

CONSOLIDATED FINANCIAL STATEMENTS OF THE REGIONAL MUNICIPALITY OF NIAGARA

For the year ended December 31, 2020

THE REGIONAL MUNICIPALITY OF NIAGARA

INDEX

December 31, 2020

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THE REGIONAL MUNICIPALITY OF NIAGARA

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Regional Municipality of Niagara (the "Region") are the responsibility of the Region's management and have been prepared in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Region's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Region. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Region's consolidated financial statements.

Todd Harrison,

Commissioner of Corporate Services/Treasurer

May 20, 2021

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Regional Municipality of Niagara (the "Region"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Region as at December 31, 2020, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Region 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 Region'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 Region or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region'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 Region'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 Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Region to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants
Licensed Public Accountants
_____, 2021

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 (In thousands of dollars)

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 224,114	\$ 135,681
Investments (note 2)	658,015	635,596
Accounts receivable (note 3)	78,204	80,140
Other assets	948	417
Tangible capital assets held for sale (note 4)	850	1,760
Debt recoverable from others (note 9)	324,254	316,419
	1,286,385	1,170,013
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	157,970	129,782
Employee future benefits and post-employment liabilities (note 5)	116,148	109,462
Deferred revenue (note 6)	235,356	219,750
Landfill closure and post-closure liability (note 7)	67,872	61,277
Contaminated sites liability (note 8)	576	-
Long-term liabilities (note 9)	740,201	695,904
Capital lease obligation (note 10)	4,262	4,352
	1,322,385	1,220,527
Net debt	(36,000)	(50,514)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	1,903,743	1,823,929
Inventory	8,485	7,498
Prepaid expenses	19,522	18,609
	1,931,750	1,850,036
Accumulated surplus (note 12)	\$ 1,895,750	\$ 1,799,522

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

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2020 (In thousands of dollars)

	2020 Budget (note 20)	2020 Actual	2019 Actual
REVENUES (Note 19)			
Taxation and user charges:			
Levies on area municipalities	\$ 409,634	\$ 409,551	\$ 383,481
User charges	238,150	226,068	223,723
	647,784	635,619	607,204
Government transfers (note 18):			
Government of Canada	31,591	31,841	26,637
Province of Ontario	315,372	354,193	320,866
Other municipalities	397	640	861
	347,360	386,674	348,364
Other:			
Development charges earned	40,863	33,428	19,814
Investment income	18,362	15,343	18,176
Provincial offences	10,612	5,068	7,025
Miscellaneous	6,978	9,136	8,710
	76,815	62,975	53,725
Total revenues	1,071,959	1,085,268	1,009,293
EXPENSES (Note 19)			
General government	55,245	52,542	42,053
Protection to persons and property	203,445	196,100	192,662
Transportation services	104,538	87,555	72,933
Environmental services	174,209	154,424	150,408
Health services	108,124	114,626	107,966
Social and family services	303,664	308,768	302,631
Social housing	67,220	64,707	63,964
Planning and development	22,502	10,318	19,280
Total expenses	1,038,947	989,040	951,897
Annual surplus	33,012	96,228	57,396
Accumulated surplus, beginning of year	1,799,522	1,799,522	1,742,126
Accumulated surplus, end of year	\$ 1,832,534	\$ 1,895,750	\$ 1,799,522

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

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended December 31, 2020 (In thousands of dollars)

	2020 Budget (note 20)	2020 Actual	2019 Actual
Annual surplus	\$ 33,012	\$ 96,228	\$ 57,396
Acquisition of tangible capital assets	(172,451)	(172,451)	(158,046)
Contributed tangible capital assets	(951)	(951)	(142)
Transfers (to) from tangible capital assets held for sale	(910)	(910)	1,004
Amortization of tangible capital assets	92,331	92,331	87,189
Loss on sale of tangible capital assets	1,973	1,973	197
Net proceeds on sale of tangible capital assets	194	194	568
Write down on tangible capital assets held for sale	-	-	418
Change in inventory	-	(987)	(138)
Change in prepaid expenses	-	(913)	2,227
Change in net debt	(46,802)	14,514	(9,327)
Net debt, beginning of year	(41,187)	(50,514)	(41,187)
Net debt, end of year	\$ (87,989)	\$ (36,000)	\$ (50,514)

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

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 96,228	\$ 57,396
Items not involving cash:		
Amortization of tangible capital assets	92,331	87,189
Loss on sale of tangible capital assets	1,973	197
Contributed tangible capital assets	(951)	(142)
Write down on tangible capital assets held for sale	-	418
Change in employee future benefits and post-employment liabilities	6,686	5,041
Change in landfill closure and post-closure liability	6,595	(120)
Change in contaminated sites liability	576	-
Change in non-cash assets and liabilities:		
Accounts receivable	1,936	573
Other assets	(531)	(88)
Accounts payable and accrued liabilities	28,188	15,587
Deferred revenue	15,606	41,430
Inventory	(987)	(138)
Prepaid expenses	(913)	2,227
Net change in cash from operating activities	246,737	209,570
CAPITAL ACTIVITIES		
Net proceeds on sale of tangible capital assets	194	568
Acquisition of tangible capital assets	(172,451)	(158,046)
Net change in cash from capital activities	(172,257)	(157,478)
INVESTING ACTIVITIES		
Proceeds on sale of investments	2,589	137,880
Purchase of investments	(25,008)	(188,056)
Net change in cash from investing activities	(22,419)	(50,176)
FINANCING ACTIVITIES		
Capital lease acquired	-	6,379
Capital lease payments	(90)	(2,027)
Proceeds on debt issued and assumed	69,966	58,263
Long-term debt repaid	(31,573)	(33,936)
Increase in sinking fund assets	(1,931)	(1,816)
Net change in cash from financing activities	36,372	26,863
Net change in cash	88,433	28,779
Cash, beginning of year	135,681	106,902
Cash, end of year	\$ 224,134	\$ 135,681
Cash paid for interest	\$ 13,781	\$ 13,380
Cash received from interest	16,920	20,066
Investing and financing activities on behalf of others:		
Debt issued on behalf of others	38,668	39,412
Repayment made on behalf of others	\$ 30,833	\$ 28,677

