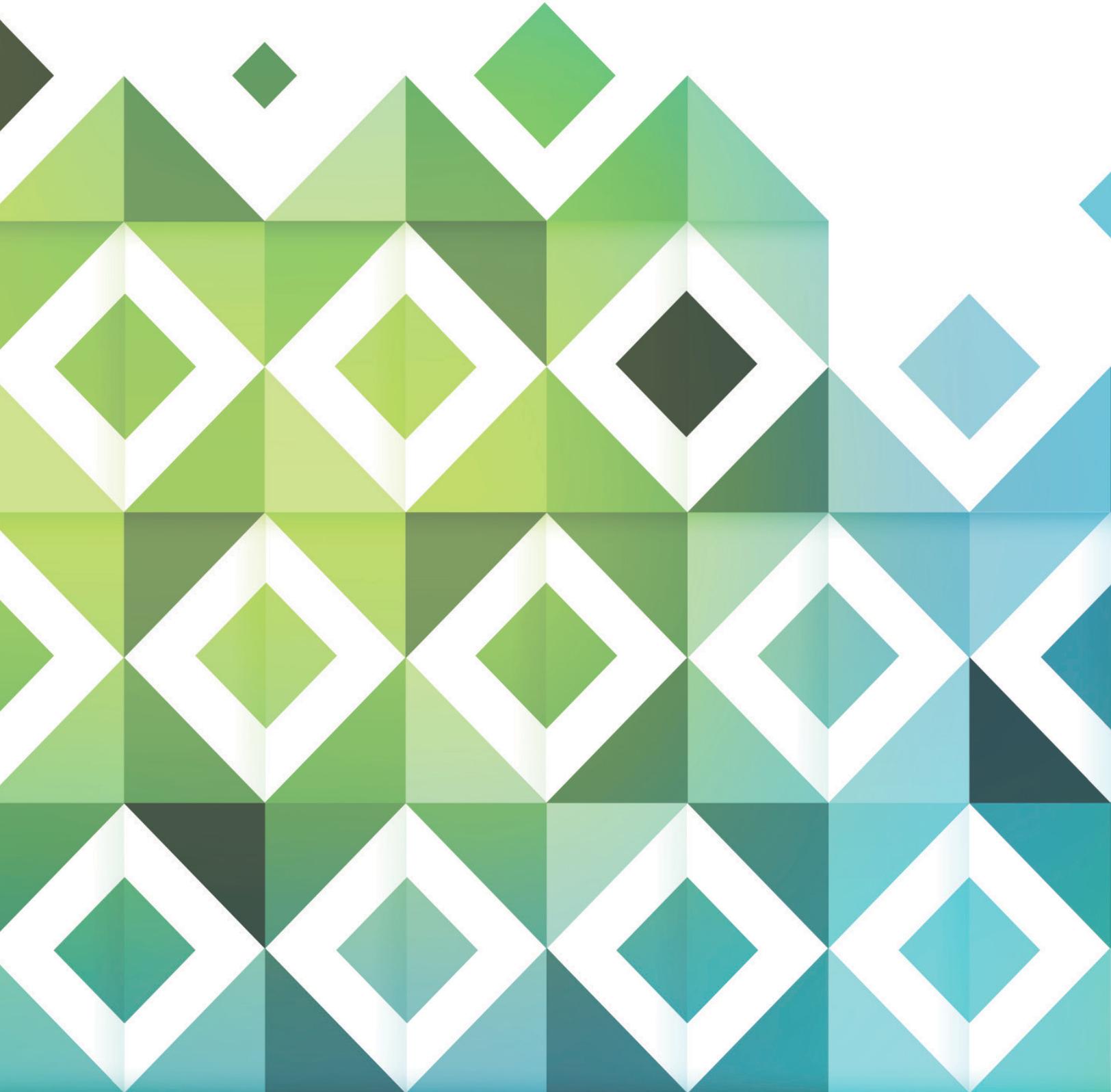
## Consolidated Schedule of Segment Disclosure

