

Consolidated financial statements of

# **The Regional Municipality of Waterloo**

December 31, 2020

# The Regional Municipality of Waterloo

December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Regional Municipality of Waterloo

We have audited the consolidated financial statements of The Regional Municipality of Waterloo (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statements of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net debt and its consolidated 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. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity 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 consolidated Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

***Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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.



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- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada  
April 21, 2021

**The Regional Municipality of Waterloo**  
**Consolidated Statement of Financial Position**  
as at December 31, 2020 (in thousands of dollars)

	2020	2019
	(\$000s)	(\$000s)
<b>Financial assets</b>		
Cash	308,378	189,342
Accounts receivable	181,710	189,962
Other assets	6,104	6,500
Investments (Note 3)	184,776	165,625
Long-term receivables (Note 6)	152,961	165,144
<b>Total financial assets</b>	<b>833,929</b>	<b>716,573</b>
<b>Liabilities</b>		
Accounts payable	102,246	90,987
Other liabilities	76,395	59,310
Deferred revenue (Note 4)	125,728	90,827
Mortgages payable	3,033	3,260
Long-term liabilities (Note 6)	867,637	866,772
Employee future benefits liability (Note 10)	234,809	213,800
Landfill closure & post-closure liability (Note 11)	76,675	76,097
Contaminated sites liability (Note 12)	1,482	1,472
<b>Total liabilities</b>	<b>1,488,005</b>	<b>1,402,525</b>
Net Debt	<b>(654,076)</b>	<b>(685,952)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 15)	3,561,941	3,475,178
Inventory	9,406	8,168
Prepaid expenses	14,012	13,030
<b>Total non-financial assets</b>	<b>3,585,359</b>	<b>3,496,376</b>
<b>Accumulated surplus (Note 16)</b>	<b>2,931,283</b>	<b>2,810,424</b>

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

**The Regional Municipality of Waterloo**  
**Consolidated Statement of Operations and Accumulated Surplus**  
Year ended December 31, 2020 (in thousands of dollars)

	2020 Budget (Note 18) (\$000s)	2020 Actual (\$000s)	2019 Actual (\$000s)
<b>Revenue</b>			
Property taxes	588,431	587,614	558,687
Government transfers			
Canada	80,709	83,219	48,042
Ontario	273,978	309,691	309,154
User fees, fines and service charges	249,598	220,194	244,628
Development charges earned	76,331	76,331	56,442
Investment income	7,526	7,561	9,054
Other	6,191	1,049	1,305
<b>Total revenue</b>	<b>1,282,764</b>	<b>1,285,659</b>	<b>1,227,312</b>
<b>Expense</b>			
General government	45,287	53,429	58,840
Police and other protective services	226,046	216,322	201,241
Transportation services	94,607	92,373	75,332
Transit	197,549	178,895	182,447
Environmental services	198,538	190,633	170,231
Health services	79,185	80,876	68,813
Social and family services	242,740	234,463	238,525
Housing	90,838	98,695	85,112
Planning and culture	21,996	19,114	20,375
<b>Total expense</b>	<b>1,196,786</b>	<b>1,164,800</b>	<b>1,100,916</b>
Annual surplus	85,978	120,859	126,396
Accumulated surplus, beginning of year		2,810,424	2,684,028
<b>Accumulated surplus, end of year (Note 16)</b>		<b>2,931,283</b>	<b>2,810,424</b>

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

**The Regional Municipality of Waterloo**  
**Consolidated Statement of Change in Net Debt**  
Year ended December 31, 2020 (in thousands of dollars)

	2020 <b>Actual</b> (\$000s)	2019 Actual (\$000s)
<b>Annual Surplus (Note 19)</b>	<b>120,859</b>	126,396
Acquisition of tangible capital assets	<b>(240,115)</b>	(290,715)
Amortization of tangible capital assets	<b>140,677</b>	131,374
Loss on disposal of tangible capital assets	<b>12,000</b>	403
Proceeds on disposal of tangible capital assets	<b>675</b>	504
<b>Change due to tangible capital assets</b>	<b>(86,763)</b>	(158,434)
Decrease (increase) in inventory	<b>(1,238)</b>	(1,158)
Decrease (increase) in prepaid expenses	<b>(982)</b>	(1,008)
<b>Change in inventories and prepaid expenses</b>	<b>(2,220)</b>	(2,166)
Change in net debt	<b>31,876</b>	(34,204)
Net Debt beginning of year	<b>(685,952)</b>	(651,748)
<b>Net Debt end of year</b>	<b>(654,076)</b>	(685,952)

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



**The Regional Municipality of Waterloo**  
**Consolidated Statement of Cash Flows**  
Year ended December 31, 2020 (in thousands of dollars)

