

Consolidated financial statements of

The Regional Municipality of Waterloo

December 31, 2022

The Regional Municipality of Waterloo

December 31, 2022

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INDEPENDENT AUDITOR'S 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, 2022
- 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 financial position of the Entity as at December 31, 2022, and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 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 horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

May 25, 2023

The Regional Municipality of Waterloo
Consolidated Statement of Financial Position
as at December 31, 2022 (in thousands of dollars)

	2022	2021
	(\$000s)	(\$000s)
Financial assets		
Cash	289,356	341,392
Accounts receivable	189,255	175,887
Other assets	4,685	4,907
Investments (Note 3)	284,440	218,638
Development charges receivable (Note 4)	30,865	27,262
Long-term receivables (Note 6)	150,934	152,835
Total financial assets	949,535	920,921
Liabilities		
Accounts payable	128,529	112,866
Other liabilities	74,756	86,437
Deferred revenue (Note 4)	170,027	155,780
Mortgages payable	2,827	2,925
Long-term liabilities (Note 6)	874,974	875,385
Employee future benefits liabilities (Note 10)	269,955	253,895
Landfill closure & post-closure liability (Note 11)	82,593	75,725
Contaminated sites liability (Note 12)	2,403	2,303
Total liabilities	1,606,064	1,565,316
Net Debt	(656,529)	(644,395)
Non-financial assets		
Tangible capital assets (Note 15)	3,855,364	3,736,834
Inventory	10,863	9,426
Prepaid expenses	18,712	13,560
Total non-financial assets	3,884,939	3,759,820
Accumulated surplus (Note 16)	3,228,410	3,115,425

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, 2022 (in thousands of dollars)

	2022 Budget (Note 18) (\$000s)	2022 Actual (Note 19) (\$000s)	2021 Actual (\$000s)
Revenue			
Property taxes	635,100	639,662	600,164
Government transfers			
Canada	69,169	66,188	141,413
Ontario	339,749	362,396	336,622
User fees, fines and service charges	246,398	265,183	233,751
Development charges earned	70,197	70,197	74,422
Investment income	14,304	13,633	7,453
Other	7,034	1,233	1,206
Total revenue	1,381,951	1,418,492	1,395,031
Expense			
General government	48,428	53,244	55,937
Police and other protective services	239,454	234,929	223,749
Transportation services	87,494	90,288	82,772
Public Transit	204,560	203,256	186,133
Environmental services	211,486	209,582	184,963
Health services	112,183	103,626	112,272
Social and family services	243,227	260,671	232,885
Housing	125,293	127,878	113,175
Planning and culture	24,541	22,033	19,003
Total expense	1,296,666	1,305,507	1,210,889
Annual surplus	85,285	112,985	184,142
Accumulated surplus, beginning of year		3,115,425	2,931,283
Accumulated surplus, end of year (Note 16)		3,228,410	3,115,425

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, 2022 (in thousands of dollars)

	Actual	Actual
	(\$000s)	(\$000s)
Annual Surplus (Note 19)	112,985	184,142
Acquisition of tangible capital assets	(269,700)	(318,037)
Amortization of tangible capital assets	150,001	141,456
Loss (gain) on disposal of tangible capital assets	(517)	578
Proceeds on disposal of tangible capital assets	1,686	1,110
Change due to tangible capital assets	(118,530)	(174,893)
Increase in inventory	(1,437)	(20)
Decrease (increase) in prepaid expenses	(5,152)	452
Change in inventories and prepaid expenses	(6,589)	432
Change in net debt	(12,134)	9,681
Net Debt beginning of year	(644,395)	(654,076)
Net Debt end of year	(656,529)	(644,395)

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, 2022 (in thousands of dollars)

	2022	2021
	(\$000s)	(\$000s)
Operating Activities		
Annual Surplus	112,985	184,142
Non-cash charges to operations		
Amortization of tangible capital assets	150,001	141,456
Amortization of bond premium	(2,081)	(1,423)
Change in employee future benefits liability	16,060	19,086
Change in landfill closure and post-closure liability	6,868	(950)
Change in contaminated sites liability	100	821
Loss on disposal of tangible capital assets	(517)	578
Change in non-cash assets and liabilities		
Accounts receivable	(16,971)	(21,439)
Other assets	222	1,197
Accounts payable	15,663	10,620
Other liabilities	(11,681)	10,042
Deferred revenue	14,247	30,052
Inventory	(1,437)	(20)
Prepaid expense	(5,152)	452
Net change in cash from operating activities	278,307	374,614
Capital Activities		
Acquisition of tangible capital assets	(269,700)	(318,037)
Proceeds on disposal of tangible capital assets	1,686	1,110
Net change in cash from capital activities	(268,014)	(316,927)
Investing activities		
Proceeds from disposals and redemptions of investments	10,479	28,457
Acquisition of investments	(73,945)	(60,606)
Investment funds interest reinvested	(255)	(290)
Net change in cash from investing activities	(63,721)	(32,439)
Financing activities		
Net long-term liabilities incurred	59,613	65,848
Net long-term liabilities repaid	(58,123)	(57,974)
Mortgage repaid	(98)	(108)
Net change in cash from financing activities	1,392	7,766
Net change in cash and cash equivalents	(52,036)	33,014
Cash beginning of year	341,392	308,378
Cash end of year	289,356	341,392

