

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017 (In thousands of dollars)

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 143,765	\$ 102,524
Investments (note 2)	480,130	438,585
Accounts receivable (note 3)	78,582	84,647
Other current assets	212	269
Tangible capital assets held for sale	3,515	10,307
Debt recoverable from others (note 8)	285,412	262,552
	991,616	898,884
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	122,221	124,811
Employee future benefits and post-employment liabilities (note 4)	101,403	101,064
Deferred revenue (note 5)	142,222	113,000
Landfill closure and post-closure liability (note 6)	79,191	80,361
Long-term liabilities (note 8)	631,922	579,492
	1,076,959	998,728
Net debt	(85,343)	(99,844)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	1,731,150	1,700,072
Inventory	7,319	6,905
Prepaid expenses	17,172	15,502
	1,755,641	1,722,479
Accumulated surplus (note 10)	\$ 1,670,298	\$ 1,622,635

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, 2017 (In thousands of dollars)

	2017 Budget (note 18)	2017 Actual	2016 Actual
REVENUES			
Taxation and user charges:			
Levies on area municipalities	\$ 348,537	\$ 350,157	\$ 339,835
User charges	208,832	217,219	211,535
	557,369	567,376	551,370
Government transfers (note 16):			
Government of Canada	24,654	25,915	25,740
Province of Ontario	308,951	294,769	284,831
Other municipalities	1,994	1,967	785
	335,599	322,651	311,356
Other:			
Development charges earned	15,580	11,761	16,923
Investment income	14,355	15,993	13,973
Provincial offences	8,065	6,812	7,823
Miscellaneous	9,508	9,952	13,709
	47,508	44,518	52,428
Total revenues	940,476	934,545	915,154
EXPENSES (Note 17)			
General government	50,844	42,100	41,150
Protection to persons and property	178,553	185,360	179,017
Transportation services	63,809	63,688	54,190
Environmental services	155,618	143,508	132,062
Health services	93,667	92,751	90,860
Social and family services	292,302	279,678	271,524
Social housing	68,455	67,130	62,571
Planning and development	15,015	12,667	11,361
Total expenses	918,263	886,882	842,735
Annual surplus	22,213	47,663	72,419
Accumulated surplus, beginning of year	1,622,635	1,622,635	1,550,216
Accumulated surplus, end of year	\$ 1,644,848	\$ 1,670,298	\$ 1,622,635

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, 2017 (In thousands of dollars)

	2017 Budget (note 18)	2017 Actual	2016 Actual
Annual surplus	\$ 22,213	\$ 47,663	\$ 72,419
Acquisition of tangible capital assets	(116,971)	(116,971)	(180,417)
Contributed tangible capital assets	(428)	(428)	-
Transfers (from) to tangible capital assets held for sale	(6,792)	(6,792)	7,007
Amortization of tangible capital assets	85,944	85,944	73,489
Loss (gain) on sale of tangible capital assets	2,042	2,042	(1,598)
Proceeds on sale of tangible capital assets	4,955	5,127	2,951
Change in inventory	-	(414)	(1,021)
Change in prepaid expenses	-	(1,670)	(4,256)
Change in net debt	(9,037)	14,501	(31,426)
Net debt, beginning of year	(99,844)	(99,844)	(68,418)
Net debt, end of year	\$ (108,881)	\$ (85,343)	\$ (99,844)

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, 2017 (In thousands of dollars)