	2020	2019
	(\$000s)	(\$000s)
<b>Operating Activities</b>		
Annual Surplus	120,859	126,396
Non-cash charges to operations		
Amortization of tangible capital assets	140,677	131,374
Amortization of bond premium	(666)	(556)
Change in employee future benefits liability	21,009	7,394
Change in landfill closure and post-closure liability	578	4,059
Change in contaminated sites liability	10	-
Loss on disposal of tangible capital assets	12,000	403
Change in non-cash assets and liabilities		
Accounts receivable	8,252	24,182
Other assets	396	(421)
Accounts payable	11,259	(12,997)
Other liabilities	17,085	(21,705)
Deferred revenue	34,901	49,358
Inventory	(1,238)	(1,158)
Prepaid expense	(982)	(1,008)
<b>Net change in cash from operating activities</b>	<b>364,140</b>	<b>305,321</b>
<b>Capital Activities</b>		
Acquisition of tangible capital assets	(240,115)	(290,715)
Proceeds on disposal of tangible capital assets	675	504
<b>Net change in cash from capital activities</b>	<b>(239,440)</b>	<b>(290,211)</b>
<b>Investing activities</b>		
Proceeds from disposals and redemptions of investments	49,035	19,870
Acquisition of investments	(67,094)	(34,995)
Investment funds interest reinvested	(426)	(314)
<b>Net change in cash from investing activities</b>	<b>(18,485)</b>	<b>(15,439)</b>
<b>Financing activities</b>		
Net long-term liabilities incurred	71,931	73,829
Net long-term liabilities repaid	(58,883)	(57,976)
Mortgage repaid	(227)	(263)
<b>Net change in cash from financing activities</b>	<b>12,821</b>	<b>15,590</b>
Net change in cash and cash equivalents	119,036	15,261
Cash beginning of year	189,342	174,081
<b>Cash end of year</b>	<b>308,378</b>	<b>189,342</b>

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

# The Regional Municipality of Waterloo

## Notes to the Consolidated Financial Statements

December 31, 2020  
(in thousands of dollars)

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The Regional Municipality of Waterloo (the “Region”) is an upper-tier municipality in the Province of Ontario, Canada. Provincial statutes including the *Municipal Act*, the *Municipal Affairs Act* and related legislation guide its operations. The Region has a population of 623,930 and is comprised of the Cities of Cambridge, Kitchener and Waterloo and the Townships of North Dumfries, Wellesley, Wilmot and Woolwich.

### 1. Significant accounting policies

The consolidated financial statements of the Region are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada (“CPA Canada”).

#### a) Basis of consolidation

- i) The consolidated financial statements reflect the assets, liabilities, revenue and expense and changes in investment in tangible capital assets of the Region. These statements comprise all services and enterprises accountable to the Region and which are owned or controlled by the Region. The following boards are consolidated: the Waterloo Regional Police Services Board (“WRPS”), Region of Waterloo Community Housing Inc., and the Region of Waterloo Library Board. All interfund assets, liabilities, sources of financing and expenses are eliminated.
- ii) The following entities are not consolidated: Grand River Conservation Authority, the Waterloo Regional Heritage Foundation, the Waterloo Economic Development Corporation, the Region of Waterloo Arts Fund, and the Waterloo Region Municipalities Insurance Pool.
- iii) Sinking funds held by the Region for the retirement of long-term liabilities are not consolidated and are shown as a reduction in the amount of long-term liabilities (see note 6).
- iv) Trust funds administered by the Region amounting to \$189 (2019 - \$143) are not consolidated and are reflected in the trust fund’s statement of continuity and balance sheet.

#### b) Basis of accounting

- i) Accrual basis of accounting

The Region maintains its accounts on an accrual basis, whereby revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue, and expense is recognized in the period in which a liability is incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation for payment.

- ii) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement. Significant estimates include landfill closure and post closure liability, employee future benefits liability and the estimated useful life of tangible capital assets.

- iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of regional services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, determines the change in net debt for the year.

**The Regional Municipality of Waterloo**  
**Notes to the Consolidated Financial Statements**  
December 31, 2020  
(in thousands of dollars)

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**1. Significant accounting policies (continued)**

iv) Government transfers

Transfers from the federal and provincial governments are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

v) Reserves and reserve funds

The Region follows the practice of allocating funding to reserves and reserve funds that are retained for general and specific purposes. Reserves and reserve funds are established by Council resolution or by-law and are available for future uses. Amounts are expended in accordance with the terms and policies established by Council. Expenses in respect of items for which the reserves and reserve funds have been created are reported on the consolidated statement of operations and accumulated surplus. The ending reserve and reserve fund balances comprise a portion of the accumulated surplus.

vi) Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements. The Region's museums include approximately 58,000 artifacts and archival documents which are considered to be historically significant. All artwork, artifacts, and archival documents are fully catalogued (most with appraised values) in the Region's collections database. The collection is maintained and stored at the Region of Waterloo Curatorial Centre, the Ken Seiling Waterloo Region Museum, Schneider Haus and McDougall Cottage.

vii) Inventory

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

viii) Land held for resale

Land held for resale is recorded at the cost of acquisition. The proceeds of sale, net of cost, are treated as revenue.

ix) Comparative Information

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year results.

