

Consolidated Financial Statements of
The Regional Municipality of Durham

For the year ended December 31, 2023

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, 2023, 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, 2023, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (“PSAS”).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 6, 2024

The Regional Municipality of Durham

Consolidated Statement of Financial Position

December 31, 2023

(in thousands of dollars)

	2023	2022 (Restated Note 3)
FINANCIAL ASSETS		
Cash	\$ 151,170	\$ 40,644
Investments (Note 5)	4,305,330	4,046,224
Accounts receivable	240,216	239,544
Other current assets	-	802
Debenture debt recoverable from local municipalities (Note 6)	137,503	152,361
	4,834,219	4,479,575
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	523,319	481,718
Deferred revenue - Schedule 1	1,220,281	1,111,417
Debenture debt (Note 6)	232,569	265,843
Employee benefits and post-employment liabilities (Note 7)	342,616	297,630
Asset retirement obligation liabilities (Note 8)	60,460	56,939
	2,379,245	2,213,547
NET FINANCIAL ASSETS	\$ 2,454,974	\$ 2,266,028
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	4,597,648	4,325,711
Inventories	6,636	5,292
	4,604,284	4,331,003
ACCUMULATED SURPLUS (Note 11)	\$ 7,059,258	\$ 6,597,031

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

The Regional Municipality of Durham

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2023

(in thousands of dollars)

	2023		2022
	Budget (Note 12)	Actual	Actual (Restated Note 3)
REVENUES			
Property taxes	\$ 831,175	\$ 847,913	\$ 784,248
User charges			
Water and sewer	246,965	261,352	240,009
Other	132,656	130,582	119,453
Government transfers			
Canada	69,657	39,123	24,057
Ontario	528,351	474,360	421,468
Deferred revenue earned - Schedule 1	234,007	171,641	129,950
Fines (Note 16)	11,804	11,441	8,921
Contributed tangible capital assets	-	59,673	49,296
Other	60,532	167,346	101,374
TOTAL REVENUES	2,115,147	2,163,431	1,878,776
EXPENSES			
General government	98,272	112,182	91,328
Protection to persons and property	295,976	305,186	284,584
Transportation services	97,100	109,465	110,832
Transit	124,074	131,881	115,249
Environmental services	348,958	342,643	348,108
Health services	134,992	134,440	140,161
Social and family services	494,540	486,743	389,689
Social housing	81,083	78,664	81,459
TOTAL EXPENSES	1,674,995	1,701,204	1,561,410
ANNUAL SURPLUS	440,152	462,227	317,366
ACCUMULATED SURPLUS, BEGINNING OF YEAR	6,597,031	6,597,031	6,320,146
Adjustment on adoption of the asset retirement obligation standard (Note 3)	-	-	(40,481)
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED	-	-	6,279,665
ACCUMULATED SURPLUS, END OF YEAR (Note 11)	\$ 7,037,183	\$ 7,059,258	\$ 6,597,031

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

The Regional Municipality of Durham

Consolidated Statement of Changes in Accumulated Surplus

December 31, 2023

(in thousands of dollars)

	<u>2023</u>	<u>2022</u>
		(Restated Note 3)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		
Accumulated surplus, as previously reported	\$ 6,597,031	\$ 6,320,146
Adjustment on adoption of the asset retirement obligation standard (Note 3)	-	(40,481)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>6,597,031</u>	<u>6,279,665</u>
ANNUAL SURPLUS	<u>462,227</u>	<u>317,366</u>
ACCUMULATED SURPLUS, END OF THE YEAR	<u>\$ 7,059,258</u>	<u>\$ 6,597,031</u>

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

The Regional Municipality of Durham

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2023

(in thousands of dollars)

	2023		2022
	Budget (Note 12)	Actual	Actual (Restated Note 3)
ANNUAL SURPLUS	\$ 440,152	\$ 462,227	\$ 317,366
Acquisition of tangible capital assets	(744,167)	(343,028)	(263,150)
Contributed tangible capital assets (Note 10)	(20,017)	(101,067)	(49,296)
Amortization of tangible capital assets	27,301	164,377	163,527
Loss on disposal of tangible capital assets	-	7,179	24,508
Proceeds on disposal of tangible capital assets	-	602	540
Change in inventories	-	(1,344)	1,171
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(296,731)	188,946	194,666
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,266,028	2,266,028	2,119,787
Adjustment on adoption of the asset retirement obligation standard (Note 3)	-	-	(48,425)
NET FINANCIAL ASSETS, BEGINNING OF YEAR, AS RESTATED	2,266,028	2,266,028	2,071,362
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,969,297	\$ 2,454,974	\$ 2,266,028

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

The Regional Municipality of Durham

Consolidated Statement of Cash Flows

Year ended December 31, 2023

(in thousands of dollars)