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, 2022
(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 647,540 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 \$120 (2021 - \$170) 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.

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2022
(in thousands of dollars)

1. Significant accounting policies (continued)

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.

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 58,695 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.

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2022
(in thousands of dollars)

1. Significant accounting policies (continued)

- 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:

	2022	2021
	(\$000s)	(\$000s)
Grand River Conservation Authority	6,325	6,183
Waterloo Region Municipalities Insurance Pool	2,581	2,433
Waterloo Economic Development Corporation	900	900
Region of Waterloo Arts Fund	393	393
Waterloo Region Heritage Foundation	-	106
	10,199	10,015

3. Investments

Investment activities are governed by the Municipal Act and the Region's consolidated investment policy. Investments of \$284,440 (2021 - \$218,638) are recorded at cost. The investments have a market value of \$262,862 (2021 - \$218,285) at the end of the year. The market value represents the realizable value of the investments if they were sold at December 31, 2022. The investment practice is to generally hold investments until maturity. Investments by type are listed below:

Issuer	2022	2021
	(\$000s)	(\$000s)
Schedule I Canadian Banks	133,871	89,545
Canadian Municipalities	82,265	65,797
Provincial Governments	52,784	47,226
Investment Funds	15,437	15,989
Restricted Cash	83	81
	284,440	218,638

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2022
(in thousands of dollars)

3. Investments (continued)

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, 2021	Inflows	Revenue Recognized	Balance at December 31, 2022
Development Charges	84,805	114,856	(70,197)	129,464
Other Deferred Revenue	19,409	6,790	(9,571)	16,628
Safe Restart & Provincial COVID-19 Recovery	26,479	3,089	(18,694)	10,874
Canada Community-Building Fund	13,172	17,298	(22,072)	8,398
Rapid Housing Initiative (CMHC)	11,915	47	(7,299)	4,663
Total	155,780	142,080	(127,833)	170,027

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. The 2022 ending balance for development charges includes \$30,865 (2021 - \$27,262) of development charges receivable for which collection has been deferred in accordance with Section 26.1 of the Development Charges Act.

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.

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 2022 was \$36,825 (2021 - \$36,771) for current service of 4,736 eligible employees and is included as an expense on the consolidated statement of operations and accumulated surplus. Contributions were made in 2022 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 2022 is 95% (2021 - 97%).

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2022
(in thousands of dollars)

6. Net long-term liabilities

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

	2022	2021
	(\$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	932,582	925,653
The total value of the Region's own sinking fund	(57,608)	(50,268)
Total long-term liabilities	874,974	875,385
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	(150,934)	(152,835)
Net long-term liabilities, end of year	724,040	722,550

- 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)
2023 - 2027	274,166
2028 - 2032	204,145
2033 - 2037	122,186
2038 - 2042	85,960
2043 - 2047	37,583
	724,040

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

	2022	2021
	(\$000s)	(\$000s)
Property taxes and general municipal revenue	344,159	357,839
Development charge collections	291,435	273,434
Wastewater rate revenue	88,446	91,277
	724,040	722,550

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2022
(in thousands of dollars)

6. Net long-term liabilities (continued)

- d) Long-term liabilities include sinking fund debentures issued in the amount of \$242,262 (2021 - \$223,962) of which \$237,614 (2021 - \$223,962) is the Region's share. Annual payments to the sinking fund will be made to finance the repayment of the debentures as they mature. Accumulated contributions to and earnings of the sinking fund total \$57,608 (2021 - \$50,268).
- e) In 2014 the Region entered into a contract with GrandLinq GP for the design, construction, financing, operation and maintenance of the Region's Stage 1 Light Rail Transit system. Under the contract GrandLinq GP was obligated to provide long term financing for the first \$130,652 of capital costs incurred. The Region is obligated to make annual long term financing payments to GrandLinq GP during the operations and maintenance term. As at December 31, 2022 the amount of future principal payments remaining is \$118,803 (2021 - \$121,223) and is reported on the consolidated statement of financial position as a long term liability.