**2. Contributions to non-consolidated entities**

Further to Note 1, the following contributions were made by the Region to non-consolidated entities:

	<b>2020</b>	<b>2019</b>
	(\$000s)	(\$000s)
Grand River Conservation Authority	6,065	5,948
Waterloo Region Municipalities Insurance Pool	2,084	2,009
Waterloo Economic Development Corporation	900	900
Region of Waterloo Arts Fund	393	393
Waterloo Regional Heritage Foundation	106	106
	<b>9,548</b>	<b>9,356</b>

**The Regional Municipality of Waterloo**  
**Notes to the Consolidated Financial Statements**  
December 31, 2020  
(in thousands of dollars)

**3. Investments**

Investment activities are governed by the Municipal Act and the Region's consolidated investment policy. Investments of \$184,776 (2019 - \$165,625) are recorded at cost. The investments have a market value of \$189,688 (2019 - \$166,648) at the end of the year. The market value represents the realizable value of the investments if they were sold at December 31, 2020. The investment practice is to generally hold investments until maturity. Investments by type are listed below:

Issuer	2020 (\$000s)	2019 (\$000s)
Schedule I Canadian Banks	85,802	72,430
Canadian Municipalities	47,242	45,643
Provincial Governments	36,452	32,697
Investment Funds	15,216	14,792
Restricted Cash	64	63
<b>Total</b>	<b>184,776</b>	<b>165,625</b>

Investment income earned on available funds and accumulated surplus is reported as revenue in the period earned. Investment income earned on development charges is added to the development charge fund balance and forms part of the deferred revenue balance.

**4. Deferred revenue**

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at December 31, is comprised of the following:

(\$000s)	Balance at December 31, 2019	Inflows	Revenue Recognized	Balance at December 31, 2020
Development Charges	60,229	76,677	(76,331)	60,575
Federal Gas Tax	21,177	16,597	(21,040)	16,734
Safe Restart Funding	-	35,539	(14,165)	21,374
Other Deferred Revenue	9,421	19,750	(2,126)	27,045
<b>Total</b>	<b>90,827</b>	<b>148,563</b>	<b>(113,662)</b>	<b>125,728</b>

In accordance with PSAB requirements, obligatory reserve funds are reported as a component of deferred revenue. Development charge collections have been segregated, as required by the Development Charges Act, to finance a portion of the cost of growth-related capital projects. Revenue recognition occurs when the Region has incurred the expenditure or made the related debt payment for the capital works for which the development charges were collected.

Other funds received for specific purposes are accounted for as deferred revenue until the Region discharges the obligation which led to the receipt of the funds.

**The Regional Municipality of Waterloo**  
**Notes to the Consolidated Financial Statements**  
December 31, 2020  
(in thousands of dollars)

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**5. Pension contributions**

The Region makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan. OMERS is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2020 was \$34,722 (2019 - \$34,206) for current service of 4,417 eligible employees and is included as an expense on the consolidated statement of operations and accumulated surplus. Contributions were made in 2020 at rates ranging from 9.0% to 15.8% of member earnings, depending on the member’s designated retirement age and level of earnings. The OMERS funded ratio of plan assets to pension obligations for 2020 is 97% (2019 – 97%).

**6. Net long-term liabilities**

- a) Long-term liabilities reported on the consolidated statement of financial position are comprised of the following:

	<b>2020</b>	2019
	<b>(\$000s)</b>	(\$000s)
Total long-term liabilities incurred by the Region, including those incurred on behalf of School Boards and other Municipalities, outstanding at the end of the year	<b>919,374</b>	913,792
The total value of the Region's own sinking fund	<b>(51,737)</b>	(47,020)
<b>Total long-term liabilities</b>	<b>867,637</b>	866,772
Total long-term receivables consisting of other Municipalities and School Boards that have assumed responsibility for the payment of principal and interest charged on certain long-term liabilities issued by the Region above	<b>(152,961)</b>	(165,144)
<b>Net long-term liabilities, end of year</b>	<b>714,676</b>	701,628

**The Regional Municipality of Waterloo**  
**Notes to the Consolidated Financial Statements**  
December 31, 2020  
(in thousands of dollars)

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**6. Net long-term liabilities (continued)**

- b) The principal repayments, including contributions to the sinking fund, of net long-term liabilities reported in (a) of this note, are scheduled as follows:

	(\$000s)
2021-2025	262,988
2026-2030	179,765
2031-2035	126,773
2036-2040	84,922
2041-2045	47,345
2046 onwards	12,883
	<b>714,676</b>

- c) Net long-term liabilities are planned to be recovered from the following sources of revenue:

	2020	2019
	(\$000s)	(\$000s)
Property taxes and general municipal revenue	<b>363,019</b>	399,913
Development charge collections	<b>252,255</b>	194,289
Wastewater rate revenue	<b>98,954</b>	106,520
Water rate revenue	<b>448</b>	906
	<b>714,676</b>	701,628

- d) Long-term liabilities include sinking fund debentures issued in the amount of \$233,367 (2019 - \$242,230) of which \$233,367 (2019 - \$237,099) is the Region's share. Annual payments to the sinking fund are made to finance the repayment of the debentures as they mature. During 2020, sinking fund debentures of \$8,863 were retired. Accumulated contributions to and earnings of the sinking fund total \$51,737 (2019 - \$50,858) of which \$51,737 (2019 - \$47,020) is the Region's share.
- e) In 2014, the Region entered into a contract with GrandLinq GP for the construction, operation and maintenance of the Stage1 Light Rail Transit project. The contract requires GrandLinq GP to provide long term financing for the first \$130,652 of capital costs incurred. As at December 31, 2020, the amount of the long term liability was \$123,531 (2019 - \$125,733) and is included in net long term liabilities.