	2023	2022
		(Restated Note 3)
OPERATING		
Annual surplus	\$ 462,227	\$ 317,366
Non-cash charges to operations		
Amortization of tangible capital assets	164,377	163,527
Contributed tangible capital assets (Note 10)	(101,067)	(49,296)
Loss on disposal of tangible capital assets	7,179	24,508
Amortization of bond discount	(1,075)	(195)
Accretion expense (Note 8)	1,726	1,682
Asset retirement obligation expense (Note 8)	1,795	(403)
Change in non-cash assets and liabilities		
Accounts receivable	(672)	(48,131)
Other current assets	802	(76)
Accounts payable and accrued liabilities	41,601	54,807
Deferred revenue	108,864	101,212
Employee benefits and post-employment liabilities	44,986	42,678
Inventories	(1,344)	1,171
Net increase in cash from operating activities	729,399	608,850
CAPITAL		
Proceeds on disposal of tangible capital assets	602	540
Acquisition of tangible capital assets	(343,028)	(263,150)
Net (decrease) in cash from capital activities	(342,426)	(262,610)
INVESTING		
Proceeds on maturity of investments	1,364,332	1,118,172
Acquisition of investments	(1,622,363)	(1,579,456)
Net (decrease) in cash from investing activities	(258,031)	(461,284)
FINANCING		
Regional debenture debt issued	-	25,900
Adjustment on adoption of Financial Instruments (Note 3)	(335)	-
Regional debenture debt principal repayments	(18,081)	(17,809)
Net (decrease)/increase in cash from financing activities	(18,416)	8,091
NET INCREASE/(DECREASE) IN CASH, DURING THE YEAR	110,526	(106,953)
CASH, BEGINNING OF YEAR	40,644	147,597
CASH, END OF YEAR	\$ 151,170	\$ 40,644

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

1. Municipal Structure

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

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

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

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

General Government

This segment consists of services provided by the following administrative departments: Regional Council, Offices of the Regional Chair and the Chief Administrative Officer, Finance, Corporate Services, and Planning and Economic Development. In addition to the governmental administrative functions, the services of this segment include Regional official plan formulation and administration, regional development and promotion, and administrative and financial support, including debt issues and property tax policy. Broadband services under the operation of Durham OneNet Inc. (“DONi”) are also included in this segment.

Protection to Persons and Property

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

Transportation Services

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

Transit

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

1. Municipal Structure (Continued)

Environmental Services

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

Health Services

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

Social and Family Services

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

Social Housing

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

2. Summary of Accounting Policies

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

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

(a) Reporting Entity

- i. The consolidated financial statements reflect the financial activities of all entities that are controlled by the Region, and include the Durham Regional Police Services, DONi, 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.
- 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.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

(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. There are no remaining active landfill sites.

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.

(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.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

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. Asset Retirement Obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligation, based on the most reliable information that is available as at the applicable reporting date. Where cash flows are expected over future periods, the liability is recognized using a present value technique and adjusted yearly for accretion expense. The accretion expense increases the carrying amount of the liability for an Asset Retirement Obligation due to the passage of time.

The recognition of a liability results in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the tangible capital asset accounting policies. For tangible capital assets no longer in productive use or unrecognized tangible capital assets, the retirement costs are expensed. At remediation, the Region derecognizes the liability. In some circumstances, gains or losses may be incurred upon settlement related to the ongoing measurement of the liability and the corresponding estimates that were made, with the gains or losses recognized in the statement of operations.

v. 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 expenses are incurred or events occur.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

vi. Financial Instruments

Financial instruments reported on the Region's Statement of Financial Position are measured as follows:

Financial instrument	Measurement
Cash	Cost
Investments	Amortized cost
Accounts receivable	Cost
Accounts payable and accrued liabilities	Cost
Regional debenture debt	Amortized cost

Financial instruments measured at cost / amortized cost are carried using the effective interest method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

vii. 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.

viii. 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.

ix. 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, the useful life of capital assets and the expected retirement costs, accrued liabilities, employee benefits and post-employment liabilities, and landfill closure and post closure liabilities. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

- x. 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, 2023, the Region adopted the following new Public Sector Accounting Standards.

- (a) PS 1201 - Financial Statement Presentation, PS 3041 - Portfolio Investments, PS 2601 - Foreign Currency Translation, and PS 3450 - Financial Instruments, are interdependent standards and require concurrent adoption. PS 1201 provides guidance and presentation requirements for financial statements and the inclusion of a new statement of remeasurement of gains and losses. PS 3041 has removed the distinction between temporary and portfolio investments and includes pooled investment funds 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 3450 covers accounting and reporting of financial instruments, including derivatives. Unrealized gains and losses will be presented in the new statement of remeasurement of gains and losses.

The adoption of the new standards is applied prospectively, and comparative information has not been restated. A statement of remeasurement gains and losses has not been included as there are no unrealized gains or losses to report.