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

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

1. Significant accounting policies:

The Regional Municipality of Niagara (the "Region") is an upper-tier municipality in the Province of Ontario (the "Province"), Canada. The provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation guide its operations.

The consolidated financial statements of The Regional Municipality of Niagara are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant accounting policies adopted by the Region are as follows:

a) Basis of consolidation:

i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Region and which are owned or controlled by the Region. These entities and organizations include:

Niagara Regional Police Services

Niagara Regional Housing

Court Services Operations

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

ii) Trust funds:

Trust funds and their related operations administered by the Region are not included in these consolidated financial statements.

b) Basis of accounting:

The Region follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

c) Investments:

Investments consist of bonds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

1. Significant accounting policies (continued):

(d) Non-financial assets:

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

(i) Tangible capital assets:

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

Asset	Useful Life - Years
Landfill and land improvements	3 – 50
Building and building improvements	3 – 60
Vehicles, machinery and equipment	- Vehicles 3 – 20
	- Machinery and equipment 3 – 60
Water and wastewater infrastructure	25 – 100
Roads infrastructure	- Base 40
	- Bridge and culvert 60
	- Surface 10
	- Other infrastructure 5 - 40

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

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction (work in progress) are not amortized until the asset is in service.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iv) Interest capitalization:

The Region's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(v) Leases:

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

(vi) Inventories:

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

(f) Reserves and reserve funds:

Certain amounts, as approved by Regional Council are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective reserve when approved. Reserves are presented on the consolidated statement of financial position in accumulated surplus.

(g) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made, except when and to the extent that stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(h) Deferred revenue:

Deferred revenues represent development charges collected under the Development Charges Act (1997), grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts are recognized as revenues in the fiscal year the services are performed.

(i) Taxation revenue:

Property tax revenue is recognized on an accrual basis when the tax is authorized by the passing of the tax levy by-law. Taxes are levied on properties listed on the assessment roll at the time the by-law is passed based on approved budget and tax rates. Supplementary taxation is recognized as additional billings are issued for properties that are added to the assessment roll during the year.

At year end, the Region evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognizes the liability if the amount can be reasonably estimated.

(j) Investment income:

Investment income earned on surplus current fund, capital fund, reserves and reserve funds (other than obligatory reserve funds which are comprised of development charges and gas tax), are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the applicable fund balance and forms part of the deferred development charge and gas tax balances.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

1. Significant accounting policies (continued):

(k) Municipal cost-sharing:

The Region acts as an intermediary to administer capital projects for the acquisition of assets belonging to local area municipalities. Funding received and expenses incurred relating to the local area municipalities share of these projects amounted to \$6,472 (2019 \$4,886) and is not reflected in these consolidated financial statements.

(l) Tangible capital assets held for sale:

Tangible capital assets which meet the criteria for financial assets are reclassified as “tangible capital assets held for sale” on the consolidated statement of financial position. Tangible capital assets held for sale are recorded at the lower of cost and net realizable value.

Tangible capital assets held for sale are reasonably anticipated to be sold to a purchaser, external to the Region, within one year of the statement of financial position date.

(m) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for tax write-offs, accrued liabilities, landfill closure and post-closure liability, contaminated site liability, certain payroll liabilities and in performing actuarial valuations of employee future benefits and post-employment liabilities. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. Investments:

Investments reported on the consolidated statement of financial position at the lower of cost or market have market values as follows:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Investments	\$ 658,015	\$ 693,687	\$ 635,596	\$ 650,422

The Region has purchased \$3,928 (2019 - \$4,841) of its own debentures issued on behalf of itself and local area municipalities which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The Region's share of the gross outstanding amount of these debentures is \$32,973 (2019 - \$36,627). Coupon rates for these debentures ranged from 3.10% to 3.45%.

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$652 (2019 - \$763).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

4. Tangible capital assets held for sale:

During the year, the Region wrote down tangible capital assets held for sale to these assets net realizable value in the amount of \$nil (2019 – \$418). The value of write downs related to tangible capital assets held for sale is reported in the consolidated statement of operations.

5. Employee future benefits and post-employment liabilities:

The Region provides certain employee benefits which will require funding in future periods. These benefits include benefits under the Workplace Safety and Insurance Board ("WSIB") Act, sick leave, life insurance, extended health and dental benefits for early retirees.