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.

	2022	2021
	(\$000s)	(\$000s)
City of Kitchener	57,305	59,489
City of Cambridge	53,244	58,876
Township of Wilmot	9,407	687
Public School Board	9,391	15,151
Township of Wellesley	8,582	690
City of Waterloo	8,157	10,792
Township of Woolwich	2,414	2,639
Separate School Board	1,952	3,801
Township of North Dumfries	482	710
Total debentures assumed by others	150,934	152,835

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2022
(in thousands of dollars)

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:

	2022	2021
	(\$000s)	(\$000s)
Principal payments including contributions to the sinking fund	58,123	57,974
Interest	27,213	27,386
	85,336	85,360

The interest rates on debt outstanding at December 31, 2022 ranged from 0.30% to 5.70%.

The following revenues were collected to meet these payments:

	2022	2021
	(\$000s)	(\$000s)
Property taxes and general municipal revenue	50,273	52,615
Development charge collections	24,344	21,691
Wastewater rate revenue	10,719	10,592
Water rate revenue	-	462
	85,336	85,360

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, 2022 is \$840 (2021 - \$1,218). 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 2022 of 5.95% (2021 – 1.95%) per annum. At December 31, 2022, the Region's bank indebtedness using the operating credit facility was \$0 (2021 - \$0).

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2022
(in thousands of dollars)

10. Employee future benefits liabilities

Summary of employee future benefits

(\$000s)	Region (excluding WRPS)	WRPS	2022	2021
Future payments required for:				
Post-employment benefits	24,571	156,654	181,225	167,382
Sick leave	24,560	36,146	60,706	61,847
Workplace Safety & Insurance Board	9,144	18,880	28,024	24,666
Total	58,275	211,680	269,955	253,895

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, 2022 determined that the liability for present and future benefits is \$181,225 (2021 - \$167,382). The calculations were based on a discount rate of 4.65% (2021 – 2.55%) and a general inflation rate of 2.0% (2021 – 2.0%).

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, 2022, 16% (2021 - 17%) of employees are entitled to this benefit. The actuarial liability at the end of the year for accumulated days, assuming a 4.65% discount rate, 2.0% inflation and to the extent that they have vested was \$60,706 (2021 - \$61,847). 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 2022 amounted to \$1,629 for the Regional portion (2021 - \$1,691) and \$1,047 for WRPS (2021 - \$1,472) totaling \$2,676 (2021 - \$3,163).

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2022
(in thousands of dollars)

10. Employee future benefits liability (continued)

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 \$1,228 (2021 – \$1,632) to partially provide for the Regional portion of this liability is included in the accumulated surplus (note 16). During 2022, WRPS created a sick leave reserve fund and its balance as at December 31, 2022 is \$853.

Sick leave pay payout in the next five years are:

(\$000s)	Region (excluding WRPS)	WRPS	2022
2023	2,945	1,810	4,755
2024	939	683	1,622
2025	374	696	1,070
2026	442	1,064	1,506
2027	307	1,410	1,717
	<u>5,007</u>	<u>5,663</u>	<u>10,670</u>

Workplace Safety & Insurance Board (WSIB)

The Region is responsible for costs awarded under the Workers' Compensation Act. During 2022, the Region paid \$4,207 (2021 - \$3,647) in such costs. The liability for present and future awards is \$28,024 (2021 - \$24,666). The calculations were based on a discount rate of 4.65% (2021 – 2.55%) and an inflation rate of up to 2.0% (2021 – 2.0%). An amount of \$18,785 (2021 - \$13,575) has been provided for current and future awards, of which \$14,359 was for the Police and \$4,426 was for the Region.

Current and future awards pertaining to employee future benefits are included in the accumulated surplus in the Unfunded Liabilities section of 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 31% 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 4.67%. 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 \$82,593 (2021 - \$75,725) 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
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(in thousands of dollars)

12. Contaminated sites liability

The Region has recorded a liability for remediation of regional sites not in active use which contain contamination as defined in the PSAB requirements for contaminated sites. The liability estimate of \$2,403 (2021 - \$2,303) 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. General Insurance Reserve Fund

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 207 (2021 – 301) claims were settled for \$295 (2021 - \$277) the cost of which has been provided for from the General Insurance Reserve Fund, which has a balance of \$4,492 as at December 31, 2022 (2021 - \$5,293).