- (b) PS 3280 - Asset Retirement Obligations
The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings no longer in use. The new accounting standard includes solid waste landfill sites active and post-closure obligations and has resulted in a withdrawal of the existing Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability. Previously, with the exception of the landfill closure and post-closure liability, the Region reported obligations related to the retirement of tangible capital assets in the period when the asset was retired. The new standard was adopted on the modified retrospective basis with restatement of prior period comparative amounts. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

In accordance with the provisions of this method, the Region reflected the following adjustments as at January 1, 2023:

- i. Landfill obligation
 - (a) A decrease of \$6,987 (January 1, 2022 - \$7,235) to Landfill closure and post-closure liabilities recognized to date under the old standard, and an accompanying increase of \$6,987 to opening Accumulated Surplus.
 - (b) An Asset retirement obligation in the amount of \$6,987 (January 1, 2022 - \$7,235), representing the original obligation discounted to the present value using a rate of 4.25% and an accompanying decrease to opening Accumulated Surplus.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

3. Adoption of Accounting Policies (continued)

- ii. Asbestos obligation
 - (a) An increase of \$15,544 to the Buildings and building improvements capital assets, representing the original estimate of the obligation as of the later of the year this obligation took effect, or the year of acquisition. An accompanying increase of \$9,489 (January 1, 2022 - \$9,184) to Accumulated Amortization, representing the years of increased amortization, had this obligation been recognized.
 - (b) An Asset retirement obligation in the amount of \$46,750 (January 1, 2022 - \$45,341), representing the original obligation discounted to present value using a rate of 3.175%.
 - (c) A decrease to opening Accumulated Surplus of \$40,695 (January 1, 2022 - \$38,980), resulting from the recognition of the liability and accompanying increase in amortization and accretion expenses, from the later of the year the obligation took effect or the year of acquisition.
- iii. Other obligations
 - (a) An increase of \$1,900 to the Buildings and building improvements capital assets, representing the original estimate of the obligation as of the later of the year this obligation took effect, or the year of acquisition. An accompanying increase of \$363 (January 1, 2022 - \$316) to Accumulated Amortization, representing the years of increased amortization, had this obligation been recognized.
 - (b) An Asset retirement obligation in the amount of \$3,202 (January 1, 2022 - \$3,084), representing the original obligation discounted to the present value using a rate of 4.25%.
 - (c) A decrease to opening Accumulated Surplus of \$1,665 (January 1, 2022 - \$1,500), resulting from the recognition of the liability and accompanying increase in amortization and accretion expenses, from the later of the year the obligation took effect or the year of acquisition.

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.

PS 3400, Revenue, establishes standards on accounting and reporting of revenue, and differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

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

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

<u>Public Sector Accounting Standard</u>	<u>Effective Date</u>
PS 3400 - Revenue	April 1, 2023
PS 3160 - Public Private Partnerships	April 1, 2023

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

5. Investments

Investments consisting of guaranteed investment certificates and high interest accounts, bonds and equity funds have an amortized cost of \$4,305,330 (2022 – \$4,046,224) and a market value of \$4,344,059 (2022 – \$4,048,964).

6. Debenture Debt

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

	<u>2023</u>	<u>2022</u>
Total debenture debt	\$ 232,569	\$ 265,843
Debenture debt recoverable from local municipalities	(137,503)	(152,361)
Regional debenture debt (Note 11)	\$ 95,066	\$ 113,482

The Regional debenture debt is measured at amortized cost, using the effective interest rate method. Interest rates for Regional debenture debt range from 0.95% to 5.73%, with maturities between July 2024 and July 2042. In 2023, Regional debenture debt of \$nil (2022 - \$25,900) was issued.

Local municipalities have assumed responsibility for payment of principal and interest charges for their respective portions of the total debenture debt, with interest rates ranging from 0.45% to 5.33% and maturities between December 2024 and November 2042. In 2023, the Region issued debenture debt on behalf of the local municipalities for \$112 (2022 – \$31,975). The Region is contingently liable for these debentures.

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

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Thereafter</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
Sanitary Sewerage	2,107	2,178	2,253	2,333	2,417	18,240	29,528
Long Term Care	6,463	709	736	765	796	4,503	13,972
Police Services	6,085	6,176	6,281	6,397	6,525	20,437	51,901
	<u>14,655</u>	<u>9,063</u>	<u>9,270</u>	<u>9,495</u>	<u>9,738</u>	<u>43,180</u>	<u>95,401</u>

Total interest charges for Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$2,794 (2022 - \$3,464).

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(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 extended health and dental, sick leave, and benefits mandated under the Workplace Safety and Insurance Act. The accrued benefit liability and expense amounts for these employee benefits are based on the results of the December 31, 2021 triennial actuarial valuations, prepared by an independent actuary. These benefits are comprised of:

	<u>2023</u>	<u>2022</u>
Sick leave benefits	\$ 102,400	\$ 98,188
Post-employment benefits	141,796	130,624
Workplace safety and insurance benefits	98,420	68,818
Total employee benefits and post-employment liabilities	342,616	297,630
Funded post-employment benefits	(43,111)	(43,879)
Unfunded employee benefits and post-employment liabilities (Note 11)	\$ 299,505	\$ 253,751

Significant management assumptions used in the actuarial valuations are:

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

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2023
(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, 2021, is as follows:

	<u>2023</u>	<u>2022</u>
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	\$ 108,005	\$ 105,402
Current period benefit cost	8,872	8,647
Interest on accrued benefit obligation	2,927	2,850
Benefit payments	(8,610)	(8,894)
Accrued benefit obligation, end of year	111,194	108,005
Unamortized actuarial losses	(8,794)	(9,817)
Liability for sick leave benefits	\$ 102,400	\$ 98,188
Sick leave benefit expense		
Current period benefit cost	\$ 8,872	\$ 8,647
Interest on accrued benefit obligation	2,927	2,850
Amortization of actuarial losses	1,023	1,248
Total sick leave benefit expense	\$ 12,822	\$ 12,745