	2017	2016
OPERATING ACTIVITIES		
Annual surplus	\$ 47,663	\$ 72,419
Items not involving cash:		
Amortization of tangible capital assets	85,944	73,489
Loss (gain) on sale of tangible capital assets	2,042	(1,598)
Contributed tangible capital assets	(428)	-
Change in employee future benefits and post-employment liabilities	339	2,312
Change in landfill closure and post-closure liability	(1,170)	512
Change in contaminated site liability	-	(200)
Change in non-cash assets and liabilities:		
Accounts receivable	6,065	7,515
Other current assets	57	(105)
Accounts payable and accrued liabilities	(2,590)	(9,340)
Deferred revenue	29,222	6,344
Inventory	(414)	(1,021)
Prepaid expenses	(1,670)	(4,256)
Net change in cash from operating activities	165,060	146,071
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	5,127	2,951
Cash used to acquire tangible capital assets	(116,971)	(180,417)
Net change in cash from capital activities	(111,844)	(177,466)
INVESTING ACTIVITIES		
Proceeds on sale of investments	56,692	97,021
Purchase of investments	(98,237)	(132,814)
Net change in cash from investing activities	(41,545)	(35,793)
FINANCING ACTIVITIES		
Proceeds on debt issued and assumed	59,796	27,877
Long-term debt repaid	(29,815)	(26,341)
Increase in sinking fund assets	(411)	(345)
Net change in cash from financing activities	29,570	1,191
Net change in cash	41,241	(65,997)
Cash, beginning of year	102,524	168,521
Cash, end of year	\$ 143,765	\$ 102,524
Cash paid for interest	12,430	12,844
Cash received from interest	15,256	13,022
Non-cash investing and financing activities:		
Debt issued on behalf of others	50,247	36,638
Repayment made on behalf of others	27,386	27,985

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, 2017 (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

Niagara Economic Development Corporation

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.

(d) Long-term liabilities:

The Region incurs long-term liabilities directly and can assume responsibility for charges on debt originally incurred by local municipalities in respect of functions which are now a Regional responsibility.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

1. Significant accounting policies (continued):

(e) 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 4 – 20
	- Machinery and equipment 3 – 60
Water and wastewater infrastructure	25 – 100
Roads infrastructure	- Base 40
	- Bridge and culvert 60
	- Surface 10

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, 2017 (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 reasonable estimated.

(j) Investment income:

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

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

1. Significant accounting policies (continued):

(k) 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.

(l) 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 \$4,312 (2016 - \$5,801) and is not reflected in these consolidated financial statements.

2. Investments:

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

	2017		2016	
	Cost	Market Value	Cost	Market Value
Investments	\$ 480,130	\$ 490,658	\$ 438,585	\$ 446,505

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$1,128 (2016 - \$2,155).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

4. Employee future benefits and post-employment liabilities:

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

	2017	2016
Workplace Safety & Insurance Board	\$ 41,394	\$ 40,438
Accumulated Sick Leave	14,149	14,410
Retiree benefits	34,267	33,387
Vacation pay	8,953	9,127
Other post-employment liabilities	2,640	3,252
Total employee future benefits and post-employment liabilities	\$ 101,403	\$ 101,064

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

	2017	2016
Niagara Regional Police Services	\$ 57,005	\$ 56,354
Niagara Regional Housing	1,391	1,036
Niagara Region	43,007	43,674
Total	\$ 101,403	\$ 101,064

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:

	2017	2016
Niagara Regional Police Services	\$ 8,702	\$ 10,527
Niagara Regional Housing	793	793
Niagara Region	24,994	25,195
Total (Note 10)	\$ 34,489	\$ 36,515

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

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

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

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	\$ 96,258	\$ 94,040
Current benefit cost	5,175	5,257
Interest	2,664	2,460
Increase due to plan amendment	-	3,161
Actuarial gain (loss)	1,779	(993)
Benefits paid	(7,812)	(7,667)
Balance, end of year	98,064	96,258
Unamortized actuarial gain	3,339	4,806
Liability	\$ 101,403	\$ 101,064

Included in expenses is \$313 (2016 - \$681) for amortization of the actuarial gain. The unamortized actuarial gain is amortized over the expected average remaining service life as listed below:

Accumulated Sick Leave Benefit Plan entitlements	6 - 12 years
Retiree benefits	16 - 17 years

The most recent actuarial valuation was completed as at December 31, 2015 with estimates to December 31, 2017.

