

Consolidated financial statements of

The Regional Municipality of Waterloo

December 31, 2021

The Regional Municipality of Waterloo

December 31, 2021

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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, 2021
- 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, 2021, 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 consolidated 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 consolidated 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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 27, 2022

The Regional Municipality of Waterloo
Consolidated Statement of Financial Position
as at December 31, 2021 (in thousands of dollars)

	2021	2020
	(\$000s)	(\$000s)
Financial assets		
Cash	341,392	308,378
Accounts receivable	175,887	181,710
Other assets	4,907	6,104
Investments (Note 3)	218,638	184,776
Development charges receivable (Note 4)	27,262	-
Long-term receivables (Note 6)	152,835	152,961
Total financial assets	920,921	833,929
Liabilities		
Accounts payable	112,866	102,246
Other liabilities	86,437	76,395
Deferred revenue (Note 4)	155,780	125,728
Mortgages payable	2,925	3,033
Long-term liabilities (Note 6)	875,385	867,637
Employee future benefits liabilities (Note 10)	253,895	234,809
Landfill closure & post-closure liability (Note 11)	75,725	76,675
Contaminated sites liability (Note 12)	2,303	1,482
Total liabilities	1,565,316	1,488,005
Net Debt	(644,395)	(654,076)
Non-financial assets		
Tangible capital assets (Note 15)	3,736,834	3,561,941
Inventory	9,426	9,406
Prepaid expenses	13,560	14,012
Total non-financial assets	3,759,820	3,585,359
Accumulated surplus (Note 16)	3,115,425	2,931,283

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, 2021 (in thousands of dollars)

	2021 Budget (Note 18) (\$000s)	2021 Actual (Note 19) (\$000s)	2020 Actual (\$000s)
Revenue			
Property taxes	598,759	600,164	587,614
Government transfers			
Canada	141,184	141,413	83,219
Ontario	313,966	336,622	309,691
User fees, fines and service charges	225,209	233,751	220,194
Development charges earned	74,422	74,422	76,331
Investment income	7,009	7,453	7,561
Other	6,562	1,206	1,049
Total revenue	1,367,111	1,395,031	1,285,659
Expense			
General government	46,294	55,937	53,429
Police and other protective services	231,538	223,749	216,322
Transportation services	82,962	82,772	92,373
Transit	194,810	186,133	178,895
Environmental services	187,482	184,963	190,633
Health services	97,677	112,272	80,876
Social and family services	244,913	232,885	234,463
Housing	107,811	113,175	98,695
Planning and culture	22,579	19,003	19,114
Total expense	1,216,066	1,210,889	1,164,800
Annual surplus	151,045	184,142	120,859
Accumulated surplus, beginning of year		2,931,283	2,810,424
Accumulated surplus, end of year (Note 16)		3,115,425	2,931,283

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, 2021 (in thousands of dollars)

	2021 Actual (\$000s)	2020 Actual (\$000s)
Annual Surplus (Note 19)	184,142	120,859
Acquisition of tangible capital assets	(318,037)	(240,115)
Amortization of tangible capital assets	141,456	140,677
Loss on disposal of tangible capital assets	578	12,000
Proceeds on disposal of tangible capital assets	1,110	675
Change due to tangible capital assets	(174,893)	(86,763)
Decrease (increase) in inventory	(20)	(1,238)
Decrease (increase) in prepaid expenses	452	(982)
Change in inventories and prepaid expenses	432	(2,220)
Change in net debt	9,681	31,876
Net Debt beginning of year	(654,076)	(685,952)
Net Debt end of year	(644,395)	(654,076)

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, 2021 (in thousands of dollars)