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

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2023
(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 DRT employees whose coverage is maintained for life. The liability for post-employment benefits and expense, as determined by actuarial valuation at December 31, 2021, is as follows:

	<u>2023</u>	<u>2022</u>
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	\$ 171,933	\$166,407
Current period benefit cost	10,135	9,878
Interest on accrued benefit obligation	4,613	4,469
Benefit payments	(9,279)	(8,821)
Accrued benefit obligation, end of year	177,402	171,933
Unamortized actuarial losses	(35,606)	(41,309)
Liability for post-employment benefits	\$ 141,796	\$130,624
Post-employment benefit expense		
Current period benefit cost	\$ 10,135	\$ 9,878
Interest on accrued benefit obligation	4,613	4,469
Amortization of actuarial losses	5,703	5,702
Total post-employment benefit expense	\$ 20,451	\$ 20,049

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

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2023
(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, 2021, updated to December 31, 2023, is as follows:

	<u>2023</u>	<u>2022</u>
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	\$ 114,598	\$88,183
Current period benefit cost	32,512	30,228
Interest on accrued benefit obligation	3,654	2,928
Actuarial loss	3,997	4,877
Benefit payments	(13,157)	(11,618)
Accrued benefit obligation, end of year	141,604	114,598
Unamortized actuarial losses	(43,184)	(45,780)
Liability for WSI benefits	\$ 98,420	\$68,818
WSI benefit expense		
Current period benefit cost	\$ 32,512	\$30,228
Interest on accrued benefit obligation	3,654	2,928
Amortization of actuarial losses	6,593	6,061
Total WSI benefit expense	\$ 42,759	\$39,217

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

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

8. Asset Retirement Obligations

The Region reports liabilities related to the legal obligations where the Region is obligated to incur costs to retire a tangible capital asset. The Region's asset retirement obligation consists of several obligations as follows:

(a) Landfill obligation

The Region owns seven closed landfill sites and is responsible for post-closure activities, which include monitoring of ground and surface water, leachate, and gas, ongoing maintenance, and annual reporting for an estimated 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 liability for closure and post-closure care is based on the sum of discounted future cash flows using a discount rate of 4.25% and assuming an annual inflation factor of 2%.

(b) Asbestos obligation

The Region owns buildings which contain asbestos and is legally required to perform abatement activities upon renovation or demolition of the asset. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. The total estimated liability for abatement activities is based on the sum of discounted future cash flows using a discount rate of 3.175% and assuming annual inflation of 3%.

(c) Other obligations

Other asset retirement obligations relate to waste management site closure and end of use plan requirements and water supply system well decommissioning, related to either building and building improvements tangible capital assets or as unrecognized capital assets.

The Region owns several waste management facilities of which three waste sites have requirements for a closure plan under the Environmental Compliance Approval (ECA) issued by the Ministry of Environment, Conservation and Parks. Closure plan costs include pre-condition surveys, geotechnical investigations, environmental studies, site closure reports, grading and drainage control features.

In addition, a waste management facility jointly owned by the Region and the Regional Municipality of York has both an ECA closure plan requirement and an end use plan requirement under an agreement with the Municipality of Clarington. In addition to the ECA closure plan costs, the end of use plan requires the decommission and dismantlement of the facility to a standard suitable for re-use as an industrial/commercial site.

The Region also owns water supply system wells that upon their retirement require decommissioning by a licensed well contractor to plug and seal the well in accordance with the regulation.

The total estimated liability for other asset retirement obligations is based on the sum of discounted future cash flows using a discount rate of 4.25% and assuming annual inflation of 3%.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

8. Asset Retirement Obligations (continued)

The Region has not designated funds for settling these asset retirement obligations and will include estimates in future budgets when retirement activities will be undertaken. Changes to the asset retirement obligation in the year are as follows:

Asset retirement obligation	Landfill closure	Asbestos	Other obligations	Balance at December 31, 2023
Balance, beginning of the year	\$ 6,987	\$ 46,750	\$ 3,202	\$ 56,939
Liabilities incurred	-	571	-	571
Liabilities settled	(223)	-	-	(223)
Accretion expense	149	1,454	123	1,726
Changes in estimate	1,447	-	-	1,447
Closing balance	\$ 8,360	\$ 48,775	\$ 3,325	\$ 60,460

Asset retirement obligation	Landfill closure	Asbestos	Other obligations	Balance at December 31, 2022
Balance, beginning of the year	\$ -	\$ -	\$ -	\$ -
Adjustment on adoption of the asset retirement obligation standard (Note 3(b))	7,235	45,341	3,084	55,660
Balance, beginning of the year, restated	7,235	45,341	3,084	55,660
Liabilities settled	(223)	-	-	(223)
Accretion expense	155	1,409	118	1,682
Changes in estimate	(180)	-	-	(180)
Closing balance	\$ 6,987	\$ 46,750	\$ 3,202	\$ 56,939

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, 2023, there are no contaminated sites that meet the specified criteria and no liability (2022 - \$nil) for contaminated sites has been recorded in these Consolidated Financial Statements.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(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:

	2023	2022 (Restated Note 3)
Land	\$ 103,053	\$ 84,452
Land improvements	18,681	15,877
Building and building improvements	677,811	671,519
Vehicles	62,197	75,505
Machinery and equipment	384,410	398,066
Water and wastewater - infrastructure	1,898,429	1,790,799
Roads - infrastructure	845,639	837,685
	3,990,220	3,873,903
Work in progress	607,428	451,808
	\$ 4,597,648	\$4,325,711

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 \$607,428 (2022 - \$451,808) 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 2023 was \$101,067 (2022 - \$49,296). A portion of the contributed tangible capital assets, in the amount of \$41,394 (2022- \$nil), was financed by development charge credits earned and recorded as deferred revenue earned.