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, 2017, of the present value of future liabilities and the expense for the year ended December 31, 2017, were determined using a discount rate of 2.9% (2016 – 2.7%).

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, 2017 and the expense for the year ended December 31, 2017, were determined using a discount rate of 2.9% (2016 – 3.1%).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

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

WSIB (continued)

Administration costs

Administration costs were assumed to be 34.3% (2016 – 34.3%) 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 2.0% per annum (2016 – 2.0%).

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, 2017, of the present value of future liabilities and the expense for the year ended December 31, 2017, were determined using a discount rate of 3.0% (2016 - 3.3%).

Medical costs

Medical costs were assumed to increase at the rate of 6.25% (2016 - 6.25%) per year, reducing to 4.5% in 2023 and thereafter.

Dental costs

Dental costs were assumed to increase at the rate of 3% (2016 - 3%) per year.

Inflation

Inflation was assumed to be 2.0% (2016 – 2.0%) 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 2017 with a funding deficit of \$5.4 billion. The funded ratio has increased to 94% from 93% in 2016. The funded ratio has increased for the fifth consecutive year.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

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

Other pension plans (continued)

The amount contributed to OMERS for 2017 was \$29,459 (2016 - \$28,117) for current service and is included as an expense on the consolidated statement of operations. Employees' contribution to OMERS in 2017 were \$29,459 (2016 - \$28,110).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2016 – 9.0%) for earnings up to the yearly maximum pensionable earnings of \$55.30 (2016 - \$54.90) and at a rate of 14.6% (2016 – 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% (2016 - 9.2%) and 15.8% (2016 - 15.8%) respectively.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

5. 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 \$116,321 (2016 - \$93,772). 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. This project is planned for 2020 - 2021.

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

	2017	2016
Development charges	\$ 97,197	\$ 81,591
Gas tax	19,124	12,181
Obligatory reserve funds	116,321	93,772
Ontario Strategic Investments Fund – Niagara-on-the-Lake wastewater treatment plant	-	442
Investing in Ontario Grant	10,617	10,617
Other deferred revenue	15,284	8,169
	\$ 142,222	\$ 113,000

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

5. Deferred revenue (continued):

The continuity of obligatory reserve funds are summarized below:

Development charges:

	2017	2016
Balance, beginning of year	\$ 81,591	\$ 68,728
Externally restricted inflows	26,521	29,212
Revenue earned	(11,761)	(16,923)
Investment income	846	574
Balance, end of year	\$ 97,197	\$ 81,591

Gas tax:

	2017	2016
Balance, beginning of year	\$ 12,181	\$ 9,013
Externally restricted inflows	14,110	14,028
Revenue earned	(7,315)	(10,910)
Investment income	148	50
Balance, end of year	\$ 19,124	\$ 12,181

6. 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 2017 budget and inflation adjusted at a rate of 2.0% per annum (2016 – 2.0%) until the end of contamination. These costs were then discounted to December 31, 2017 using a discount rate of 3.1% (2016 – 3.5%). Post-closure care is estimated to be required for the contaminating lifespan of landfill sites up to 40 years (2016 – 40 years). The liability for closure and post-closure care as at December 31, 2017 is \$79,191 (2016 - \$80,361). Estimated total expenditures for closure and post-closure care are \$101,893 (2016 - \$85,434). The liability remaining to be recognized is \$22,702 (2016 - \$5,073). It is estimated that the life of open landfill sites range from 4 to 49 years with an estimated total remaining capacity of 3,507 cubic meters.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

7. 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, 2017 there are no contaminated sites that meet the specified criteria and no liability (2016 - \$nil) for contaminated sites has been recorded in the consolidated financial statements.