	2021	2020
	(\$000s)	(\$000s)
Operating Activities		
Annual Surplus	184,142	120,859
Non-cash charges to operations		
Amortization of tangible capital assets	141,456	140,677
Amortization of bond premium	(1,423)	(666)
Change in employee future benefits liability	19,086	21,009
Change in landfill closure and post-closure liability	(950)	578
Change in contaminated sites liability	821	10
Loss on disposal of tangible capital assets	578	12,000
Change in non-cash assets and liabilities		
Accounts receivable	(21,439)	8,252
Other assets	1,197	396
Accounts payable	10,620	11,259
Other liabilities	10,042	17,085
Deferred revenue	30,052	34,901
Inventory	(20)	(1,238)
Prepaid expense	452	(982)
Net change in cash from operating activities	374,614	364,140
Capital Activities		
Acquisition of tangible capital assets	(318,037)	(240,115)
Proceeds on disposal of tangible capital assets	1,110	675
Net change in cash from capital activities	(316,927)	(239,440)
Investing activities		
Proceeds from disposals and redemptions of investments	28,457	49,035
Acquisition of investments	(60,606)	(67,094)
Investment funds interest reinvested	(290)	(426)
Net change in cash from investing activities	(32,439)	(18,485)
Financing activities		
Net long-term liabilities incurred	65,848	71,931
Net long-term liabilities repaid	(57,974)	(58,883)
Mortgage repaid	(108)	(227)
Net change in cash from financing activities	7,766	12,821
Net change in cash and cash equivalents	33,014	119,036
Cash beginning of year	308,378	189,342
Cash end of year	341,392	308,378

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, 2021
(in thousands of dollars)

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 632,230 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 \$170 (2020 - \$189) are 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, 2021
(in thousands of dollars)

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 58,200 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 annual surplus.

2. Contributions to non-consolidated entities

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

	2021	2020
	(\$000s)	(\$000s)
Grand River Conservation Authority	6,183	6,065
Waterloo Region Municipalities Insurance Pool	2,433	2,084
Waterloo Economic Development Corporation	900	900
Region of Waterloo Arts Fund	393	393
Waterloo Regional Heritage Foundation	106	106
	10,015	9,548

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2021
(in thousands of dollars)

3. Investments

Investment activities are governed by the Municipal Act and the Region's consolidated investment policy. Investments of \$218,638 (2020 - \$184,776) are recorded at cost. The investments have a market value of \$218,285 (2020 - \$189,688) at the end of the year. The market value represents the realizable value of the investments if they were sold at December 31, 2021. The investment practice is to generally hold investments until maturity. Investments by type are listed below:

Issuer	2021 (\$000s)	2020 (\$000s)
Schedule I Canadian Banks	89,545	85,802
Canadian Municipalities	65,797	47,242
Provincial Governments	47,226	36,452
Investment Funds	15,989	15,216
Restricted Cash	81	64
Total	218,638	184,776

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, 2020	Inflows	Revenue Recognized	Balance at December 31, 2021
Development Charges	60,575	98,652	(74,422)	84,805
Safe Restart & 2021 Provincial COVID-19 Recovery	21,374	31,585	(26,480)	26,479
Other Deferred Revenue	18,853	7,671	(7,115)	19,409
Canada Community-Building Fund	16,734	33,665	(37,227)	13,172
Rapid Housing Initiative (CMHC)	8,192	12,362	(8,639)	11,915
Total	125,728	183,935	(153,883)	155,780

In accordance with PSAB requirements, obligatory reserve funds are reported as 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 infrastructure. Revenue recognition occurs when the Region has incurred the expenditure or made the related debt payments including sinking fund contributions for the capital works for which the development charges were collected. 2021 ending balance for development charges includes \$27,262 of development charges receivable for which collection has been deferred in accordance with Section 26.1 of the Development Charges Act, 1997.

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, 2021
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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 2021 was \$36,771 (2020 - \$34,722) for current service of 4,506 eligible employees and is included as an expense on the consolidated statement of operations and accumulated surplus. Contributions were made in 2021 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 2021 is 97% (2020 – 97%).