(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 (2022 - \$nil), no interest was capitalized (2022 - \$nil), and there are no capital lease obligations (2022 - \$nil).

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

11. Accumulated Surplus

The accumulated surplus consists of the following:

	2023	2022 (Restated Note 3)
Surplus		
Tangible capital assets (Note 10)	\$ 4,597,648	\$ 4,325,711
Regional debenture debt (Note 6)	(95,066)	(113,482)
Unexpended capital financing for future capital acquisitions	787,263	719,607
Employee benefits and post-employment liabilities (Note 7)	(299,505)	(253,751)
Asset retirement obligation liabilities (Note 8)	(60,460)	(56,939)
Total Surplus	4,929,880	4,621,146
Reserves Set Aside By Council		
Capital	360,222	330,273
Sick leave	150,313	145,300
Regional roads	63,664	58,405
Working capital	52,118	51,869
Property tax assessment appeals	36,939	35,547
Employee benefits	34,718	31,567
Other reserves	9,451	10,941
Total Reserves	707,425	663,902
Reserve Funds Set Aside For Specific Purpose By Council		
Treatment plant/rate stabilization - Sanitary sewerage	247,175	238,568
Capital impact stabilization fund	219,342	222,638
Treatment plant/rate stabilization - Water supply	162,850	157,260
Solid waste management	126,592	119,289
Operating impact stabilization fund	118,920	113,118
Insurance	75,076	72,631
Asset management	64,254	61,658
Social housing	63,522	48,198
Roads rehabilitation	55,385	40,411
Workers' compensation	53,154	50,260
Transit capital	44,950	42,602
Seaton facilities	35,906	34,068
Growth related infrastructure	31,346	-
Servicing of employment lands and key locations	18,977	18,340
Regional revitalization	18,058	15,675
Economic development	9,306	7,770
Bridge rehabilitation	8,193	6,954
Climate mitigation and environment	2,336	2,461
Other reserve funds	66,611	60,082
Total Reserve Funds	1,421,953	1,311,983
Accumulated Surplus	\$ 7,059,258	\$ 6,597,031

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

12. Budget Amounts

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

	Property Tax \$	Water Supply \$	Sanitary Sewerage \$	Total \$
Revenues				
Approved Budget	1,936,288	222,659	285,476	2,444,423
Reclassifications between revenue and expense	(4,046)	-	(39,005)	(43,051)
Budget before PSAS adjustments	1,932,242	222,659	246,471	2,401,372
Contributed tangible capital assets	297	8,972	10,748	20,017
Transfers from reserves and reserve funds	(123,847)	(9,447)	(12,065)	(145,359)
Proceeds of debt issued for Regional purposes	(129,549)	(15,667)	(15,667)	(160,883)
Total Revenues	1,679,143	206,517	229,487	2,115,147
Expenses				
Approved Budget	1,936,288	222,659	285,476	2,444,423
Reclassifications between revenue and expense	(4,046)	-	(39,005)	(43,051)
Budget before PSAS adjustments	1,932,242	222,659	246,471	2,401,372
Post-employment benefit expense	25,863	670	768	27,301
Asset retirement obligation	(248)	-	-	(248)
Amortization	98,750	29,047	36,851	164,648
Transfers to reserves and reserve funds	(124,977)	(9,447)	(20,844)	(155,268)
Acquisition of tangible capital assets	(493,157)	(144,198)	(108,504)	(745,859)
Less: Recovery for shared ownership	-	-	1,692	1,692
Net Acquisition of tangible capital assets	(493,157)	(144,198)	(106,812)	(744,167)
Regional debenture debt principal repayments	(16,602)	-	(2,041)	(18,643)
Total Expenses	1,421,871	98,731	154,393	1,674,995
Annual Surplus	257,272	107,786	75,094	440,152

The budget for property tax purposes was presented to Regional Council under Report 2023-F-9 and was approved March 29, 2023, under by-laws 13-2023, 14-2023, and 15-2023.