**The Regional Municipality of Waterloo**  
**Notes to the Consolidated Financial Statements**  
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(in thousands of dollars)

**6. Net long-term liabilities (continued)**

f) Long-term liabilities assumed by others

The Region has issued debentures in its name on behalf of area municipalities and school boards. The Region is contingently liable for these long-term liabilities for which the responsibility for payment of principal and interest has been assumed by those bodies. These amounts have been included as long-term receivables on the consolidated statement of financial position.

	<b>2020</b>	2019
	<b>(\$000s)</b>	(\$000s)
City of Kitchener	<b>62,214</b>	63,418
City of Cambridge	<b>45,777</b>	41,577
Waterloo Region District School Board	<b>20,621</b>	30,946
City of Waterloo	<b>13,368</b>	15,885
Waterloo Catholic District School Board	<b>5,553</b>	7,213
Township of Woolwich	<b>2,898</b>	3,148
Township of North Dumfries	<b>928</b>	1,136
Township of Wilmot	<b>806</b>	920
Township of Wellesley	<b>796</b>	901
<b>Total debentures assumed by others</b>	<b>152,961</b>	165,144

**7. Payments for net long-term liabilities**

Total payments for net long-term liabilities which are reported on the consolidated financial statements were as follows:

	<b>2020</b>	2019
	<b>(\$000s)</b>	(\$000s)
Principal payments including contributions to the sinking fund	<b>58,883</b>	57,976
Interest	<b>27,733</b>	27,478
	<b>86,616</b>	85,454

The interest rates on debt outstanding at December 31, 2020 ranged from .45% to 6.25%.

The following revenues were collected to meet these payments:

	<b>2020</b>	2019
	<b>(\$000s)</b>	(\$000s)
Property taxes and general municipal revenue	<b>56,950</b>	60,778
Development charge collections	<b>18,704</b>	13,717
Wastewater rate revenue	<b>10,477</b>	10,475
Water rate revenue	<b>485</b>	484
	<b>86,616</b>	85,454

**The Regional Municipality of Waterloo**  
**Notes to the Consolidated Financial Statements**  
December 31, 2020  
(in thousands of dollars)

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**8. Debt obligations for housing properties**

On January 1, 2000, the Province transferred ownership of 2,557 housing units to the Region. Prior to 2000, the Province issued debentures related to housing properties now owned by the Region. The debt obligation for these debentures remains with the Province and has varying maturity dates. The outstanding debt at December 31, 2020 is \$1,822 (2019 - \$2,814). Amounts are being deducted from transfer payments from the Province to cover these payments. The debt is projected to be discharged in 2025.

**9. Credit facility**

The Region has an operating credit facility of \$40,000 with the Bank of Nova Scotia bearing interest at the bank's prime rate minus 0.50% per annum with an effective rate during 2020 of 1.95% (2019 – 3.45%) per annum. At December 31, 2020, the Region's bank indebtedness using the operating credit facility was \$0 (2019 - \$0).

**10. Employee future benefits liability**

Summary of employee future benefits

(\$000s)	Region		2020	2019
	(excluding WRPS)	WRPS		
Future payments required for:				
Post employment benefits	21,928	130,704	152,632	140,829
Sick leave	23,587	36,550	60,137	56,495
Workplace Safety & Insurance Board	6,607	15,433	22,040	16,476
<b>Total</b>	<b>52,122</b>	<b>182,687</b>	<b>234,809</b>	<b>213,800</b>

Post employment benefits

The Region provides post employment benefits to qualifying employees up to the age of 65 consisting of Extended Health Care, Out-of-Province Travel Benefits, Dental, Life Insurance, and Accidental Death and Dismemberment. For WRPS retirees, Dental coverage, if so elected, is recovered from the member; Life Insurance and Accidental Death and Dismemberment are funded by WRPS and provided to age 65, and Health Care and Out-of Province Travel Benefits are funded by WRPS and are provided for life.

The actuarial valuation completed as at December 31, 2020 determined that the liability for present and future benefits is \$152,632 (2019 - \$140,829). The calculations were based on a discount rate of 2.25% (2019 – 2.9%) and a general inflation rate of 2.0% (2019 – 2.0%).



**The Regional Municipality of Waterloo**  
**Notes to the Consolidated Financial Statements**  
December 31, 2020  
(in thousands of dollars)

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**10. Employee future benefits liability (continued)**

Sick leave

The Region provides sick leave benefits to its employees and unused sick leave accumulates during employees' service. Eligible employees become entitled to receive a cash payment of up to six months of the accumulated sick leave balance upon leaving the Region's employment. As a result of negotiated changes to collective agreements, new employees are not eligible for a sick leave payout. As of December 31, 2020, 20% (2019- 23%) of employees are entitled to this benefit. The actuarial liability at the end of the year for accumulated days, assuming a 2.25% discount rate, 2.0% inflation and to the extent that they have vested was \$60,137 (2019 - \$56,495). Approximately 40% of this amount is eligible to be paid in cash upon employee termination and the remaining 60% would be taken in the form of future year absences. The amount paid to employees who left the Region's employment in 2020 amounted to \$1,795 for the Regional portion (2019 - \$1,606) and \$2,181 for WRPS (2019 - \$2,449) totaling \$3,976 (2019 - \$4,055).