6. Net long-term liabilities

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

	2021	2020
	(\$000s)	(\$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	925,653	919,374
The total value of the Region's own sinking fund	(50,268)	(51,737)
Total long-term liabilities	875,385	867,637
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	(152,835)	(152,961)
Net long-term liabilities, end of year	722,550	714,676

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2021
(in thousands of dollars)

6. Net long-term liabilities (continued)

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

	(\$000s)
2022 - 2026	267,397
2027 - 2031	191,087
2032 - 2036	128,635
2037 - 2041	86,827
2042 - 2046	43,738
2047 - onwards	4,866
	722,550

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

	2021	2020
	(\$000s)	(\$000s)
Property taxes and general municipal revenue	357,839	363,019
Development charge collections	273,434	252,255
Wastewater rate revenue	91,277	98,954
Water rate revenue	-	448
	722,550	714,676

- d) Long-term liabilities include sinking fund debentures issued in the amount of \$223,962 (2020 - \$233,367) of which the Region is the only participant. Annual payments to the sinking fund are made to finance the repayment of the debentures as they mature. During 2021, sinking fund debentures of \$9,405 were retired. Accumulated contributions to and earnings of the sinking fund total \$50,268 (2020 - \$51,737).
- 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, 2021, the amount of the long term liability was \$121,223 (2020 - \$123,531) and is included in net long term liabilities.

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2021
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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.

	2021	2020
	(\$000s)	(\$000s)
City of Kitchener	59,489	62,214
City of Cambridge	58,876	45,777
Waterloo Region District School Board	15,151	20,621
City of Waterloo	10,792	13,368
Waterloo Catholic District School Board	3,801	5,553
Township of Woolwich	2,639	2,898
Township of North Dumfries	710	928
Township of Wellesley	690	796
Township of Wilmot	687	806
Total debentures assumed by others	152,835	152,961

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:

	2021	2020
	(\$000s)	(\$000s)
Principal payments including contributions to the sinking fund	57,974	58,883
Interest	27,386	27,733
	85,360	86,616

The interest rates on debt outstanding at December 31, 2021 ranged from 0.30% to 6.25%.

The following revenues were collected to meet these payments:

	2021	2020
	(\$000s)	(\$000s)
Property taxes and general municipal revenue	52,615	56,950
Development charge collections	21,691	18,704
Wastewater rate revenue	10,592	10,477
Water rate revenue	462	485
	85,360	86,616

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2021
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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, 2021 is \$1,218 (2020 - \$1,822). 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 2021 of 1.95% (2020 – 1.95%) per annum. At December 31, 2021, the Region's bank indebtedness using the operating credit facility was \$0 (2020 - \$0).

10. Employee future benefits liabilities

Summary of employee future benefits

(\$000s)	Region (excluding WRPS)	WRPS	2021	2020
Future payments required for:				
Post-employment benefits	23,278	144,104	167,382	152,632
Sick leave	24,082	37,765	61,847	60,137
Workplace Safety & Insurance Board	7,364	17,302	24,666	22,040
Total	54,724	199,171	253,895	234,809

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 to grandfathered employees. Civilian and uniform employees hired after September 27, 2021 and senior officers hired after November 17, 2021 are provided with a healthcare spending account from age 65 to 75.

The actuarial valuation completed as at December 31, 2021 determined that the liability for present and future benefits is \$167,382 (2020 - \$152,632). The calculations were based on a discount rate of 2.55% (2020 – 2.25%) and a general inflation rate of 2.0% (2020 – 2.0%).

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2021
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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, this benefit was phased out for new employees between 1991 and 2013. As of December 31, 2021, 17% (2020- 20%) of employees are entitled to this benefit. The actuarial liability at the end of the year for accumulated days, assuming a 2.55% discount rate, 2.0% inflation and to the extent that they have vested was \$61,847 (2020 - \$60,137). Approximately 39% of this amount is eligible to be paid upon employee termination and the remaining 61% would be taken in the form of future year absences. The amount paid to employees who left the Region's employment in 2021 amounted to \$1,691 for the Regional portion (2020 - \$1,795) and \$1,472 for WRPS (2020 - \$2,181) totaling \$3,163 (2020 - \$3,976).