8. 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:

	2017	2016
Long-term liabilities incurred by the Region (including capital lease)	\$ 644,083	\$ 589,684
Less: Sinking fund assets	(12,161)	(10,192)
Long-term liabilities	\$ 631,922	\$ 579,492
Debt recoverable from others net of sinking fund assets (long-term liabilities incurred by the Region for which other entities have assumed responsibility)	(285,412)	(262,552)
Net long-term liabilities, end of year	\$ 346,510	\$ 316,940

- (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, 2017 (In thousands of dollars)

8. 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, 2017 is \$285,412 (2016 - \$262,552) 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 and capital lease obligations, due in each of the next five years are as follows:

	2017
2018	26,759
2019	31,000
2020	24,749
2021	20,301
2022	19,919
Thereafter	223,782
	\$ 346,510

(f) Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to \$12,740 in 2017 (2016 - \$12,727). The long-term liabilities bear interest at rates ranging from 1.20% to 5.65%. The interest on long-term liabilities assumed by the municipalities and school boards or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these consolidated financial statements.

(g) The Region has purchased \$5,141 (2016 - \$8,192) 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 \$917 (2016 - \$6,405).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

9. Tangible capital assets:

2017								
	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	\$ 207,504	\$ 92,958	\$ 742,724	\$ 592,332	\$ 330,959	\$ 729,220	\$ 124,929	\$ 2,820,626
Additions/transfers	15,677	5,904	21,849	37,724	38,415	11,292	(10,439)	120,422
Disposals	(1,300)	(77)	(539)	(8,832)	(4,980)	-	-	(15,728)
Balance, end of year	221,881	98,785	764,034	621,224	364,394	740,512	114,490	2,925,320
Accumulated Amortization								
Balance, beginning of year	-	47,163	318,705	365,115	72,495	317,076	-	1,120,554
Disposals	-	(77)	(304)	(7,664)	(4,303)	-	-	(12,328)
Amortization expense	-	3,767	22,424	29,430	25,487	4,836	-	85,944
Balance, end of year	-	50,853	340,825	386,901	93,679	321,912	-	1,194,170
Net Book Value, end of year	\$ 221,881	\$ 47,932	\$ 423,209	\$ 234,323	\$ 270,715	\$ 418,600	\$ 114,490	\$ 1,731,150

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

9. Tangible capital assets (continued):

	2016							
	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	\$ 209,475	\$ 85,613	\$ 672,361	\$ 520,172	\$ 313,014	\$ 661,956	\$ 202,184	\$ 2,664,775
Additions/transfers	1,157	7,631	77,967	82,097	18,263	70,557	(71,246)	186,426
Disposals	(3,128)	(286)	(7,604)	(9,937)	(318)	(3,293)	(6,009)	(30,575)
Balance, end of year	207,504	92,958	742,724	592,332	330,959	729,220	124,929	2,820,626
Accumulated Amortization								
Balance, beginning of year	-	44,575	301,059	349,049	68,073	300,515	-	1,063,271
Disposals	-	(102)	(3,055)	(9,664)	(196)	(3,189)	-	(16,206)
Amortization expense	-	2,690	20,701	25,730	4,618	19,750	-	73,489
Balance, end of year	-	47,163	318,705	365,115	72,495	317,076	-	1,120,554
Net Book Value, end of year	\$ 207,504	\$ 45,795	\$ 424,019	\$ 227,217	\$ 258,464	\$ 412,144	\$ 124,929	\$ 1,700,072

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

9. Tangible capital assets (continued):

(a) Work in progress

Work in progress having a value of \$114,490 (2016 - \$124,929) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(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 \$428 (2016 - \$nil).