The cost of benefits paid for non-WRPS employees is provided from a sick leave reserve fund, which is funded through annual payroll charges to operations. A reserve fund of \$1,908 (2019 – \$2,302) to partially provide for the Regional portion of this liability is included in the accumulated surplus (note 16).

Amounts payable for employees who become eligible for a sick leave pay payout in the next five years are:

(\$000s)	Region (excluding WRPS)	WRPS	<b>2020</b>
2021	3,136	1,525	<b>4,661</b>
2022	1,420	752	<b>2,172</b>
2023	1,067	584	<b>1,651</b>
2024	1,132	924	<b>2,056</b>
2025	347	946	<b>1,293</b>
	<b>7,102</b>	<b>4,731</b>	<b>11,833</b>

Workplace Safety & Insurance Board (WSIB)

The Region is responsible for costs awarded under the Workers' Compensation Act. During 2020, the Region paid \$2,899 (2019 - \$2,321) in such costs for employees. The liability for present and future awards is \$22,040 (2019 - \$16,476). The calculations were based on a discount rate of 2.25% (2019 – 2.9%) and an inflation rate of up to 2.0% (2019 – 2.0%). An amount of \$13,437 (2019 - \$10,422) has been provided for current and future awards, of that \$8,414 for Police and \$5,023 for Region and is included in the accumulated surplus (Note 16).

**11. Landfill closure and post-closure liability**

The Region owns and operates one active landfill site and owns and monitors five closed landfill sites. The active site has a remaining capacity of 32.6% or 6.53 million m3 and has an estimated life expectancy of 25-30 years. The present value of the expected closure and post-closure costs of the active landfill site and the present value of expected monitoring and capital rehabilitation costs of the closed landfill sites have been reported as a liability on the consolidated statement of financial position. The liability was estimated using a discount factor of 2.22%. The closure costs and post-closure costs are based on capital and operating budget estimates over 25 years. Any change in the liability is reported as an expense on the consolidated statement of operations and accumulated surplus. A liability of \$76,675 (2019 - \$76,097) has been reported on the consolidated statement of financial position. Solid waste landfill closure and post-closure costs are funded through the Region's annual budget.

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**12. Contaminated sites liability**

The Region has recorded a liability for remediation of regional sites not in active use which contained contamination as defined in the public sector accounting standard for contaminated sites. The liability estimate of \$1,482 (2019 - \$1,472) for the sites identified was based on environmental assessments, or estimates for those sites where an assessment has not been conducted. Estimated recoveries are expected to be \$0.

**13. Public liability insurance**

In 1998, the Region and the seven area municipalities comprising the Region formed the Waterloo Region Municipalities Insurance Pool (WRMIP). The WRMIP purchases property damage and public liability insurance on a group basis and each member shares a retained level of risk. The members pay an annual levy to fund insurance premiums and pre-fund expected losses. External insurance coverage is in place for claims in excess of deductibles.

During the year 373 (2019 – 690) claims were settled for \$284 (2019 - \$272) the cost of which has been provided for from the general insurance reserve fund, which has a balance of \$5,822 (2019 - \$5,038) as at December 31, 2020.

**14. Contingent liabilities**

Legal claims

As of December 31, 2020, the Region has been named defendant, co-defendant or plaintiff in a number of ongoing legal actions. The Region has also received claims and notices of dispute for additional costs on construction projects. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are indeterminable. Liabilities for non-insured claims are recorded in the year in which they are settled.

Expropriations

The Region is involved in a number of expropriation matters mainly related to roads and public transit capital projects. Expenditures associated with these expropriations are recorded in the year in which settlements are reached.

WSIB Claims

As of December 31, 2020, the Region received notification from the Workplace Safety and Insurance Board that several claims were pending and had not been settled or finalized. Given the uncertainty of settlement outcome, the valuation for these contingent amounts have not been included in the WSIB liability. Based on likelihood of outcomes, the estimated value of these unsettled claims is approximately \$4,870.

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**15. Tangible capital assets**

The continuity of cost, amortization and net book value of tangible capital assets is shown on the following table:

<b>Cost</b>	<b>Balance at December 31, 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at December 31, 2020</b>
Land	117,841	9,681	-	127,522
Land improvements	171,442	15,727	-	187,169
Buildings	601,652	25,367	-	627,019
Vehicles	265,798	30,701	(11,774)	284,725
Machinery and equipment	195,757	40,730	(1,111)	235,376
Roads and bridges	1,388,238	58,589	(46,794)	1,400,033
Water and wastewater	1,416,788	37,335	(69,355)	1,384,768
Transit rail line	629,947	839	-	630,786
<b>Total Cost</b>	<b>4,787,463</b>	<b>218,969</b>	<b>(129,034)</b>	<b>4,877,398</b>