The budget for water supply and sanitary sewerage were presented to Regional Council in Report 2022-F-22 and were approved December 21, 2022, under by-laws 55-2022 and 56-2022.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

13. Contractual Obligations

(a) *Sanitary Sewerage System*

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

(b) *Solid Waste Management*

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

(c) *Lease Commitments*

The Region has commitments under various building, land and equipment lease agreements expiring from 2024 to 2032. These operating leases require approximate annual rental payments as follows:

2024	4,967
2025	3,979
2026	2,851
2027	1,776
2028	882
Thereafter	1,179
	<u>\$15,634</u>

(d) *Tangible Capital Assets Commitments*

Contractual obligations for tangible capital asset work in progress total approximately \$333,183 (2022 - \$357,103). 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 \$313,382 (2022 - \$298,137), of which \$8,672 (2022 - \$17,297) is recognized as deferred revenue earned in the current year.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

14. Contingency

The Region has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2023; however, in the opinion of management, any liability that may arise from such actions would not have a significant adverse effect on the Consolidated Financial Statements.

15. Pension Contributions

The Region contributed \$53,979 (2022 - \$48,439) to OMERS on behalf of 6,754 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, 2023, the OMERS plan, with approximately 613,000 members, has a funding deficit that is approximately \$4.2 billion.

16. Provincial Offences Administration

The Region administers the prosecution and collection of fines arising under the Provincial Offences Act ("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 online, by mail, or at any Provincial Offences court office in Ontario, at which time the receipts are recorded in the Integrated Courts Offences Network system ("ICON"). The Region recognizes fine revenue on a gross basis when the receipt of funds is recorded in ICON.

Gross revenues for POA charges total \$11,441 (2022 - \$8,921). Net revenues total \$1,358 (2022 - net program revenues of \$64). Local municipalities share 60 per cent of net revenues and the Region retains 40 per cent or \$543 (2022 - net program revenues of \$26).

17. Trust Funds

Trust Funds administered by the Region amount to \$1,038 (2022 - \$1,059) 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. Risk Management

The Region is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's risk exposure at the statement of financial position date, December 31, 2023.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Region is exposed to credit risk through its cash, investments, and accounts receivable. The Region holds cash accounts in federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation and manages credit exposure resulting from the investments by investing in high credit quality instruments, in accordance with the Region's Investment Policy. Accounts receivable are monitored based on the age of the amount receivable and historical experience with collections. The Region does not have any significant past due receivables. There was no change in exposure from the prior year.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2023
(in thousands of dollars)

18. Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Region will not be able to meet its obligations associated with financial liabilities. To reduce liquidity risk, the Region maintains liquid reserves such as cash and investments. The Region is exposed to this risk mainly with respect to its accounts payable and accrued liabilities, and debenture debt. To manage this risk and ensure there is sufficient liquidity to meet its liabilities when due, the Region undertakes extensive budgeting, forecasting, and financial planning exercises for major capital investments, monitors its cash balances and cash flows generated from operations and invests in highly liquid securities that can readily be converted to cash. There was no change in exposure from the prior year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk encompasses a variety of financial risks such as foreign exchange risk, interest rate risk, and commodity price risk.

i. Foreign Currency risk

Foreign currency risk is the risk that the fair value of cash balances and transactions for goods and services denominated in a foreign currency will vary in Canadian dollar terms because of changes in foreign exchange rates. The Region is subject to foreign currency risk as the result purchases of goods and services where the transactions are settled in a foreign currency. The value of the purchase transactions settled in foreign currencies is not significant. There was no change in exposure from the prior year.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Region is subject to interest rate risk through its debt and variable rate investments (bonds and GIC's). There was no change in exposure from the prior year.

iii. Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. There was no change in exposure from the prior year.

19. Comparative Figures

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

The Regional Municipality of Durham
Consolidated Schedule of Deferred Revenue

Year ended December 31, 2023

(in thousands of dollars)

Schedule 1

	INCREASE IN DEFERRED REVENUE							DEFERRED REVENUE EARNED	BALANCE, END OF YEAR
	BALANCE, BEGINNING OF YEAR	Interest	Government transfers	Development charges collected	Other	Total			
	\$						\$		
Development Charges									
Residential & Non-Residential									
Sanitary sewerage	229,277	4,481	-	71,624	-	76,105	66,114	239,268	
Water supply	408,055	7,664	-	61,409	-	69,073	40,877	436,251	
Solid Waste	-	-	-	52	-	52	-	52	
Roads	283,955	3,703	-	73,791	-	77,494	31,878	329,571	
Transit	35,517	243	-	7,736	8,411	16,390	-	51,907	
Residential									
Police	23,872	246	-	2,485	-	2,731	4,202	22,401	
Long-Term Care	651	8	-	858	-	866	431	1,086	
Development Charge Study	346	11	-	13	-	24	57	313	
GO Transit	-	-	-	2,439	-	2,439	2,439	-	
Emergency Medical Services	5,218	67	-	744	-	811	2,868	3,161	
Health & Social Services	3,689	128	-	11	-	139	-	3,828	
Housing Services	6,148	195	-	161	(175)	181	720	5,609	
Development Charges	996,728	16,746	-	221,323	8,236	246,305	149,586	1,093,447	
Gas Tax									
Federal	80,598	1,627	21,370	-	-	22,997	11,051	92,544	
Provincial	24,033	361	9,349	-	-	9,710	2,358	31,385	
Gas Tax	104,631	1,988	30,719	-	-	32,707	13,409	123,929	
Conditional Grants									
Transit	371	-	-	-	-	-	-	371	
Municipal Infrastructure	2,218	-	-	-	-	-	2,218	-	
Social Housing	7,469	98	1,395	-	-	1,493	6,428	2,534	
Conditional Grants	10,058	98	1,395	-	-	1,493	8,646	2,905	
Total	1,111,417	18,832	32,114	221,323	8,236	280,505	171,641	1,220,281	