(c) Works of art and historical treasures

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

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

10. Accumulated Surplus:

Accumulated surplus consists of balances as follows:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 1,384,640	\$ 1,383,133
Capital fund – unexpended capital financing	189,895	151,373
Operating fund	(10,667)	(4,646)
Unfunded		
Landfill closure and post-closure liability	(79,191)	(80,361)
Employee future benefits and post-employment liabilities	(100,234)	(99,889)
Total surplus	1,384,443	1,349,610
Reserves and reserve funds set aside by Council:		
Ambulance communication	1,275	1,363
Circle route initiatives	1,383	1,383
Employee benefits	34,489	36,515
Encumbrances	17,531	15,067
General capital levy	24,723	24,846
Niagara Regional Housing	11,780	12,010
Court Services facilities renewal	1,650	1,650
Public liability self-insurance	2,270	2,270
Replacement of equipment	224	524
Smart growth	451	2,074
Taxpayer relief reserve	24,821	25,289
Waste management operations	27,136	23,645
Wastewater operations	49,130	49,277
Water operations	77,364	71,774
Landfill	5,377	2,000
Other reserves and reserve funds	6,251	3,338
Total reserves and reserve funds	285,855	273,025
Total accumulated surplus	\$ 1,670,298	\$ 1,622,635

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

11. Trust funds:

Trust funds administered by the Region amounting to \$924 (2016 - \$1,044) 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.

12. Commitments:

- (a) The Region has outstanding contractual obligations of approximately \$76,985 (2016 - \$91,044) for public works projects. These costs include holdbacks. The holdbacks related to work completed as of December 31, 2017 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 \$10,429 (2016 - \$12,124). Annual payments of \$2,323 (2016 - \$2,445) 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 lease payments:

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

	2017
2018	2,008
2019	1,850
2020	1,188
2021	780
2022	343
Thereafter	1,528
	\$ 7,697

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

13. Contingent liabilities:

At December 31, 2017, 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. A provision of \$11,670 (2016 - \$2,957) has been made for those claims not expected to be covered by insurance.

14. 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 \$20,000 per occurrence for claims incurred prior to November 2013, and \$50,000 per occurrence for claims incurred after November 2013.

The Region has a reserve fund for allocated self-insurance claims which as at December 31, 2017 amount to \$2,270 (2016 - \$2,270) and is reported on the consolidated statement of financial position under accumulated surplus. An amount of \$nil (2016- \$nil) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to \$11,233 (2016 - \$2,813).

15. 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 \$17,811 (2016 - \$17,050).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

16. Government transfers:

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

	Budget	2017	2016
Revenue:			
Government of Canada:			
General government	\$ -	\$ -	\$ 1,133
Transportation services	9,571	9,571	11,514
Environmental services	4,668	4,668	3,047
Health services	-	58	106
Social and family services	1,253	2,632	821
Social housing	8,962	8,931	9,086
Planning and development	200	55	33
	24,654	25,915	25,740
Province of Ontario:			
General government	1,889	1,903	2,058
Protection to persons and property	9,233	9,176	8,116
Transportation services	1,894	1,129	4,726
Environmental services	1,285	1,285	5,434
Health services	60,083	60,723	58,973
Social and family services	220,677	209,037	199,518
Social housing	13,845	11,516	6,006
Planning and development	45	-	-
	308,951	294,769	284,831
Other municipalities:			
General government	94	169	229
Protection to persons and property	338	367	333
Transportation services	732	731	520
Environmental services	830	700	(297)
	1,994	1,967	785
Total revenues	\$ 335,599	\$ 322,651	\$ 311,356

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

17. 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, and Social Assistance and Employment Opportunities.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

17. 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 and providing leadership in the development, maintenance and growth of the emergency readiness in the Region. The planning and development department also supports the economic development and Region special initiatives, including contributions to the Niagara Health System.

Certain allocation methodologies are employed in the preparation of segmented information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenses. 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.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