<b>Accumulated Amortization</b>	<b>Balance at December 31, 2019</b>	<b>Disposals</b>	<b>Amortization Expense</b>	<b>Balance at December 31, 2020</b>
Land improvements	87,816	-	7,292	95,108
Buildings	269,292	-	17,704	286,996
Vehicles	108,656	(11,655)	18,038	115,039
Machinery and equipment	109,088	(968)	13,176	121,296
Roads and bridges	417,103	(46,075)	35,186	406,214
Water and wastewater	616,870	(57,661)	36,653	595,862
Transit rail line	23,872	-	12,628	36,500
<b>Total Accumulated Amortization</b>	<b>1,632,697</b>	<b>(116,359)</b>	<b>140,677</b>	<b>1,657,015</b>

<b>Net Book Value</b>	<b>Balance at December 31, 2019</b>	<b>Balance at December 31, 2020</b>
Land	117,841	127,522
Land improvements	83,626	92,061
Buildings	332,360	340,023
Vehicles	157,142	169,686
Machinery and equipment	86,669	114,080
Roads and bridges	971,135	993,819
Water and wastewater	799,918	788,906
Transit rail line	606,075	594,286
<b>Total Net Book Value</b>	<b>3,154,766</b>	<b>3,220,383</b>
Construction work in progress	320,412	341,558
<b>Total Tangible Capital Assets</b>	<b>3,475,178</b>	<b>3,561,941</b>

**The Regional Municipality of Waterloo**  
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**15. Tangible capital assets (continued)**

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

Land Improvements	10 to 75 years
Buildings	15 to 60 years
Vehicles	3 to 40 years
Machinery and Equipment	3 to 40 years
Water and wastewater plants and networks:	
Plants/stations/reservoirs	20 to 60 years
Underground Networks	60 to 110 years
Transportation:	
Roads	16 to 100 years
Bridges	40 to 80 years
Other roads assets	16 to 75 years
Transit rail line	50 years
Leasehold improvements	Over life of lease

For assets with shorter lives (e.g. vehicles, laptop and desktop computers), one half of the amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for use. Landfill cells are amortized annually on the basis of tonnage filled as a percentage of the estimated total capacity of the facility. For all other assets, amortization begins in the first month of the year following their readiness for use.

Land purchased for service delivery purposes is recorded as a tangible capital asset at the lower of cost or market value. Any land cost premium incurred related to expropriation will be included as part of the asset to be constructed and amortized over its useful life.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

Leases are classified as capital or operating 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 lease payments are charged to expense as incurred.

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**16. Accumulated surplus**

Accumulated surplus shown on the Consolidated Statement of Financial Position is analyzed as follows:

<b>As at December 31</b>	<b>2020</b>	<b>2019</b>
	(\$000s)	(\$000s)
<b>Surplus:</b>		
Invested in tangible capital assets	2,843,231	2,769,289
Unexpended capital financing	23,371	3,117
General surplus (deficit)	(1,680)	(1,715)
Unfunded liabilities		
Employee future benefits	(219,464)	(201,076)
Landfill closure and post closure	(76,675)	(76,097)
Contaminated sites	(1,482)	(1,472)
<b>Total Surplus</b>	<b>2,567,301</b>	<b>2,492,046</b>
<b>Reserves set aside by Council for:</b>		
Capital	226,956	195,710
Equipment replacement	50,307	44,651
Contingencies and stabilization	44,955	43,982
Other	1,805	1,550
<b>Total Reserves</b>	<b>324,023</b>	<b>285,893</b>
<b>Reserve Funds set aside for specific purposes by Council for:</b>		
Benefits and Insurance	16,629	12,145
Regional Transportation Master Plan	15,866	14,447
Brownfield Financial Incentives	3,777	3,592
Provincial Gas Tax	3,687	2,301
<b>Total Reserve Funds</b>	<b>39,959</b>	<b>32,485</b>
<b>Accumulated Surplus</b>	<b>2,931,283</b>	<b>2,810,424</b>

**The Regional Municipality of Waterloo**  
**Notes to the Consolidated Financial Statements**  
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**17. Commitments and Contractual Obligations**

**Lease commitments**

At the end of 2020, the Region is responsible for total lease commitments of approximately \$7,282 (2019 - \$10,262) relating to equipment and buildings.

		Maturity Date	Amount (\$000s)
Office space	Varying maturities to	2025	4,271
Other	Varying maturities to	2040	3,011
<b>Total commitments</b>			<b>7,282</b>

**Contractual obligations**

**a) Ontario Clean Water Agency**

The Region has entered into a service agreement with the Ontario Clean Water Agency (“OCWA”) to operate the Region’s wastewater treatment plants, which expires on December 31, 2030. Included in the consolidated statement of operations and accumulated surplus is \$11,283 (2019 - \$10,364) paid to OCWA.

**b) Rapid Transit**

In 2014 the Region entered into a public-private partnership construction and service agreement with GrandLinq GP (“GrandLinq”) to construct, operate and maintain a Light Rail Transit system. GrandLinq will operate the system for an initial period of 10 years at which point the Region has the option to renew for successive 5 year periods. The contract provides for potential fixed-price service level increases over the term of the contract, subject to Regional Council approval at that time.