The Regional Municipality of Durham
Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2023
(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	2023 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	84,452	1,199	30,628	1,062,290	167,315	964,214	2,541,033	1,521,790	451,808	6,824,729
Additions	16,017	-	4,219	33,532	5,849	30,648	43,525	53,618	342,456	529,864
Contributed tangible capital assets	2,584	-	-	-	-	-	97,790	693	-	101,067
Work in progress completed	-	-	-	-	-	-	-	-	(186,836)	(186,836)
Disposals	-	-	(27)	(1,862)	(11,772)	(2,165)	(715)	(5,986)	-	(22,527)
BALANCE, END OF YEAR	103,053	1,199	34,820	1,093,960	161,392	992,697	2,681,633	1,570,115	607,428	7,246,297
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	14,751	390,771	91,810	566,148	750,234	684,105	-	2,499,018
Amortization of tangible capital assets	-	-	1,416	25,772	14,544	44,105	33,424	45,116	-	164,377
Disposals	-	-	(28)	(394)	(7,159)	(1,966)	(454)	(4,745)	-	(14,746)
BALANCE, END OF YEAR	-	1,199	16,139	416,149	99,195	608,287	783,204	724,476	-	2,648,649
NET BOOK VALUE, END OF YEAR	103,053	-	18,681	677,811	62,197	384,410	1,898,429	845,639	607,428	4,597,648

The Regional Municipality of Durham
Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2022
(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	2022 Restated (Note 3) Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	73,023	1,199	30,341	1,063,441	158,916	944,505	2,474,898	1,495,851	338,765	6,580,939
Additions	11,429	-	283	11,430	25,207	32,142	33,280	36,336	263,150	413,257
Contributed tangible capital assets	-	-	4	9,926	-	909	33,593	4,864	-	49,296
Work in progress completed	-	-	-	-	-	-	-	-	(150,107)	(150,107)
Disposals	-	-	-	(22,507)	(16,808)	(13,342)	(738)	(15,261)	-	(68,656)
BALANCE, END OF YEAR	84,452	1,199	30,628	1,062,290	167,315	964,214	2,541,033	1,521,790	451,808	6,824,729
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	13,338	371,294	94,194	529,726	718,277	651,071	-	2,379,099
Amortization of tangible capital assets	-	-	1,413	30,027	14,031	43,532	32,490	42,034	-	163,527
Disposals	-	-	-	(10,550)	(16,415)	(7,110)	(533)	(9,000)	-	(43,608)
BALANCE, END OF YEAR	-	1,199	14,751	390,771	91,810	566,148	750,234	684,105	-	2,499,018
NET BOOK VALUE, END OF YEAR	84,452	-	15,877	671,519	75,505	398,066	1,790,799	837,685	451,808	4,325,711

The Regional Municipality of Durham
Consolidated Schedule of Segment Disclosure

Year ended December 31, 2023
(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2023 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	847,913	847,913
User charges	1,977	8,176	4,113	32,714	313,017	1,102	23,193	7,642	-	391,934
Government transfers	16,471	14,224	123	5,230	10,081	72,813	369,858	24,683	-	513,483
Deferred revenue earned	383	4,202	44,074	5,514	106,991	2,868	431	7,178	-	171,641
Fines	-	11,441	-	-	-	-	-	-	-	11,441
Contributed tangible capital assets	-	-	-	-	59,673	-	-	-	-	59,673
Other	318	503	5,024	8,169	2,509	20	1	45	150,757	167,346
TOTAL REVENUES	19,149	38,546	53,334	51,627	492,271	76,803	393,483	39,548	998,670	2,163,431
EXPENSES										
Salaries, wages and benefits	70,548	240,630	28,743	62,036	77,752	114,156	184,688	5,915	-	784,468
Operating materials and supplies	23,064	31,068	25,337	25,086	90,032	12,148	27,149	11,870	-	245,754
Contracted services	24,056	6,145	3,299	19,105	74,613	2,620	187,330	5,579	-	322,747
Rents and financial services	1,179	3,180	1,811	6,822	10,209	1,244	1,825	2,853	-	29,123
Government transfers	6,887	11,674	-	4,117	-	-	78,979	48,558	-	150,215
Amortization of tangible capital assets	5,719	9,490	51,084	11,581	75,723	3,181	6,548	1,051	-	164,377
Accretion	-	-	51	20	564	-	9	1,082	-	1,726
Interfunctional charges	(19,262)	2,167	(862)	3,114	12,501	1,084	(497)	1,755	-	-
Debenture interest	(9)	832	2	-	1,249	7	712	1	-	2,794
TOTAL EXPENSES	112,182	305,186	109,465	131,881	342,643	134,440	486,743	78,664	-	1,701,204
ANNUAL SURPLUS	(93,033)	(266,640)	(56,131)	(80,254)	149,628	(57,637)	(93,260)	(39,116)	998,670	462,227