Year ended December 31, 2017

(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	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUES</b>										
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
<b>TOTAL REVENUES</b>	<b>1,567</b>	<b>21,204</b>	<b>30,723</b>	<b>53,720</b>	<b>361,919</b>	<b>58,859</b>	<b>226,989</b>	<b>34,499</b>	<b>711,898</b>	<b>1,501,378</b>
<b>EXPENSES</b>										
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
<b>TOTAL EXPENSES</b>	<b>58,259</b>	<b>222,871</b>	<b>85,225</b>	<b>96,432</b>	<b>270,872</b>	<b>92,695</b>	<b>302,556</b>	<b>69,623</b>	<b>-</b>	<b>1,198,533</b>
<b>ANNUAL SURPLUS</b>	<b>(56,692)</b>	<b>(201,667)</b>	<b>(54,502)</b>	<b>(42,712)</b>	<b>91,047</b>	<b>(33,836)</b>	<b>(75,567)</b>	<b>(35,124)</b>	<b>711,898</b>	<b>302,845</b>



# Trust Funds Financial Statements

and Independent Auditor's Report  
for the year ended December 31, 2018

The Regional Municipality of Durham, Ontario, Canada



## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Regional Municipality of Durham as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the trust funds of the Regional Municipality of Durham in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust funds of the Regional Municipality of Durham's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Municipality of Durham's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Municipality of Durham to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the trust funds of the Regional Municipality of Durham to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows a handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants  
Licensed Public Accountants  
May 30, 2019

# The Corporation of the Regional Municipality of Durham

## Trust Funds: Statement of Financial Position

December 31, 2018  
(in thousands of dollars)

	2018					2017
	Long-Term Care			Other	Total	Total
	Residents	Donations	Bequests			
\$	\$	\$	\$	\$	\$	
FINANCIAL ASSET						
Cash	227	266	82	203	778	756
FUND BALANCES	227	266	82	203	778	756

# The Corporation of the Regional Municipality of Durham

## Trust Funds: Statement of Financial Activities and Fund Balances

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

	2018					2017
	Long-Term Care			Other	Total	Total
	Residents	Donations	Bequests			
\$	\$	\$	\$	\$	\$	
REVENUES						
Residents	661	29	-	-	690	682
Recipients	-	-	-	684	684	553
Interest earned	-	5	2	3	10	7
TOTAL REVENUES	661	34	2	687	1,384	1,242
EXPENSES ON BEHALF OF						
Residents	643	25	18	-	686	671
Recipients	-	-	-	676	676	530
TOTAL EXPENSES	643	25	18	676	1,362	1,201
NET REVENUES/(EXPENSES)	18	9	(16)	11	22	41
FUND BALANCES, BEGINNING OF YEAR	209	257	98	192	756	715
FUND BALANCES, END OF YEAR	227	266	82	203	778	756

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

December 31, 2018

(in thousands of dollars)

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### 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

2014 – 2018 (Unaudited)

The Regional Municipality of Durham, Ontario, Canada



# The Corporation of the Regional Municipality of Durham

## Statistical Review (Unaudited)

Years ended 2014 to 2018

(in thousands of dollars)