	2020	2019
Workplace Safety & Insurance Board	\$ 51,389	\$ 48,039
Accumulated Sick Leave	10,904	11,818
Retiree benefits	36,416	35,335
Vacation pay	12,545	10,098
Other post-employment liabilities	4,894	4,172
Total employee future benefits and post-employment liabilities	\$ 116,148	\$ 109,462

Employee future benefits and post-employment benefits reported on the consolidated statement of financial position by entity consist of the following:

	2020	2019
Niagara Regional Police Services	\$ 63,335	\$ 61,438
Niagara Regional Housing	1,538	1,648
Niagara Region	51,275	46,376
Total	\$ 116,148	\$ 109,462

The Region has established reserve funds to mitigate the future impact of these obligations. These reserves were created under municipal by-law and do not meet the definition of a plan asset under PSAS PS3250 Retirement Benefits. Therefore, for the purposes of these financial statements, the plans are considered unfunded. These reserve funds are presented in the consolidated statement of financial position within accumulated surplus. Reserves relating to these liabilities are summarized by entity below:

	2020	2019
Niagara Regional Police Services	\$ 8,982	\$ 9,101
Niagara Regional Housing	793	793
Niagara Region	24,551	24,695
Total (Note 12)	\$ 34,326	\$ 34,589

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

5. Employee future benefits and post-employment liabilities (continued):

Information about the Region's benefit plans is as follows:

	2020			
	Niagara Regional Police	Niagara Regional Housing	Niagara Region	Total
Accrued benefit obligation:				
Balance, beginning of year	\$ 66,424	\$ 480	\$ 55,361	\$ 122,265
Current benefit cost	3,948	(9)	7,702	11,641
Interest	2,322	5	1,680	4,007
Benefits paid	(5,596)	(15)	(5,157)	(10,768)
Balance, end of year	67,098	461	59,586	127,145
Unamortized actuarial (loss) gain	(3,763)	1,077	(8,311)	(10,997)
Liability	\$ 63,335	\$ 1,538	\$ 51,275	\$ 116,148

	2019			
	Niagara Regional Police	Niagara Regional Housing	Niagara Region	Total
Accrued benefit obligation:				
Balance, beginning of year	\$ 65,513	\$ 460	\$ 52,454	\$ 118,427
Current benefit cost	5,075	42	6,367	11,484
Interest	2,302	6	1,610	3,918
Benefits paid	(6,466)	(28)	(5,070)	(11,564)
Balance, end of year	66,424	480	55,361	122,265
Unamortized actuarial (loss) gain	(4,986)	1,168	(8,985)	(12,803)
Liability	\$ 61,438	\$ 1,648	\$ 46,376	\$ 109,462

Included in expenses is \$1,806 (2019 - \$1,202) for amortization of the actuarial gain. The unamortized actuarial gain (loss) is amortized over the expected average remaining service life as listed below:

Accumulated Sick Leave Benefit Plan entitlements	6 - 12 years
Retiree benefits	16 - 21 years
WSIB	11 years

The most recent actuarial valuation was completed as at December 31, 2018 with estimates to December 31, 2021.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

5. Employee future benefits and post-employment liabilities (continued):

Workplace Safety and Insurance Board ("WSIB")

With respect to responsibilities under provisions of the Workplace Safety and Insurance Act the Region has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities of the Region under the provisions of the Workplace Safety and Insurance Act has been completed and forms the basis for the estimated liability reported in these financial statements.

The unamortized actuarial gain on future payments required to WSIB is amortized over the expected period of the liability which is 11 years.

The main actuarial assumptions employed for the valuation are as follows:

Discount rate

The obligation of the present value of future liabilities as at December 31, 2020 and the expense for the year ended December 31, 2020, were determined using a discount rate of 3.75% (2019 – 3.75%).

Administration costs

Administration costs were assumed to be 32% (2019 – 32%) of the compensation expense.

Compensation expense

Compensation costs include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at a rate of 2% per annum (2019 – 2.0%).

Accumulated sick leave

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Region's employment.

The main actuarial assumptions employed for the valuation are as follows:

Discount rate

The obligation as at December 31, 2020, of the present value of future liabilities and the expense for the year ended December 31, 2020, were determined using a discount rate of 3.75% (2019 – 3.75%).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

5. Employee future benefits and post-employment liabilities (continued):

Retiree benefits

The Region pays certain life insurance benefits on behalf of retired employees as well as extended health and dental benefits for early retirees to age 65 and Health Care Spending Accounts for certain retirees until the age of 70 or 75 depending on year of retirement. The Region recognizes these post-retirement costs in the period in which the employees rendered the services.

The unamortized actuarial loss on retiree benefits is amortized over the expected average remaining service life of 10 years.

The main actuarial assumptions employed for the valuations are as follows:

Discount rate

The obligation as at December 31, 2020, of the present value of future liabilities and the expense for the year ended December 31, 2020, were determined using a discount rate of 3.75% (2019 - 3.75%).

Medical costs

Medical costs were assumed to increase at the rate of 3.42% (2019 – 3.42%) per year, reducing to 2.75% in 2022 and thereafter.

Dental costs

Dental costs were assumed to increase at the rate of 2.75% (2019 – 2.75%) per year.

Inflation

Inflation was assumed to be 1.75% (2019 – 1.75%) per year.

Other pension plans

The Region makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Region accounts for its participation in OMERS as a defined contribution plan. The OMERS Plan ended 2020 with a funding deficit of \$3.2 billion (2019 - \$3.4 billion). The funded ratio remained unchanged at 97% in 2020, and has either stayed the same or increased for the eighth consecutive year.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

5. Employee future benefits and post-employment liabilities (continued):

Other pension plans (continued)

The amount contributed to OMERS for 2020 was \$32,270 (2019 - \$31,292) for current service and is included as an expense on the consolidated statement of operations. Employees' contribution to OMERS in 2020 were \$32,226 (2019 - \$31,259).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2019 – 9.0%) for earnings up to the yearly maximum pensionable earnings of \$58.70 (2019 - \$57.40) and at a rate of 14.6% (2019 – 14.6%) for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.2% (2019 - 9.2%) and 15.8% (2019 - 15.8%) respectively.