**c) Brownfield Financial Incentive Program**

The Region’s Brownfield Financial Incentive Program (“BFIP”) facilitates the remediation and redevelopment of brownfields throughout the Region. Tax Increment Grants (“TIGs”), which are one of the components of the BFIP, provide eligible developers with a grant to offset the cost of remediation. Approved TIGs totaling \$30,951 will be funded in future years from the reserve fund and future property tax revenue. The Brownfield Incentive Reserve Fund balance is \$3,777 (2019 - \$3,592).

**The Regional Municipality of Waterloo**  
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**18. Budget figures**

Budgets are established to set property tax rates and user rates and to finance projects which may be carried out over one or more years. Although not directly comparable with current year actual amounts in all cases, budgets have been restated to conform to public sector accounting standards on the consolidated statement of operations. Budgets were not set for items appearing on the consolidated statement of changes in net debt.

**Reconciliation of Operating Budget to Financial Statement Budget**

	<b>2020</b>	2019
	(\$000s)	(\$000s)
Budgeted Operating Surplus/(Deficit)		-
<b>Add:</b> Revenues not included in Budgeted Operating Surplus		
Development Charges	<b>76,331</b>	66,788
Deferred Federal Gas Tax Revenue	<b>21,040</b>	13,321
Capital Grants (Federal and Provincial)	<b>56,891</b>	58,393
Interest Revenue for Reserves and Reserve Funds	<b>6,922</b>	8,327
<b>Less:</b> Revenues not included in Consolidated Statements		
Internal Transfers from Reserves	<b>(42,435)</b>	(30,030)
<b>Add:</b> Expenses not in Consolidated Statements		
Sick Leave, Insurance and Other Transfers	<b>124,728</b>	123,950
Principal Repayments	<b>56,527</b>	56,421
<b>Less:</b> Expenses not included in Budgeted Operating Surplus		
Amortization of Tangible Capital Assets	<b>(140,677)</b>	(131,374)
Operating Expenses in Capital	<b>(51,752)</b>	(38,565)
Change in Actuarial Estimates	<b>(21,009)</b>	(7,394)
Change in Landfill Post Closure	<b>(578)</b>	(4,059)
Change in Contaminated Sites	<b>(10)</b>	-
Consolidated Financial Statement Budget Surplus	<b>85,978</b>	115,778

**The Regional Municipality of Waterloo**  
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**19. Reconciliation of Regional Operating Budget Surplus and Consolidated Financial Statement Annual Surplus**

	2020	2019
	(\$000s)	(\$000s)
Operating Surplus/(Deficit)		
Regional tax supported programs	3,957	2,638
Region of Waterloo Library Board	490	42
Region of Waterloo Community Housing Inc.	53	118
Waterloo Regional Police Services Board	3,178	(1,040)
Regional water and wastewater programs	1,130	(124)
Total Operating Surplus	<u>8,808</u>	<u>1,634</u>
<b>Add:</b> Revenues not included in Operating Surplus		
Development Charges	76,331	66,788
Federal Gas Tax Revenue	21,040	13,321
Capital Grants (Federal and Provincial)	56,891	58,393
<b>Add:</b> Expenses included in Operating Surplus, but not in Consolidated Statements		
Transfers to Reserves and Reserve funds	114,348	111,679
Principal Repayments	57,282	56,158
<b>Less:</b> Expenses not included in Operating Surplus		
Amortization of Tangible Capital Assets	(140,492)	(131,559)
Operating Expenses in Capital	(51,752)	(38,565)
Change in Actuarial Estimates	(21,009)	(7,394)
Change in Landfill Closure & Post Closure Estimate	(578)	(4,059)
Change in Contaminated Sites Estimate	(10)	-
Consolidated Financial Statement Surplus	<u>120,859</u>	<u>126,396</u>



# The Regional Municipality of Waterloo

## Notes to the Consolidated Financial Statements

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### 20. Segmented disclosure

General government is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These areas are responsible for corporate governance and administration, by-laws and administrative policies, acquiring and managing assets, financial management and human resources management.

Police and other protective services are comprised of WRPS, Provincial Offences and the contribution to the Grand River Conservation Authority ("GRCA") for flood control. WRPS maintains the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order. Protection to persons and property also includes flood control from GRCA.

Transportation services include roads, traffic, and Region of Waterloo International Airport. Other transportation services provide planning, development, and maintenance of roads, traffic operations, winter control and street lighting.

Transit services include public transit. Grand River Transit and light rail transit provide local public transportation within the Region.

Environmental services include water supply and distribution, wastewater treatment, and waste diversion and disposal. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.

Health services include paramedic and public health services. Public health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective pre-hospital emergency care, along with medically required inter-hospital transportation.

Social and family services include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social and employment assistance. Senior services provide secure and supervised health services for seniors who can no longer live at home through long term care facilities and community programs. Child care services provide subsidized child care spaces, wage subsidies and resources for children with special needs.

Housing delivers programs to provide housing for low and moderate income individuals and families.