The Regional Municipality of Durham
Consolidated Schedule of Segment Disclosure

Year ended December 31, 2022
(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2022 Restated (Note 3) Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	784,248	784,248
User charges	2,199	8,151	3,035	23,340	292,544	1,166	21,457	7,570	-	359,462
Government transfers	1,806	10,718	52	21,979	8,748	86,191	290,895	25,136	-	445,525
Deferred revenue earned	394	2,619	30,695	18,853	60,437	983	529	15,440	-	129,950
Fines	-	8,921	-	-	-	-	-	-	-	8,921
Contributed tangible capital assets	-	-	4,864	-	44,432	-	-	-	-	49,296
Other	8	2,953	289	125	4,589	7	29	32	93,342	101,374
TOTAL REVENUES	4,407	33,362	38,935	64,297	410,750	88,347	312,910	48,178	877,590	1,878,776
EXPENSES										
Salaries, wages and benefits	64,397	231,331	26,646	58,251	72,945	118,004	171,303	5,370	-	748,247
Operating materials and supplies	18,751	25,409	26,277	24,039	87,687	12,088	22,851	9,487	-	226,589
Contracted services	14,410	4,332	3,527	15,400	66,522	3,872	115,527	4,701	-	228,291
Rents and financial services	1,023	2,746	6,319	948	28,048	2,341	1,819	2,746	-	45,990
Government transfers	5,074	9,840	-	2,419	-	-	70,233	56,054	-	143,620
Amortization of tangible capital assets	5,282	8,833	47,699	11,221	79,674	2,985	6,589	1,244	-	163,527
Accretion	-	-	50	19	557	-	8	1,048	-	1,682
Interfunctional charges	(17,618)	659	303	2,951	11,883	835	182	805	-	-
Debenture interest	9	1,434	11	1	792	36	1,177	4	-	3,464
TOTAL EXPENSES	91,328	284,584	110,832	115,249	348,108	140,161	389,689	81,459	-	1,561,410
ANNUAL SURPLUS	(86,921)	(251,222)	(71,897)	(50,952)	62,642	(51,814)	(76,779)	(33,281)	877,590	317,366

Trust Funds Financial Statements

For the year ended December 31, 2023

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, 2023, 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 6, 2024

The Regional Municipality of Durham

Trust Funds: Statement of Financial Position

December 31, 2023

(in thousands of dollars)

	2023					2022
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS						
Cash	196	207	84	533	1,020	1,036
Other current assets	-	-	-	22	22	23
	196	207	84	555	1,042	1,059
FINANCIAL LIABILITIES						
Accrued liabilities	-	-	-	4	4	-
NET FINANCIAL ASSETS	196	207	84	551	1,038	1,059
FUND BALANCES	196	207	84	551	1,038	1,059

The Regional Municipality of Durham

Trust Funds: Statement of Financial Activities and Fund Balances

Year ended December 31, 2023

(in thousands of dollars)

	2023					2022
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
REVENUES						
Residents	967	10	-	-	977	986
Recipients	-	-	-	1,696	1,696	1,529
Interest earned	-	-	3	-	3	2
TOTAL REVENUES	967	10	3	1,696	2,676	2,517
EXPENSES ON BEHALF OF						
Residents	993	28	1	-	1,022	987
Recipients	-	-	-	1,675	1,675	1,449
TOTAL EXPENSES	993	28	1	1,675	2,697	2,436
NET REVENUES/(EXPENSES)	(26)	(18)	2	21	(21)	81
FUND BALANCES, BEGINNING OF YEAR	222	225	82	530	1,059	978
FUND BALANCES, END OF YEAR	196	207	84	551	1,038	1,059

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

The Regional Municipality of Durham

Notes to the Trust Funds Financial Statements

December 31, 2023
(in thousands of dollars)

1. Accounting Policies

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

(a) *Basis of Accounting*

Revenues and expenses are reported on the accrual basis of accounting. The accrual 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.

(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.

(c) *Financial Instruments*

Financial instruments reported on the Statement of Financial Position are measured as follows:

<u>Financial Instrument</u>	<u>Measurement</u>
Cash	Amortized cost
Other current assets	Amortized cost
Accrued liabilities	Amortized cost

Financial instruments measured at amortized cost are carried using the effective interest method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Financial instruments measured at fair value are recorded based on prices quoted in an active market.

Write downs of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to recoverable value with the write down being recognized in the Statement of Financial Activities and Fund Balances.

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.

The Regional Municipality of Durham

Notes to the Trust Funds Financial Statements

December 31, 2023
(in thousands of dollars)

3. Risk Management

Risks and Concentrations

The trust funds are exposed to a variety of financial risks, including interest rate risk and liquidity risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The trust funds do not hold any investment or debt instruments that are exposed to interest rate risk. There was no change in exposure from the prior year.

(b) Liquidity risk

Liquidity risk is the risk that the trust funds will encounter difficulty in meeting obligations associated with financial liabilities. The trust funds are exposed to this risk mainly with respect to accrued liabilities incurred on behalf of the clients. The objective of the trust funds is to have sufficient liquidity to settle the liabilities when due, and cash balances and cash flows are monitored to meet this requirement. There was no change in exposure from the prior year.