6. Deferred revenue:

In accordance with PSAS, obligatory reserve funds are reported as deferred revenue. The Region treats development charges and gas tax as obligatory reserve funds. The Region has obligatory reserve funds in the amount of \$205,339 (2019 - \$198,142). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

Amounts related to development charges collected are recognized as revenue when the Region has approved and incurred the expenses for the capital works for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act (1997), to defray the cost of growth related capital projects associated with new development.

In 2008, Investing in Ontario approved a total funding of \$20,157 for capital infrastructure. Revenue is recognized as expenses are incurred. The remaining balance of \$10,617 has been set aside for the construction of the South Niagara East-West Corridor.

The deferred revenues, reported on the consolidated statement of financial position, are comprised of the following:

	2020	2019
Development charges	\$ 176,297	\$ 163,141
Gas tax	29,042	35,001
Obligatory reserve funds	205,339	198,142
Investing in Ontario Grant	10,617	10,617
Other deferred revenue	19,400	10,991
Balance, end of year	\$ 235,356	\$ 219,750

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

6. Deferred revenue (continued):

The continuity of obligatory reserve funds are summarized below:

Development charges:

	2020	2019
Balance, beginning of year	\$ 163,141	\$ 134,530
Externally restricted inflows	42,126	45,478
Revenue earned	(33,428)	(19,814)
Investment income	4,458	2,947
Balance, end of year	\$ 176,297	\$ 163,141

Gas tax:

	2020	2019
Balance, beginning of year	\$ 35,001	\$ 20,232
Externally restricted inflows	14,443	28,344
Revenue earned	(21,243)	(14,121)
Investment income	841	546
Balance, end of year	\$ 29,042	\$ 35,001

7. Landfill closure and post-closure liability:

The Region owns and monitors 14 landfill sites, two of which are open and operating. The liability for closure of operational sites and post-closure care has been recognized based upon the usage of the site's capacity during the year. Landfill closure and post-closure care are activities that are expected to occur in perpetuity and requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance.

The costs were based upon the 2020 budget and inflation adjusted at a rate of 1.75% per annum (2019 – 1.75%) until the end of contamination. These costs were then discounted to December 31, 2020 using a discount rate of 3.40% (2019 – 3.75%). Post-closure care is estimated to be required for the contaminating lifespan of landfill sites up to 40 years (2019 – 40 years). The liability for closure and post-closure care as at December 31, 2020 is \$67,872 (2019 - \$61,277). Estimated total expenditures for closure and post-closure care are \$77,776 (2019 - \$71,419). The liability remaining to be recognized is \$9,904 (2019 - \$10,142). It is estimated that the life of open landfill sites range from 30 to 45 years with an estimated total remaining capacity of 3,220 thousand cubic meters (2019 - 3,285 thousand cubic meters).

The Region has a landfill reserve which is dedicated for costs relating to settling closure and post-closure care liabilities. As of December 31, 2020 the reserve balance is \$10,820 (2019 - \$8,205).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

8. Contaminated site liability:

A liability for the remediation of contaminated sites is recognized as the best estimate of the amount required to remediate the contaminated sites when the following criteria are met: contamination exceeding an environmental standard exists, the Region is either directly responsible or accepts responsibility for the remediation, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the Region's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

As at December 31, 2020 the Region has recognized a liability for contaminated sites of \$576 (2019 - \$nil) in the consolidated financial statements. The liability was estimated by management based on the estimated costs required to remediate the contamination. These estimated costs include consultant fees, lab analyses costs, excavation costs, and disposal costs. The remediation is planned to occur in 2024 and is subject to Council approval.

9. Net long-term liabilities:

- (a) As well as incurring long-term liabilities for regional purposes, the Region also incurs long-term liabilities on behalf of the area municipalities. The responsibility for raising the amounts required to service this debt lies with the respective area municipalities.

The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2020	2019
Long-term liabilities incurred by the Region	\$ 758,658	\$ 712,170
Less: Sinking fund assets	(18,457)	(16,266)
Long-term debt	\$ 740,201	\$ 695,904
Debt recoverable from others net of sinking fund assets (long-term liabilities incurred by the Region for which other entities have assumed responsibility)	(324,254)	(316,419)
Net long-term debt, end of year	\$ 415,947	\$ 379,485

- (b) The long-term liabilities in (a) issued in the name of the Region have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.
- (c) The Region issued sinking fund debentures of \$78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. The sinking fund debentures are included in long-term liabilities in (a) and include \$9,333 borrowed on behalf of the City of St. Catharines and shown as debt recoverable from others. The City of St. Catharines share of the sinking fund assets have been removed from the debt recoverable from others in (a). Annual principal payments into the sinking fund of \$1,512 are due June 30 of each year. These payments are reflected as principal repayments in (e).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

9. Net long-term liabilities (continued):

- (d) The Region is contingently liable for long-term liabilities with respect to debt issued for area municipalities, school boards, tile drainage and shoreline property assistance. The total amount outstanding as at December 31, 2020 is \$324,254 (2019 - \$316,419) and is reported on the consolidated statement of financial position as debt recoverable from others.
- (e) Principal payments to be funded by the Region, including sinking fund payments, due in each of the next five years are as follows:

	2020
2021	\$ 30,863
2022	30,621
2023	30,251
2024	27,539
2025	25,389
Thereafter	271,284
	<hr/>
	\$ 415,947

Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to \$13,571 in 2020 (2019 - \$13,336). The long-term liabilities bear interest at rates ranging from 0.55% to 4.65%. The interest on long-term liabilities assumed by the municipalities or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

10. Capital lease obligation:

In 2017, the Region entered into a lease agreement for the construction of land and building in Niagara Falls to be used for Public Health. Upon completion of the construction in 2019, the Region has accounted for the obligation as a capital lease. The amount of the obligation is calculated as the present value of payments required under the terms of the agreement. The discount rate used by the Region in determining the present value of the lease payments is 3.75%.

The payments under the lease agreement began in 2019 and the agreement requires monthly lease payments over a period of 30 years until 2049 in addition to balloon payment required in 2029.

Future annual lease payments under the agreement are as follows:

	2020
2021	\$ 216
2022	216
2023	216
2024	216
2025	216
Thereafter	6,010
Total minimum lease payments	\$ 7,090
Less: amount representing implicit interest at 3.75%	(2,828)
Capital lease obligation	\$ 4,262

In 2020, interest of \$126 (2019 - \$95) relating to the capital lease obligation has been reported in the consolidated statement of operations.

The cost of the leased tangible capital assets at December 31, 2020 is \$6,379 (Land - \$800, Building - \$5,579) and accumulated amortization of leased tangible capital assets at December 31, 2020 is \$209 (2019 - \$69). Amortization of the building is calculated using the straight line method for a period of 40 years.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

11. Tangible capital assets:

	2020							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	\$ 223,666	\$ 104,590	\$ 807,799	\$ 639,171	\$ 372,599	\$ 824,241	\$ 179,385	\$ 3,151,451
Additions/transfers	6,106	6,178	31,722	64,363	26,266	60,323	(21,556)	173,402
Reclassification of assets previously held for sale	1,323	-	103	-	-	-	-	1,426
Disposals	(498)	(1,854)	(4,026)	(19,939)	(29)	(9,399)	-	(35,745)
Balance, end of year	230,597	108,914	835,598	683,595	398,836	875,165	157,829	3,290,534
Accumulated Amortization								
Balance, beginning of year	-	55,627	383,442	428,923	87,654	371,876	-	1,327,522
Disposals	-	(1,782)	(3,755)	(19,680)	(22)	(7,823)	-	(33,062)
Amortization expense	-	3,826	24,796	31,568	5,607	26,534	-	92,331
Balance, end of year	-	57,671	404,483	440,811	93,239	390,587	-	1,386,791
Net Book Value, end of year	\$ 230,597	\$ 51,243	\$ 431,115	\$ 242,784	\$ 305,597	\$ 484,578	\$ 157,829	\$ 1,903,743

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

11. Tangible capital assets (continued):

	2019							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	\$ 223,572	\$ 101,046	\$ 773,995	\$ 627,622	\$ 355,448	\$ 781,767	\$ 148,601	\$ 3,012,051
Additions/transfers	1,526	5,300	38,050	18,441	17,151	46,936	30,784	158,188
Disposals	(1,432)	(1,756)	(4,246)	(6,892)	-	(4,462)	-	(18,788)
Balance, end of year	223,666	104,590	807,799	639,171	372,599	824,241	179,385	3,151,451
Accumulated Amortization								
Balance, beginning of year	-	53,869	363,510	403,820	82,372	353,363	-	1,256,934
Disposals	-	(1,747)	(4,073)	(5,438)	-	(5,343)	-	(16,601)
Amortization expense	-	3,505	24,005	30,541	5,282	23,856	-	87,189
Balance, end of year	-	55,627	383,442	428,923	87,654	371,876	-	1,327,522
Net Book Value, end of year	\$ 223,666	\$ 48,963	\$ 424,357	\$ 210,248	\$ 284,945	\$ 452,365	\$ 179,385	\$ 1,823,929

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

11. Tangible capital assets (continued):

(a) Work in progress

Work in progress of \$157,829 (2019 - \$179,385) has not been amortized. Amortization of these assets will commence when the asset is put into service. Included in work in progress at December 31, 2020 is \$13,687 (2019 - \$13,687) related to the Region's contribution toward the construction of the 2022 Canada Summer Games infrastructure. The Region also has an additional commitment of \$6,350 to this project and plans to fund 68% of the total contribution with federal gas tax revenue.

(b) Contributed tangible capital assets

Contributed capital assets are recognized at fair market value at the date of contribution. Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned. The value of contributed assets transferred to the Region during the year is \$951 (2019 - \$142).

(c) Works of art and historical treasures

No works of art or historical treasures are held by the Region.

(d) Write-downs of tangible capital assets

The Region had \$nil write-downs (2019 – \$nil) of tangible capital assets during the year.