14. Contingent liabilities

Legal claims

As of December 31, 2022, 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

Certain Workplace Safety and Insurance Board claims had not been settled as of December 31, 2022. Given the uncertainty of settlement outcome, the valuation for these contingent amounts have not been included in the WSIB liability. The estimated value of these unsettled claims is approximately \$3,589 (2021 - \$5,499).

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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:

(\$000s) Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Land	127,087	9,254	-	136,341
Land improvements	199,893	25,494	-	225,387
Buildings	639,207	118,797	(72)	757,932
Vehicles	296,314	21,996	(6,218)	312,092
Machinery and equipment	257,303	28,001	(1,596)	283,708
Roads and bridges	1,448,998	64,914	(26,795)	1,487,117
Water and wastewater	1,500,832	67,052	(706)	1,567,178
Transit rail line	633,656	2,100	-	635,756
Construction work in progress	397,853	(67,908)	-	329,945
Total Cost	5,501,143	269,700	(35,387)	5,735,456

(\$000s) Accumulated Amortization	Balance at December 31, 2021	Amortization Expense	Disposals	Balance at December 31, 2022
Land improvements	102,004	8,155	-	110,159
Buildings	304,438	17,399	(17)	321,820
Vehicles	127,496	19,215	(6,041)	140,670
Machinery and equipment	135,815	16,559	(1,578)	150,796
Roads and bridges	413,218	34,291	(26,218)	421,291
Water and wastewater	632,188	41,672	(364)	673,496
Transit rail line	49,150	12,710	-	61,860
Total Accumulated Amortization	1,764,309	150,001	(34,218)	1,880,092

(\$000s) Net Book Value	Balance at December 31, 2021	Net Additions/ (Amortization)	Net Disposals	Balance at December 31, 2022
Land	127,087	9,254	-	136,341
Land improvements	97,889	17,339	-	115,228
Buildings	334,769	101,398	(55)	436,112
Vehicles	168,818	2,781	(177)	171,422
Machinery and equipment	121,488	11,442	(18)	132,912
Roads and bridges	1,035,780	30,623	(577)	1,065,826
Water and wastewater	868,644	25,380	(342)	893,682
Transit rail line	584,506	(10,610)	-	573,896
Construction work in progress	397,853	(67,908)	-	329,945
Total Net Book Value	3,736,834	119,699	(1,169)	3,855,364

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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	2022	2021
	(\$000s)	(\$000s)
Surplus:		
Invested in tangible capital assets	3,127,496	3,010,358
Unexpended capital financing	28,773	34,601
General surplus (deficit)	1,830	1,741
Unfunded liabilities		
Employee benefits and long term disability liabilities	(194,375)	(182,969)
Sick leave and WSIB liabilities	(54,713)	(55,720)
Landfill closure and post closure	(82,593)	(75,725)
Contaminated sites	(2,403)	(2,303)
Total Surplus	2,824,015	2,729,983
Reserves set aside by Council for:		
Capital infrastructure	268,092	246,944
Equipment replacement	60,281	51,617
Contingencies and stabilization	40,769	46,728
Other	6,784	6,903
Total Reserves	375,926	352,192
Reserve Funds set aside for specific purposes by Council for:		
Regional transportation master plan	14,291	14,451
Benefits and insurance	10,953	11,871
Provincial gas tax	-	3,749
Brownfield financial incentives	3,225	3,179
Total Reserve Funds	28,469	33,250
Accumulated Surplus	3,228,410	3,115,425

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17. Commitments and contractual obligations

Lease commitments

At the end of 2022, the Region is responsible for total lease commitments of approximately \$4,383 (2021 - \$5,958) relating to equipment and buildings.

		Maturity Date	Amount (\$000s)
Office space	Varying maturities to	2025	1,749
Other	Varying maturities to	2040	2,634
Total commitments			4,383

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 \$14,873 (2021 - \$14,863) paid to OCWA.

b) Rapid Transit

The Region has contracted with GrandLinq GP to operate and maintain the Stage 1 Light Rail Transit system. Total contract payments in 2022 were \$32,251 (2021 - \$30,809). In 2022, \$29,831 (2021 - \$28,500) in operating, maintenance and financing costs are included in the consolidated statement of operations and accumulated surplus. The balance of the contract payment relates to principal repayments (note 6(e)). The contract provides for potential fixed-price service level adjustments 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 brownfield sites throughout the Region. Tax Increment Grants (“TIGs”) provide eligible developers with a grant to offset the cost of remediation. Approved TIGs totaling \$31,560 will be paid over a period from 2023 to 2034 and are included as a long term liability on the Statement of Financial Position. TIGs are funded from the BFIP Reserve fund and future property tax revenue. The Brownfield Incentive Reserve Fund balance is \$3,225 (2021 - \$3,195).

d) Other Contractual Obligations

The Region enters into various service and construction contracts 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.