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
<b>CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS</b>					
Analysis of Revenues					
Property taxes	665,935	636,098	616,239	602,175	587,566
User charges					
Water and sewer	217,682	201,737	202,775	187,183	176,557
Other	113,939	116,929	109,378	100,064	101,482
Government Transfers					
Canada	10,166	12,326	10,588	10,500	11,056
Ontario	332,078	298,290	282,039	266,334	240,376
Deferred revenue earned	118,177	120,695	89,188	69,461	72,074
Fines	6,645	7,230	7,301	7,746	7,255
Contribution of tangible capital assets	13,390	29,251	21,628	7,625	4,239
Other	59,552	78,822	50,907	45,915	45,230
<b>TOTAL REVENUES</b>	<b>1,537,564</b>	<b>1,501,378</b>	<b>1,390,043</b>	<b>1,297,003</b>	<b>1,245,835</b>
Analysis of Expenses by Object					
Salaries, wages and employee benefits	590,959	564,879	540,854	531,611	521,236
Operating and general expenditures	357,410	332,233	310,774	293,214	279,992
Government transfers	156,776	158,376	146,192	144,083	167,309
Amortization of tangible capital assets	142,182	136,719	131,031	117,601	114,840
Debenture interest	4,746	6,326	7,947	8,835	9,198
<b>TOTAL EXPENSES</b>	<b>1,252,073</b>	<b>1,198,533</b>	<b>1,136,798</b>	<b>1,095,344</b>	<b>1,092,575</b>
Analysis of Expenses by Function					
General government	63,780	58,259	55,579	54,388	57,917
Protection to persons and property	228,248	222,871	215,862	212,227	200,202
Transportation services	88,113	85,225	82,668	77,923	75,200
Transit	105,159	96,432	95,091	94,202	107,987
Environmental services	275,204	270,872	259,231	239,871	235,555
Health services	97,952	92,695	87,559	87,781	83,887
Social and family services	328,277	302,556	282,365	273,181	268,804
Social housing	65,340	69,623	58,443	55,771	63,023
<b>TOTAL EXPENSES</b>	<b>1,252,073</b>	<b>1,198,533</b>	<b>1,136,798</b>	<b>1,095,344</b>	<b>1,092,575</b>
<b>ANNUAL SURPLUS</b>	<b>285,491</b>	<b>302,845</b>	<b>253,245</b>	<b>201,659</b>	<b>153,260</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>5,217,309</b>	<b>4,914,464</b>	<b>4,661,219</b>	<b>4,459,560</b>	<b>4,306,300</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>5,502,800</b>	<b>5,217,309</b>	<b>4,914,464</b>	<b>4,661,219</b>	<b>4,459,560</b>
<b>NET FINANCIAL ASSETS</b>	<b>1,454,693</b>	<b>1,237,764</b>	<b>1,019,532</b>	<b>882,064</b>	<b>784,664</b>
<b>ACQUISITION OF TANGIBLE CAPITAL ASSETS</b>	<b>204,848</b>	<b>197,972</b>	<b>234,937</b>	<b>214,863</b>	<b>202,532</b>

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 2014 to 2018  
(in thousands of dollars)

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
<b>RESERVES</b>					
Working capital	47,332	46,140	44,840	43,301	41,866
Property tax assessment appeals	27,654	25,003	22,350	19,698	18,888
Equipment replacement	18,817	21,171	19,308	18,229	17,213
Regional roads	46,025	45,624	44,637	45,110	43,286
Contingencies	400	400	400	400	400
Sick leave	126,126	120,813	109,428	104,309	91,029
Capital	210,148	185,985	175,955	144,133	125,053
Homes for the aged	-	-	1,133	1,133	1,133
Employee benefits	21,232	18,980	17,481	16,600	15,274
University of Ontario Institute of Technology	937	937	937	1,737	1,737
<b>TOTAL RESERVES</b>	<b>498,671</b>	<b>465,053</b>	<b>436,469</b>	<b>394,650</b>	<b>355,879</b>

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
<b>RESERVE FUNDS</b>					
Treatment plant/rate stabilization					
Sanitary sewerage	174,554	156,340	147,222	125,639	111,329
Water supply	109,019	93,875	83,635	69,285	59,881
Regional share of non-residential development					
Sanitary sewerage	4,963	4,864	4,777	4,685	4,589
Water supply	3,903	3,825	3,756	3,684	3,609
Solid waste management	86,541	81,982	70,761	61,867	57,690
General levy stabilization	245,656	227,613	194,027	161,463	112,314
Regional revitalization	9,085	8,040	6,461	4,477	3,025
Workers' compensation	42,143	40,199	38,422	36,632	34,859
York/Durham sanitary sewerage	8,633	8,387	7,853	7,182	6,318
Insurance	65,392	62,393	58,024	50,635	51,763
Social housing	32,273	29,716	27,337	25,102	22,608
Roads rehabilitation	22,683	20,092	14,363	12,918	11,026
Asset management	46,542	42,482	35,983	32,516	30,462
Seaton facilities	31,248	30,050	-	-	-
Other miscellaneous reserve funds	61,088	55,762	51,460	48,272	41,597
<b>TOTAL RESERVE FUNDS</b>	<b>943,723</b>	<b>865,620</b>	<b>744,081</b>	<b>644,357</b>	<b>551,070</b>