The value of write-downs related to tangible capital assets is reported in the consolidated statement of operations.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

12. Accumulated Surplus:

Accumulated surplus consists of balances as follows:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 1,483,534	\$ 1,440,091
Capital fund – unexpended capital financing	322,541	271,407
Operating fund	(10,987)	(10,886)
Unfunded		
Landfill closure and post-closure liability	(67,872)	(61,277)
Contaminated sites	(576)	-
Employee future benefits and post-employment liabilities	(114,339)	(108,148)
Total surplus	1,612,301	1,531,187
Reserves set aside by Council:		
Ambulance communication	-	37
Circle route initiatives	1,383	1,383
Hospital contribution	6,600	-
Employee benefits	34,326	34,589
Encumbrances	16,275	16,377
General capital levy	19,941	15,680
Niagara Regional Housing	12,226	14,482
Court Services facilities renewal	3,210	2,876
Public liability self-insurance	2,270	2,270
Smart growth	201	201
Taxpayer relief reserve	53,509	23,757
Waste management	17,534	21,813
Wastewater	28,409	43,424
Water	75,384	81,798
Landfill liability	10,820	8,205
Other reserves	1,361	1,443
Total reserves	283,449	268,335
Total accumulated surplus	\$ 1,895,750	\$ 1,799,522

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

13. Trust funds:

Trust funds administered by the Region amounting to \$985 (2019 - \$962) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations. The financial position and activities of the trust funds are reported separately in the trust fund financial statements.

14. Commitments:

- (a) The Region has outstanding contractual obligations of approximately \$164,838 (2019 - \$184,243) for capital projects. These costs include holdbacks. The holdbacks related to work completed as of December 31, 2020 have been accrued. Regional council has authorized the financing of these obligations.
- (b) The Region is committed to paying principal and interest payments on provincial debentures issued to finance the properties transferred to Niagara Regional Housing from Ontario Housing Corporation. The debentures are outstanding in the amount of \$5,488 (2019 - \$7,124). Annual payments of \$1,695 (2019 - \$2,063) have been charged to current operations.
- (c) 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 which have not been reported as commitments.
- (d) Minimum annual operating lease payments:

The Region has commitments under various building, land and equipment lease agreements with minimum annual operating lease payments as follows:

	2020
2021	\$ 1,910
2022	1,464
2023	925
2024	774
2025	248
Thereafter	254
	\$ 5,575

15. Contingent liabilities:

At December 31, 2020, the Region has been named defendant or co-defendant in a number of outstanding legal actions. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

16. Public Liability Insurance:

The Region has undertaken a portion of the risk for public liability as a means of achieving efficient and cost effective risk management. The Region is self-insured for public liability claims up to \$1,000 for any individual claim and \$1,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these amounts up to \$25,000 per occurrence for all Public Health Units, EMS and all health operations including; care homes, seniors services, community services, homeless shelters, and police services, and \$50,000 per occurrence for all other claims.

The Region has a reserve fund for allocated self-insurance claims which as at December 31, 2020 amount to \$2,270 (2019 - \$2,270) and is reported on the consolidated statement of financial position under accumulated surplus. An amount of \$nil (2019- \$nil) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to \$4,326 (2019 - \$6,091).

17. Self-funded employee benefit plans:

The Region provides a group health and dental plan for certain employees and has assumed the full liability for payment of benefits under this plan.

Payments charged against operations in the current year amounted to \$18,507 (2019 - \$17,886).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

18. Government transfers:

The government transfers reported on the consolidated statement of operations are as follows:

	Budget	2020	2019
Revenue:			
Government of Canada:			
Transportation services	\$ 18,067	\$ 18,067	\$ 10,668
Environmental services	4,470	4,470	6,164
Social and family services	1,204	1,584	1,125
Social housing	7,720	7,720	8,599
Planning and development	130	-	81
	31,591	31,841	26,637
Province of Ontario:			
General government	1,902	20,829	1,952
Protection to persons and property	9,737	9,642	9,652
Transportation services	15	70	2,031
Environmental services	693	693	1,626
Health services	66,867	72,819	64,974
Social and family services	227,189	242,099	230,206
Social housing	8,969	8,041	10,425
	315,372	354,193	320,866
Other municipalities:			
General government	69	172	542
Protection to persons and property	325	319	319
Transportation services	3	3	-
Environmental services	-	146	-
	397	640	861
Total revenues	\$ 347,360	\$ 386,674	\$ 348,364

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For the year ended December 31, 2020 (In thousands of dollars)

19. Segmented information:

Segmented information has been identified based upon functional areas by the Region.

The functional areas have been separately disclosed in the segmented information as follows:

(i) General government:

General government consists of the general management of the Region, including adopting by-laws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

(ii) Protection to persons and property:

Protection to persons and property is comprised of Police Services and Court Services. The mandate of Police Services is to ensure the safety of the lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders and enforce the law. Court Services is responsible for administering and prosecuting Provincial Offences including those committed under the Highway Traffic Act, the Compulsory Automobile Insurance Act, the Trespass to Property Act, the Liquor License Act and other provincial legislation, municipal by-laws and minor federal offences. Court Services governs all aspects of the legal prosecution process, from serving an offence notice to an accused person to conducting trials including sentencing and appeals.

(iii) Transportation services:

Transportation services is responsible for the planning, design, operation and maintenance of the roadway system, the maintenance of parks and open space, and street lights.

(iv) Environmental services:

Environmental services is responsible for the engineering and operation of the water and wastewater systems and waste management. Waste management encompasses solid waste collection and disposal and Niagara Recycling.

(v) Health services:

The Public Health Department offers a range of programs related to health services that includes protection and promotion, disease and injury prevention and also oversees the Emergency Services Division ("ESD") that encompasses both Land Ambulance ("Paramedic") Services and Land Ambulance Communications ("Dispatch") Services.

