

Sinking funds financial statements of

The Regional Municipality of Peel

December 31, 2020

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Table of Contents

Independent Auditor’s Report.....1-2

Sinking Funds Statement of Financial Position.....3

Sinking Funds Statement of Operations4

Sinking Funds Statement of Cash Flows5

Sinking Funds Statement of Change in Net Financial Assets5

Notes to the Sinking Funds Financial Statements6-8



Independent Auditor's Report

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

Opinion

We have audited the financial statements of the sinking funds of the Regional Municipality of Peel, 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 Regional Municipality of Peel as at December 31, 2020, and the results of its operations, change 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 sinking funds of the Regional Municipality of Peel 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 Regional Municipality of Peel'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 Regional Municipality of Peel or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the sinking funds of the Regional Municipality of Peel'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 sinking funds of the Regional Municipality of Peel'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 Regional Municipality of Peel'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 Regional Municipality of Peel 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
May 20, 2021

The Regional Municipality of Peel Sinking Funds Statement of Financial Position

For the year ended December 31, 2020

(All dollars in \$000)

| | 2020 | 2019 |
|--|----------------|----------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 28,935 | \$ 44,105 |
| Accrued interest | 875 | \$ 871 |
| Long-term investments (Note 7) | | |
| (Fair value 2020 – \$426,960 ; 2019 – \$301,691) | 356,247 | \$ 282,454 |
| TOTAL FINANCIAL ASSETS | 386,057 | 327,430 |
| LIABILITY | | |
| Actuarial requirements for retirement of sinking fund debt (Note 2d) | 379,366 | 321,780 |
| NET FINANCIAL ASSETS | 6,691 | 5,650 |
| ASSET ALLOCATION | | |
| Region of Peel | 384,259 | 326,408 |
| City of Brampton | 1,446 | 714 |
| Town of Caledon | 352 | 308 |
| | \$ 386,057 | \$ 327,430 |

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

The Regional Municipality of Peel Sinking Funds Statement of Operations

For the year ended December 31, 2020

(All dollars in \$000)

| | 2020 | 2019 |
|--|---------------|---------------|
| REVENUE | | |
| Contributions (Note 6) | \$ 47,423 | \$ 47,426 |
| Investment income | 11,205 | \$ 9,858 |
| TOTAL REVENUE | 58,628 | 57,284 |
| EXPENSES | | |
| Provision for actuarial requirements | 57,587 | 55,963 |
| TOTAL EXPENSES | 57,587 | 55,963 |
| EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR | 1,041 | 1,321 |

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

The Regional Municipality of Peel Sinking Funds Statement of Cash Flows

For the year ended December 31, 2020

(All dollars in \$000)

| | 2020 | 2019 |
|---|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 1,041 | \$ 1,321 |
| Change in non-cash assets and liabilities | | |
| Accrued interest | (4) | (225) |
| Increase in actuarial requirements | 57,586 | 55,963 |
| NET CHANGE IN CASH FROM OPERATING ACTIVITIES | 58,623 | 57,059 |
| INVESTING ACTIVITIES | | |
| Acquisition of investments | (73,793) | (26,365) |
| NET CHANGE IN CASH FROM INVESTING ACTIVITIES | (73,793) | (26,365) |
| Net change in cash | (15,170) | 30,694 |
| Cash, beginning of year | 44,105 | 13,411 |
| CASH, END OF YEAR | \$ 28,935 | \$ 44,105 |

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

The Regional Municipality of Peel Sinking Funds Statement of Change in Net Financial Assets

For the year ended December 31, 2020

(All dollars in \$000)

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Excess of revenues over expenses for the year | \$ 1,041 | \$ 1,321 |
| Net financial assets, beginning of year | 5,650 | 4,329 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 6,691 | \$ 5,650 |

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

The Regional Municipality of Peel Sinking Funds

Notes to the Financial Statements

For the year ended December 31, 2020
(All dollars in \$000)

1. Purpose of Funds

The Region of Peel Sinking Funds are separate funds maintained for the purpose of providing periodic repayments for debt to be retired by means of sinking funds.

2. Summary of Significant Accounting Policies

These financial statements are the representation of management and are prepared by management in accordance Canadian public sector accounting standards, as recommended by Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada ("CPA Canada"). The significant accounting policies are summarized below:

(a) Basis of Accounting

The Region of Peel Sinking Funds follow the accrual method of accounting for revenues and expenditures.

(b) Revenue Recognition

Contributions are recognized in the year receivable. Investment income is recognized as revenue when earned.

(c) Investments

Investments are recorded at amortized cost. The discounts or premiums on investments are amortized on a straight-line basis over the term of the investment.

Investment purchases are accounted for on the settlement date. There are no transaction costs incurred in the purchase of investments.

(d) Provision for Actuarial Requirements

The provision for actuarial requirements for the Sinking Funds represents the amounts required which, together with interest compounded annually, will be sufficient to retire the related debt at maturity, based on contributions to the Sinking Funds to date. The actuarial requirements were calculated using a rate of 4 per cent per annum on debt issued in 2010 and 2 per cent, 2.5 per cent, 3.25 per cent or 4 per cent per annum on debt issued in 2011 and thereafter. The excess or deficiency of financial assets over these requirements is included in the fund balance.

3. Allocation of Series DQ Debenture Repayment

The Town of Caledon continues to pay \$433 in Series DQ debt that was spent on projects unrelated to the arterial road transferred to the Region of Peel in 2014. The interest expense and sinking fund payments related to that portion of debt will be paid annually by the Town of Caledon to the Region of Peel.

4. Allocation of Series EC Debenture Repayment

The Region of Peel, on behalf of the City of Brampton issued \$23,000 in debt through a re-opening of the existing 2042 Series EC debenture. The \$23,000 re-open is an addition to the \$300,000 Series EC debentures previously outstanding. The City of Brampton will contribute annually, required amounts to the Sinking Fund. Any surplus/deficit will be managed and calculated independent of the existing Series EC Sinking Fund attributable to the Region of Peel.

5. Allocation of Surplus

The following is the apportionment of the Sinking Fund balance.

Sinking Fund Surplus / (Deficit)

| | 2020 Total | 2019 Total | Town of Caledon | City of Brampton | Region of Peel |
|----------------------|---------------|---------------|--------------------|---------------------|-------------------|
| | \$ | \$ | % | % | % |
| Series DQ | (235) | 115 | 0.09 | - | 99.91 |
| Series EB | 1,195 | 1,067 | 0.32 | - | 99.68 |
| Series EC - Region | 4,155 | 3,361 | - | - | 100 |
| Series EC - Brampton | 0 | 1 | - | 100 | - |
| Series EP | (19) | (18) | - | - | 100 |
| Series EQ | 739 | 614 | - | - | 100 |
| Series FX | 856 | 510 | - | - | 100 |
| | 6,691 | 5,650 | - | - | - |

6. Contributions

In 2020, contributions to the Sinking Funds were \$47,423 (2019 – \$47,426).

7. Financial Instruments

The Sinking Funds are subject to market risk and interest rate price risk with respect to the investment portfolio.

8. Principal Repayment

Principal repayments issued on behalf of the Town of Caledon and City of Brampton are due as follows:

| | Town of Caledon | City of Brampton |
|--------------|----------------------------|-----------------------------|
| | \$ | \$ |
| 2031 | 641 | - |
| 2040 | 433 | - |
| 2042 | - | 23,000 |
| Total | 1,074 | 23,000 |

9. Investment Portfolio

Investments consist of provincial, municipal and bank bonds bearing yield rates from 1.35 to 4.5 per cent, maturing from June 2021 to January 2053.