Planning and Culture includes community planning services, historic sites at Ken Seiling Waterloo Region Museum, Schneider Haus and McDougall Cottage, and library services provided through branches in the four townships.

The basis of identifying segments is based on Ministry of Municipal Affairs and Housing guidelines. The method of allocation for actuarial adjustments and insurance is current year budget or current year actual.

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**20. Segmented disclosure (continued)**

										2020
(\$000s)	General Government	Protection	Transportation	Transit	Environmental	Health	Social Services	Housing	Planning and Culture	Total
Revenue										
Property taxes	40,428	181,447	60,402	126,187	45,585	29,241	38,167	44,807	21,350	587,614
Government transfers	6,046	10,311	18,912	67,274	2,255	54,798	193,159	39,789	366	392,910
User fees & service charges	2,725	18,249	3,696	22,617	147,790	339	8,088	15,711	979	220,194
Development charges	74	1,663	33,084	8,820	31,104	722	-	-	864	76,331
Other	69	21	-	38	-	-	34	871	16	1,049
Investment income	2,965	318	479	517	2,217	65	31	909	60	7,561
	<b>52,307</b>	<b>212,009</b>	<b>116,573</b>	<b>225,453</b>	<b>228,951</b>	<b>85,165</b>	<b>239,479</b>	<b>102,087</b>	<b>23,635</b>	<b>1,285,659</b>
Expense										
Salaries and Benefits	44,578	185,694	22,062	72,386	25,786	64,350	67,514	5,448	9,338	497,156
Goods and Services	19,848	17,653	33,814	54,119	90,384	9,707	39,235	20,800	4,297	289,857
Interest	1,560	655	1,277	14,055	8,184	664	1,167	156	85	27,803
Amortization	6,500	5,232	39,802	33,687	44,899	1,942	2,167	4,780	1,668	140,677
Transfers and Other	(19,057)	7,088	(4,582)	4,648	21,380	4,213	124,380	67,511	3,726	209,307
	<b>53,429</b>	<b>216,322</b>	<b>92,373</b>	<b>178,895</b>	<b>190,633</b>	<b>80,876</b>	<b>234,463</b>	<b>98,695</b>	<b>19,114</b>	<b>1,164,800</b>
Net surplus (deficit)	<b>(1,122)</b>	<b>(4,313)</b>	<b>24,200</b>	<b>46,558</b>	<b>38,318</b>	<b>4,289</b>	<b>5,016</b>	<b>3,392</b>	<b>4,521</b>	<b>120,859</b>

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**20. Segmented disclosure (continued)**

										2019
(\$000s)	General Government	Protection	Transportation	Transit	Environmental	Health	Social Services	Housing	Planning and Culture	Total
Revenue										
Property taxes	38,536	171,443	60,393	117,437	42,870	26,462	37,514	43,398	20,634	558,687
Government transfers	4,016	10,134	13,432	64,159	578	44,390	193,167	26,734	586	357,196
User fees & service charges	4,193	22,569	3,995	42,336	144,346	422	9,165	16,290	1,312	244,628
Development charges	480	1,085	15,499	6,325	31,878	630	-	-	545	56,442
Other	105	36	-	194	-	-	61	806	103	1,305
Investment income	3,272	417	601	748	2,695	91	25	1,152	53	9,054
	<b>50,602</b>	<b>205,684</b>	<b>93,920</b>	<b>231,199</b>	<b>222,367</b>	<b>71,995</b>	<b>239,932</b>	<b>88,380</b>	<b>23,233</b>	<b>1,227,312</b>
Expense										
Salaries and Benefits	45,434	169,453	23,052	74,782	25,211	57,192	66,208	4,997	10,248	476,577
Goods and Services	23,328	18,148	19,884	60,057	89,304	6,967	44,364	19,294	4,713	286,059
Interest	1,847	659	864	14,027	8,189	476	1,114	114	188	27,478
Amortization	6,589	4,920	39,039	30,889	38,973	1,917	2,464	4,891	1,692	131,374
Transfers and Other	(18,358)	8,061	(7,507)	2,692	8,554	2,261	124,375	55,816	3,534	179,428
	<b>58,840</b>	<b>201,241</b>	<b>75,332</b>	<b>182,447</b>	<b>170,231</b>	<b>68,813</b>	<b>238,525</b>	<b>85,112</b>	<b>20,375</b>	<b>1,100,916</b>
Net surplus (deficit)	<b>(8,238)</b>	<b>4,443</b>	<b>18,588</b>	<b>48,752</b>	<b>52,136</b>	<b>3,182</b>	<b>1,407</b>	<b>3,268</b>	<b>2,858</b>	<b>126,396</b>

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**21. Subsequent event**

On March 11, 2020 the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world. During the year ended December 31, 2020 the Region experienced COVID-19 related declines in revenues (primarily user fees and charges) and increased costs in selected service areas. The Region responded by implementing a variety of cost containment measures, while the Federal and Provincial governments responded by providing funding through the Safe Restart Agreement and additional program-specific funding.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Region's operations and financial position is not known at this time. There remains uncertainty in the upcoming year with respect to user fee and charge revenue and additional pandemic-related costs. Additional government transfers related directly to the impact of COVID-19 have been announced.