17. Segmented information (continued):

	2017								
	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	\$ 10,699	\$ 153,184	\$ 62,775	\$ -	\$ 36,096	\$ 45,965	\$ 32,687	\$ 8,751	\$ 350,157
User charges	259	8,196	4,221	163,343	446	26,314	13,694	746	217,219
Government transfers	2,071	9,543	11,431	6,653	60,781	211,669	20,448	55	322,651
Development charges earned	146	2,700	6,141	2,725	-	-	-	49	11,761
Investment income	15,673	-	-	-	2	-	318	-	15,993
Provincial offenses	-	6,811	-	1	-	-	-	-	6,812
Miscellaneous	3,924	(4,745)	5,257	4,204	338	663	244	67	9,952
Total revenues	32,772	175,689	89,825	176,926	97,663	284,611	67,391	9,668	934,545
Expenses:									
Salaries, wages and employee benefits	5,624	148,081	14,623	30,267	76,359	102,937	5,998	4,471	388,360
Operating expenses	16,387	17,782	21,255	81,049	13,341	68,268	21,855	1,682	241,619
External transfers	622	9,342	142	5,024	52	104,702	31,811	6,514	158,209
Debt services	12,750	-	-	-	-	-	-	-	12,750
Amortization	6,717	10,155	27,668	27,168	2,999	3,771	7,466	-	85,944
Total expenses:	42,100	185,360	63,688	143,508	92,751	279,678	67,130	12,667	886,882
Annual surplus (deficit)	\$ (9,328)	\$ (9,671)	\$ 26,137	\$ 33,418	\$ 4,912	\$ 4,933	\$ 261	\$ (2,999)	\$ 47,663

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

17. Segmented information (continued):

	2016								
	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	\$ 9,068	\$ 151,118	\$ 55,816	\$ -	\$ 36,985	\$ 46,652	\$ 31,934	\$ 8,262	\$ 339,835
User charges	156	9,434	2,866	158,804	475	25,787	13,303	710	211,535
Government transfers	3,421	8,449	16,760	8,184	59,079	200,339	15,091	33	311,356
Development charges earned	62	-	9,118	7,531	-	-	-	212	16,923
Investment income	13,767	-	-	-	6	-	200	-	13,973
Provincial offenses	-	7,823	-	-	-	-	-	-	7,823
Miscellaneous	1,709	78	3,284	7,162	651	31	775	19	13,709
Total revenues	28,183	176,902	87,844	181,681	97,196	272,809	61,303	9,236	915,154
Expenses:									
Salaries, wages and employee benefits	5,735	146,710	13,727	28,933	75,233	101,584	5,681	4,285	381,888
Operating expenses	16,615	15,305	18,338	75,478	12,878	62,573	22,363	1,891	225,441
External transfers	541	9,822	60	2,423	11	103,827	27,312	5,185	149,181
Debt services	12,736	-	-	-	-	-	-	-	12,736
Amortization	5,523	7,180	22,065	25,228	2,738	3,540	7,215	-	73,489
Total expenses:	41,150	179,017	54,190	132,062	90,860	271,524	62,571	11,361	842,735
Annual surplus (deficit)	\$ (12,967)	\$ (2,115)	\$ 33,654	\$ 49,619	\$ 6,336	\$ 1,285	\$ (1,268)	\$ (2,125)	\$ 72,419

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

18. Budget data:

The budget amounts presented in these consolidated financial statements are based upon the 2017 operating and capital budgets approved by Council on December 7, 2016. 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 for 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	\$ 901,145
Budget Amendments	2,825
Budget Adjustments	36,106
Expenses classified as revenue	(1,282)
Capital:	
Development charges	11,196
Grants and subsidies	19,135
Other contributions	6,698
Gain on sale of tangible capital assets	(2,042)
Less:	
Transfers from reserves	(32,199)
Proceeds on sale of tangible capital assets	(1,106)
Total revenue	940,476
EXPENSES	
Operating	
Approved budget	901,145
Budget Amendments	2,825
Budget Adjustments	36,106
Expenses classified as revenue	(1,282)
Add:	
Capital project cost resulting in operating expenses	9,260
Amortization	85,944
Employee future benefits	345
Landfill liability	(1,170)
Less:	
Operating expenses resulting in tangible capital assets	(9,003)
Transfers to reserves, including capital	(75,148)
Debt principal payments	(30,759)
Total expenses	918,263
Annual surplus	\$ 22,213

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (In thousands of dollars)

19. Comparative figures:

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