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 \$1,632 (2020 - \$1,908) 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	2021
2022	3,239	1,275	4,514
2023	955	456	1,411
2024	990	821	1,811
2025	388	920	1,308
2026	449	1,031	1,480
	6,021	4,503	10,524

Workplace Safety & Insurance Board (WSIB)

The Region is responsible for costs awarded under the Workers' Compensation Act. During 2021, the Region paid \$3,647 (2020 - \$2,899) in such costs for employees. The liability for present and future awards is \$24,666 (2020 - \$22,040). The calculations were based on a discount rate of 2.55% (2020 - 2.25%) and an inflation rate of up to 2.0% (2020 - 2.0%). An amount of \$13,575 (2020 - \$13,437) has been provided for current and future awards, of that \$8,414 for Police and \$5,161 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 approximately 32% or 6 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 2.55%. 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 \$75,725 (2020 - \$76,675) 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.

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2021
(in thousands of dollars)

12. Contaminated sites liability

The Region has recorded a liability for remediation of regional sites not in active use which contains contamination as defined in the PSAB requirements for contaminated sites. The liability estimate of \$2,303 (2020 - \$1,482) 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 prefund expected losses. External insurance coverage is in place for claims in excess of deductibles.

During the year 301 (2020 - 373) claims were settled for \$277 (2020 - \$284) the cost of which has been provided for from the general insurance reserve fund, which has a balance of \$5,293 as at December 31, 2021 (2020 - \$5,822).

14. Contingent liabilities

Legal claims

As of December 31, 2021, 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 it is likely that a future event will confirm that a liability has been incurred and the amount can be reasonably estimated.

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, 2021, 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 \$5,499 (2020 - \$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:

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Land	127,522	-	(435)	127,087
Land improvements	187,169	12,724	-	199,893
Buildings	627,019	12,286	(98)	639,207
Vehicles	284,725	17,858	(6,269)	296,314
Machinery and equipment	235,376	22,798	(871)	257,303
Roads and bridges	1,400,033	76,361	(27,396)	1,448,998
Water and wastewater	1,384,768	116,845	(781)	1,500,832
Transit rail line	630,786	2,870	-	633,656
Construction work in progress	341,558	56,295	-	397,853
Total Cost	5,218,956	318,037	(35,850)	5,501,143

Accumulated Amortization	Balance at December 31, 2020	Amortization Expense	Disposals	Balance at December 31, 2021
Land improvements	95,108	6,896	-	102,004
Buildings	286,996	17,524	(82)	304,438
Vehicles	115,039	18,681	(6,224)	127,496
Machinery and equipment	121,296	15,351	(832)	135,815
Roads and bridges	406,214	33,812	(26,808)	413,218
Water and wastewater	595,862	36,542	(216)	632,188
Transit rail line	36,500	12,650	-	49,150
Total Accumulated Amortization	1,657,015	141,456	(34,162)	1,764,309

Net Book Value	Balance at December 31, 2020	Net Additions/ (Amortization)	Net Disposals	Balance at December 31, 2021
Land	127,522	-	(435)	127,087
Land improvements	92,061	5,828	-	97,889
Buildings	340,023	(5,238)	(16)	334,769
Vehicles	169,686	(823)	(45)	168,818
Machinery and equipment	114,080	7,447	(39)	121,488
Roads and bridges	993,819	42,549	(588)	1,035,780
Water and wastewater	788,906	80,303	(565)	868,644
Transit rail line	594,286	(9,780)	-	584,506
Construction work in progress	341,558	56,295	-	397,853
Total Net Book Value	3,561,941	176,581	(1,688)	3,736,834

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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:

As at December 31	2021	2020
	(\$000s)	(\$000s)
Surplus:		
Invested in tangible capital assets	3,010,358	2,843,231
Unexpended capital financing	34,601	23,371
General surplus (deficit)	1,741	(1,680)
Unfunded liabilities		
Employee future benefits	(238,689)	(219,464)
Landfill closure and post closure	(75,725)	(76,675)
Contaminated sites	(2,303)	(1,482)
Total Surplus	2,729,983	2,567,301
Reserves set aside by Council for:		
Capital Infrastructure	246,944	226,956
Equipment replacement	51,617	50,307
Contingencies and stabilization	46,728	44,955
Other	6,903	1,805
Total Reserves	352,192	324,023
Reserve Funds set aside for specific purposes by Council for:		
Regional Transportation Master Plan	14,451	15,866
Benefits and Insurance	11,871	16,629
Provincial Gas Tax	3,749	3,687
Brownfield Financial Incentives	3,179	3,777
Total Reserve Funds	33,250	39,959
Accumulated Surplus	3,115,425	2,931,283

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17. Commitments and Contractual Obligations

Lease commitments

At the end of 2021, the Region is responsible for total lease commitments of approximately \$5,958 (2020 - \$7,282) relating to equipment and buildings.

		Maturity Date	Amount (\$'000s)
Office space	Varying maturities to	2025	3,343
Other	Varying maturities to	2040	2,615
Total commitments			5,958

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 \$14,863 (2020 - \$11,283) 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 \$28,807 will be funded in future years from the reserve fund and future property tax revenue. The Brownfield Incentive Reserve Fund balance is \$3,195 (2020 - \$3,777).

d) Other Contractual Obligations

The Region enters into various service contracts and other agreements in the normal course of business, which have been approved by the appropriate level of management or by Council but have not been reported as commitments.

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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

	2021	2020
	(\$000s)	(\$000s)
Budgeted Operating Surplus/(Deficit)	-	-
Add: Revenues not included in Budgeted Operating Surplus		
Development Charges	74,422	76,331
Canada Community-Building Fund Revenue	37,227	21,040
Capital Grants (Federal and Provincial)	92,533	56,891
Interest Revenue for Reserves and Reserve Funds	6,408	6,922
Less: Revenues not included in PSAB		
Internal Transfers to Reserves	(50,558)	(42,435)
Add: Operating Expenses not in PSAB		
Sick Leave, Insurance and Other Transfers	152,797	124,728
Principal Repayments	56,091	56,527
Less: Expenses not included in Budgeted Operating Surplus:		
Amortization of Tangible Capital Assets	(141,456)	(140,677)
Operating Expenses in Capital	(57,462)	(51,752)
Change in Actuarial Estimates	(19,086)	(21,009)
Change in Landfill Post Closure	950	(578)
Change in Contaminated Sites	(821)	(10)
Consolidated Financial Statement Budget Surplus/(Deficit)	151,045	85,978

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19. Reconciliation of Regional Operating Budget Surplus and Consolidated Financial Statement Annual Surplus

	2021	2020
	(\$000s)	(\$000s)
Operating Surplus/(Deficit)		
Regional tax supported programs	8,690	3,957
Region of Waterloo Library Board	300	490
Region of Waterloo Community Housing Inc.	(29)	53
Waterloo Regional Police Services Board	2,292	3,178
Regional water and wastewater programs	1,222	1,130
Total Operating Surplus	<u>12,475</u>	<u>8,808</u>
Add: Revenues Not included In Operating Surplus		
Development Charges	74,422	76,331
Canada Community-Building Fund Revenue	37,227	21,040
Capital Grants (Federal and Provincial)	92,533	56,891
Add: Expenses Included in Operating Surplus, but not in Consolidated Statements		
Transfers to Reserves and Reserve funds	128,965	114,348
Principal Repayments	56,209	57,282
Less: Expenses not Included in Operating Surplus:		
Amortization of Tangible Capital Assets	(141,270)	(140,492)
Operating Expenses in Capital	(57,462)	(51,752)
Change in Actuarial Estimates	(19,086)	(21,009)
Change in Landfill Closure & Post Closure Estimate	950	(578)
Change in Contaminated Sites Estimate	(821)	(10)
Consolidated Financial Statement Surplus/(Deficit)	<u><u>184,142</u></u>	<u><u>120,859</u></u>