(vi) Social and family services:

The Community Services department is responsible for providing public services that sustains and supports individuals, families and communities. Programs and services are delivered through Senior Services, Children's Services, Social Assistance and Employment Opportunities and Homelessness Services and Community Engagement.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

19. Segmented information (continued):

(vii) Social housing:

Social housing is responsible for providing and advocating for secure, affordable housing in the Region.

(viii) Planning and development:

The Planning and Development department provides information to Council and the community through working with partners and community groups to support planning initiatives in the region, providing information to residents about Region programs and services. The planning and development department also supports the Region special initiatives.

Certain allocation methodologies are employed in the preparation of segmented information. Taxation and payments-in-lieu of taxes are not allocated and reported in general government and environmental services. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received are allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

19. Segmented information (continued):

	2020								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Levies on area municipalities	\$ 370,730	\$ -	\$ -	\$ 38,821	\$ -	\$ -	\$ -	\$ -	\$ 409,551
User charges	436	3,880	5,222	173,494	602	25,528	15,839	1,067	226,068
Government transfers	21,001	9,961	18,140	5,309	72,819	243,683	15,761	-	386,674
Development charges earned	1,109	470	10,790	15,427	158	-	5,048	426	33,428
Investment income	15,118	-	-	-	-	-	225	-	15,343
Provincial offenses	-	5,068	-	-	-	-	-	-	5,068
Miscellaneous	855	482	968	5,639	114	545	272	261	9,136
Total revenues	409,249	19,861	35,120	238,690	73,693	269,756	37,145	1,754	1,085,268
Expenses:									
Salaries, wages and employee benefits	5,272	161,542	16,193	32,765	96,165	120,210	6,187	5,687	444,021
Operating expenses	24,900	17,609	23,822	86,535	14,712	80,096	19,611	1,453	268,738
External transfers	1,955	6,992	16,360	5,441	-	104,386	29,841	3,178	168,153
Debt services	13,427	-	21	-	126	-	-	-	13,574
Amortization	6,919	10,003	29,623	29,250	3,415	4,053	9,068	-	92,331
Miscellaneous	69	(46)	1,536	433	208	23	-	-	2,223
Total expenses:	52,542	196,100	87,555	154,424	114,626	308,768	64,707	10,318	989,040
Annual surplus (deficit)	\$ 356,707	\$ (176,239)	\$ (52,435)	\$ 84,266	\$ (40,933)	\$ (39,012)	\$ (27,562)	\$ (8,564)	\$ 96,228

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

19. Segmented information (continued):

	2019								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Levies on area municipalities	\$ 348,152	-	-	\$ 35,329	-	-	-	-	\$ 383,481
User charges	746	8,119	6,680	163,353	735	27,908	15,293	889	223,723
Government transfers	2,494	9,971	12,699	7,790	64,974	231,331	19,024	81	348,364
Development charges earned	-	(4)	12,556	6,570	14	-	272	406	19,814
Investment income	17,842	-	-	-	-	-	334	-	18,176
Provincial offenses	-	7,025	-	-	-	-	-	-	7,025
Miscellaneous	1,815	835	61	4,691	74	842	388	4	8,710
Total revenues	371,049	25,946	31,996	217,733	65,797	260,081	35,311	1,380	1,009,293
Expenses:									
Salaries, wages and employee benefits	6,061	156,665	15,648	32,249	90,134	110,197	6,042	5,506	422,502
Operating expenses	13,784	17,728	25,133	86,358	14,793	78,421	19,876	1,849	257,942
External transfers	1,797	7,895	5,490	4,263	-	110,122	29,516	11,925	171,008
Debt services	13,230	-	26	-	-	-	-	-	13,256
Amortization	7,181	10,374	26,636	27,538	3,039	3,891	8,530	-	87,189
Total expenses:	42,053	192,662	72,933	150,408	107,966	302,631	63,964	19,280	951,897
Annual surplus (deficit)	\$ 328,996	\$ (166,716)	\$ (40,937)	\$ 67,325	\$ (42,169)	\$ (42,550)	\$ (28,653)	\$ (17,900)	\$ 57,396

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

20. Budget data:

The budget amounts presented in these consolidated financial statements are based upon the 2020 operating and capital budgets approved by Council on December 12, 2019. The chart below reconciles the approved budget to the budget amounts reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted on a project-oriented basis, the budget amounts used are based on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

	Budget Amount
REVENUES	
Operating	
Approved budget	\$ 1,015,216
Budget Adjustments	23,900
Expenses classified as revenue	(172)
Capital:	
Development charges	31,128
Grants and subsidies	26,119
Other contributions	935
Loss on sale of tangible capital assets	(1,973)
Less:	
Transfers from reserves	(22,984)
Proceeds on sale of tangible capital assets	(210)
Total revenue	1,071,959
EXPENSES	
Operating	
Approved budget	\$ 1,015,216
Budget Adjustments	23,900
Expenses classified as revenue	(172)
Add:	
Capital project cost resulting in operating expenses	20,125
Amortization	92,331
Employee future benefits	6,192
Landfill liability	6,595
Contaminated sites	576
Less:	
Operating expenses resulting in tangible capital assets	(2,757)
Transfers to reserves, including capital	(75,761)
Debt principal payments	(47,298)
Total expenses	1,038,947
Annual surplus	\$ 33,012

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

21. Significant Event:

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Region in future periods.