# The Corporation of the Regional Municipality of Durham

## Statistical Review (Unaudited)

Years ended 2014 to 2018

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
<b>OBLIGATIONS</b>					
Debt Incurred					
Total debenture debt	225,982	258,955	312,404	338,772	381,967
Debt assumed for others*	(132,310)	(144,023)	(140,551)	(135,674)	(148,633)
Regional debt	93,672	114,932	171,853	203,098	233,334
Recovered from					
Tax levy/user rates	73,219	85,887	98,655	112,285	125,347
Other/Reserve Funds	20,453	29,045	73,198	90,813	107,987
	93,672	114,932	171,853	203,098	233,334
Regional debt per capita (\$)	135	168	255	305	353
Regional debt as percentage of total expenses	7.5%	9.6%	15.1%	18.5%	21.4%
Debt Servicing					
Debt servicing payments	26,006	63,246	39,192	39,071	33,197
Debt servicing as percentage of total expenses	2.1%	5.3%	3.4%	3.6%	3.0%
Annual debt repayment limit	186,112	197,040	187,489	186,584	179,223
<b>TAXABLE ASSESSMENT (\$ millions)**</b>					
Residential and farm (including multiple residential)	84,088	76,922	70,260	67,083	64,117
Industrial and commercial	10,326	9,699	9,292	9,097	8,923
Farmland	2,137	1,947	1,751	1,687	1,607
Other	300	285	269	256	243
Total	96,851	88,853	81,572	78,123	74,890
Assessment analysis					
Annual tax assessment growth rate	1.8%	1.7%	1.4%	1.1%	1.6%

\* Local municipalities

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

# The Corporation of the Regional Municipality of Durham

## Statistical Review (Unaudited)

Years ended 2014 to 2018

	2018	2017	2016	2015	2014
<b>MISCELLANEOUS INFORMATION</b>					
Full time employees	4,820	4,746	4,681	4,630	4,607
Building permit values (\$ millions)*	2,059	1,961	1,630	1,520	1,524
Average monthly social assistance case load	8,929	8,921	9,161	9,427	9,461
Unemployment rate, Oshawa CMA **	5.1%	5.5%	5.9%	7.5%	7.1%
Kilometres of roads	2,370	2,376	2,372	2,368	2,344
Annual volume of treated wastewater (megalitres)	70,280	71,296	74,845	73,070	79,135
Annual volume of treated drinking water (megalitres)	65,129	61,970	65,841	63,903	63,555
Annual disposal of residential solid waste (metric tonnes)	119,716	115,271	107,887	110,498	110,417
Annual diversion of residential solid waste (metric tonnes)	115,600	108,127	111,102	119,811	125,607
Regular service passenger transit trips (000's)	10,724	10,230	10,192	10,316	10,791
Tax collection rate*	95.2%	96.1%	96.3%	95.9%	94.3%
<b>BENCHMARK INFORMATION</b>					
Percentage of paved lane kilometres where the condition is rated good to very good	31.5%	36.9%	37.6%	37.1%	39.7%
Number of conventional transit passenger trips per person in the service area in a year	18.3	17.7	18.0	18.6	19.6
Number of wastewater main backups per 100 kilometres of wastewater main in a year	0.14	0.09	0.14	0.28	0.43
Percentage of wastewater estimated to have bypassed treatment	0.05%	0.00%	0.00%	0.02%	0.00%
Number of water main breaks per 100 kilometres of water distribution pipe in a year	4.1	5.2	6.2	6.8	7.3
<b>DEMOGRAPHICS</b>					
Population ***	691,585	682,250	673,070	666,780	660,700
Households ***	236,040	232,495	229,005	226,480	224,090

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

\*\* Source: Statistics Canada

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

## 2018 Major Corporate Taxpayers

Aecom Canada Ltd.  
ALFA Hoteliers Inc.  
Atlantic Packaging Products  
Coveris Flexibles Canada Inc.  
Del Monte Fresh Produce (Canada) Corp.  
Elexicon Energy Inc. (formerly Veridian Connections)  
Enbridge Gas Distribution & Pipeline Inc.  
General Motors of Canada  
Gerdau Ameristeel Corporation  
Global Aluminum (Canada) Inc.  
Great West Life Assurance Company  
Gripmore Tires Inc.  
Hydro One Networks Inc.  
Ivanhoe Cambridge Inc.  
Loblaw Companies Limited  
Messier-Dowty Inc.  
Ontario Power Generation  
Patheon Inc.  
Picov Farms Inc.  
Purdue Pharma Inc.  
Sobey's Capital Incorporated  
St. Marys Cement Inc. (Canada)  
Suncor Energy Products Inc.  
Sun Life Assurance Company of Canada  
TransCanada Pipelines Limited





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