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20. Impact of COVID-19 pandemic

Throughout 2020 and 2021, the Region tracked all COVID-19 financial impacts, including pandemic response expenditure, cost savings due to temporary closure of facilities, and reduced service levels and revenue losses primarily relating to public transit. The impact, inclusive of estimated additional costs and foregone revenue, of COVID-19 in 2021 of \$88,220 (2020-\$34,995) was offset by funding from the provincial and federal government, which included the Safe Restart Agreement, the Social Services Relief Fund, the Reaching Home and Rapid Housing Initiatives, and funding from various provincial ministries including Health, Long Term Care, and Municipal Affairs and Housing. Senior levels of government have shown a continued commitment to provide funding to offset the financial impacts that COVID-19 has had on municipalities. Further funding commitments have been made by the federal and provincial governments and the Region anticipates being able to recover its financial impacts of COVID-19 for 2022. The COVID-19 related funding recorded by the Region is shown as Government Transfers on the Consolidated Statement of Operations and Accumulated Surplus.

21. 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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21. Segmented disclosure (continued)

										2021
(\$000s)	General Government	Police and Protective Services	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Housing	Planning and Culture	Total
Revenue										
Property taxes	40,091	188,683	61,294	128,015	47,544	31,681	36,350	47,587	18,919	600,164
Government transfers	6,113	10,119	36,088	91,981	4,398	82,443	190,152	55,178	1,563	478,035
User fees, fines and service charges	2,757	20,061	7,087	24,931	153,359	308	8,218	15,278	1,752	233,751
Development charges earned	139	823	26,065	8,370	38,090	301	-	-	634	74,422
Investment income	3,201	335	349	502	2,056	43	46	833	88	7,453
Other	62	44	-	230	-	-	26	821	23	1,206
	52,363	220,065	130,883	254,029	245,447	114,776	234,792	119,697	22,979	1,395,031
Expense										
Salaries and Benefits	47,329	190,222	23,299	75,428	25,197	82,183	70,860	5,746	9,180	529,444
Goods and Services	22,713	18,896	25,127	55,660	96,984	19,857	37,612	41,332	4,416	322,597
Interest	1,358	910	1,396	14,096	8,022	649	879	87	21	27,418
Amortization	5,168	6,835	38,494	36,890	43,287	3,129	2,252	3,811	1,590	141,456
Transfers and Other	(20,631)	6,886	(5,544)	4,059	11,473	6,454	121,282	62,199	3,796	189,974
	55,937	223,749	82,772	186,133	184,963	112,272	232,885	113,175	19,003	1,210,889
Net surplus (deficit)	(3,574)	(3,684)	48,111	67,896	60,484	2,504	1,907	6,522	3,976	184,142

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21. Segmented disclosure (continued)

	2020									
(\$000s)	General Government	Police and Protective Services	Transportation Services	Transit	Environmental Services	Health Services	Social and Family 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, fines and service charges	2,725	18,249	3,696	22,617	147,790	339	8,088	15,711	979	220,194
Development charges earned	74	1,663	33,084	8,820	31,104	722	-	-	864	76,331
Investment income	2,965	318	479	517	2,217	65	31	909	60	7,561
Other	69	21	-	38	-	-	34	871	16	1,049
	52,307	212,009	116,573	225,453	228,951	85,165	239,479	102,087	23,635	1,285,659
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
	53,429	216,322	92,373	178,895	190,633	80,876	234,463	98,695	19,114	1,164,800
Net surplus (deficit)	(1,122)	(4,313)	24,200	46,558	38,318	4,289	5,016	3,392	4,521	120,859