The Region's 2020 operating budget was approved prior to the pandemic. As a response to the COVID-19 pandemic, the Region adjusted service levels and work plans and received additional government funding relating to these costs.

22. Contingent Liabilities:

Subsequent to December 31, 2020, on April 8, 2021, the Region executed a guarantee of the Region's portion of Southwestern Internet Fibre Technology ("SWIFT")'s revolving credit facility with TD Bank in an amount of \$2,439. The purpose of the credit facility is to fund SWIFT's obligation to pay the internet service providers who will undertake the project to expand digital infrastructure within the Region until the receipt of the funding for the project is received from the Ontario Ministry of Agriculture and Food.

23. Comparative figures:

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

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Sinking Funds of the Regional Municipality of Niagara (the "Region"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the sinking funds of the Region as at December 31, 2020, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Region 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 Region'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 Region or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region'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 Region'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 Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants
Licensed Public Accountants
_____, 2021



THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 (In thousands of dollars)

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 2,180	\$ 228
Interest receivable	75	96
Due from operating fund	16	48
Investments (note 2)	16,202	15,941
	18,473	16,313
LIABILITIES		
Accounts payable and accrued liabilities	4	4
Sinking fund requirements		
City of St. Catharines	2,158	1,907
The Regional Municipality of Niagara	15,896	14,049
	18,058	15,960
Accumulated surplus and net financial assets	\$ 415	\$ 353

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

THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
REVENUES		
Contributions	\$ 1,512	\$ 1,512
Investment Income	652	606
Total revenues	2,164	2,118
EXPENSES		
Professional fees and dues	4	3
Provision for sinking fund requirements	2,098	2,027
Total expenses	2,102	2,030
Annual Surplus	62	88
Accumulated surplus and net financial assets, beginning of year	353	265
Accumulated surplus and net financial assets, end of year	\$ 415	\$ 353

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

THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF CASH FLOWS

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 62	\$ 88
Change in non-cash assets and liabilities:		
Interest receivable	21	(31)
Due from operating fund	32	(43)
Net change in cash from operating activities	115	14
INVESTING ACTIVITIES		
Purchase of investments	(2,061)	(1,981)
Proceeds from the sale of investments	1,800	-
Net change in cash from investing activities	(261)	(1,981)
FINANCING ACTIVITY		
Increase in sinking fund requirements	2,098	2,026
Net change in cash from financing activity	2,098	2,026
Net change in cash	1,952	59
Cash, beginning of year	228	169
Cash, end of year	\$ 2,180	\$ 228

The accompanying notes are an integral part of these financial statements

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO SINKING FUND FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

1. Significant accounting policies:

The financial statements of sinking funds of The Regional Municipality of Niagara (the "Region") are the representation of management prepared in accordance with Canadian public sector accounting standards.

The sinking fund is a separate fund maintained for the purpose of providing for the repayment of all sinking fund debt when it becomes due. The Region issued sinking fund debentures of \$78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. Included in the sinking fund debenture is \$9,333 borrowed on behalf of the City of St. Catharines, representing a proportionate share of 11.95%. Annual interest payments on the sinking fund debt are \$4,060.

Significant accounting policies adopted by the Region for the sinking funds are as follows:

(a) Basis of accounting:

The Region's sinking fund follows the accrual method of accounting for revenues and expenses.

(b) Sinking fund requirements:

The requirements of the sinking fund represent the amounts required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. The requirements were calculated using a rate of 3.5% per annum.

(d) Investment income:

Investment income is reported as revenue in the period earned.

2. Investments:

The investments consist of municipal bonds and are carried at cost. At December 31, 2020 the investments have a market value of \$19,691 (2019 - \$17,751)

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Niagara (the "Region"), which comprise the statement of financial position as at December 31, 2020, and the statements of financial activities and change in fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Region as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region'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 Region'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 Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants
Licensed Public Accountants
_____, 2021



THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 (In thousands of dollars)

	2020	2019
ASSETS		
Cash	\$ 251	\$ 244
Due from Regional Municipality of Niagara	734	718
Fund balance	\$ 985	\$ 962

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

THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
REVENUE		
Deposits from residents	\$ 245	\$ 468
Donations	201	261
	446	729
EXPENSES		
Expenditures for the benefit of residents	423	725
	423	725
Excess of revenues over expenses	23	4
Fund balance, beginning of year	962	958
Fund balance, end of year	\$ 985	\$ 962

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

THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF CASH FLOWS

For the year ended December 31, 2020 (In thousands of dollars)

	2020	2019
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 23	\$ 4
Change in non-cash assets and liabilities		
Due from Regional Municipality of Niagara	(16)	(9)
Net change in cash from operating activities	7	(5)
Cash, beginning of year	244	249
Cash, end of year	\$ 251	\$ 244

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

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

For the year ended December 31, 2020 (In thousands of dollars)

1. Significant accounting policies:

These financial statements reflect the financial position, financial operations, and cash flows of funds held in trust by The Regional Municipality of Niagara ("the Region") for residents of the eight long-term care homes:

- Gilmore Lodge
- Upper Canada Lodge
- Deer Park Villa
- Woodlands of Sunset
- Linhaven
- Rapelje Lodge
- Northland Point
- Meadows of Dorchester

These financial statements are the representation of management and are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following policies:

(a) Basis of Accounting:

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenses are recorded in the period the goods and services are acquired and a liability is incurred, or transfers are due.

(b) Uses of Estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.