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.

	2022	2021
	(\$000s)	(\$000s)
Budgeted Operating Surplus/(Deficit)	-	-
Add: Revenues not included in Budgeted Operating Surplus		
Development Charges	70,197	74,422
Canada Community-Building Fund Revenue	22,072	37,227
Capital Grants (Federal and Provincial)	44,380	92,533
Interest Revenue for Reserves and Reserve Funds	13,700	6,408
Less: Revenues not included in PSAB		
Internal Transfers to Reserves	(43,079)	(50,558)
Add: Operating Expenses not in PSAB		
Sick Leave, Insurance and Other Transfers	161,971	152,797
Principal Repayments	58,191	56,091
Less: Expenses not included in Budgeted Operating Surplus:		
Amortization of Tangible Capital Assets	(150,001)	(141,456)
Operating Expenses in Capital	(69,118)	(57,462)
Change in Actuarial Estimates	(16,060)	(19,086)
Change in Landfill Post Closure	(6,868)	950
Change in Contaminated Sites	(100)	(821)
Consolidated Financial Statement Budget Surplus/(Deficit)	85,285	151,045

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

	2022	2021
	(\$000s)	(\$000s)
Operating Surplus/(Deficit)		
Regional programs and services	6,863	9,912
Region of Waterloo Library Board	66	300
Region of Waterloo Community Housing Inc.	1	(29)
Waterloo Regional Police Services Board	284	2,292
Total Operating Surplus	7,214	12,475
Add: Revenues not included in Operating Surplus		
Development Charges	70,197	74,422
Canada Community-Building Fund Revenue	22,072	37,227
Capital Grants (Federal and Provincial)	44,380	92,533
Add: Expenses included in Operating Surplus, but not in Consolidated Statements		
Transfers to Reserves and Reserve funds	154,876	128,965
Principal Repayments	56,207	56,209
Less: Expenses not included in Operating Surplus:		
Amortization of Tangible Capital Assets	(149,815)	(141,270)
Operating Expenses in Capital	(69,118)	(57,462)
Change in Actuarial Estimates	(16,060)	(19,086)
Change in Landfill Closure & Post Closure Estimate	(6,868)	950
Change in Contaminated Sites Estimate	(100)	(821)
Consolidated Financial Statement Surplus/(Deficit)	112,985	184,142

20. Impact of COVID-19 pandemic

Throughout 2020 to 2022, 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 2022 of \$45,179 (2021 - \$88,220) 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 2023. 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.

21. Segmented disclosure (continued)

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)

										2022
(\$000s)	General Government	Police and Protective Services	Transportation Services	Public Transit	Environmental Services	Health Services	Social and Family Services	Housing	Planning and Culture	Total
Revenue										
Property taxes	46,956	198,740	62,446	130,341	46,952	33,091	37,065	60,785	23,286	639,662
Government transfers	4,618	10,886	23,567	44,124	1,600	70,988	218,139	53,389	1,273	428,584
User fees, fines and service charges	2,166	22,366	10,504	43,410	159,657	507	7,389	16,432	2,752	265,183
Development charges earned	7,741	1,946	17,567	7,436	34,483	270	-	-	754	70,197
Investment income	5,121	677	939	1,047	3,925	118	115	1,470	221	13,633
Other	83	38	-	140	-	-	-	906	66	1,233
	66,685	234,653	115,023	226,498	246,617	104,974	262,708	132,982	28,352	1,418,492
Expense										
Salaries and Benefits	44,983	197,536	26,366	78,505	25,823	78,221	66,661	6,456	10,623	535,174
Goods and Services	22,487	21,504	27,532	68,987	116,110	16,289	39,720	46,626	6,328	365,583
Interest	1,186	1,501	1,859	13,864	7,909	616	240	82	15	27,272
Amortization	5,123	7,281	39,665	37,514	49,491	3,512	2,227	3,522	1,666	150,001
Transfers and Other	(20,535)	7,107	(5,134)	4,386	10,249	4,988	151,823	71,192	3,401	227,477
	53,244	234,929	90,288	203,256	209,582	103,626	260,671	127,878	22,033	1,305,507
Net surplus (deficit)	13,441	(276)	24,735	23,242	37,035	1,348	2,037	5,104	6,319	112,985

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21. Segmented disclosure (continued)

										2021
(\$000s)	General Government	Police and Protective Services	Transportation Services	Public 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