

To: Corporate and Finance Services Committee

From: Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Report Number: CF-23-44

Date of Report: May 31, 2023

Date of Meeting: June 5, 2023

Subject: 2022 Audited Consolidated Financial Statements

Ward: All Wards

File: 03-05

1.0 Purpose

The purpose of this report is to present the 2022 Audited Consolidated Financial Statements to Council for approval.

Attachment 1 to this report is the draft 2022 Consolidated Financial Statements and Audit Opinion.

2.0 Recommendation

That the Corporate and Finance Services Committee recommend to City Council:

1. That the Financial Statements for the year ended December 31, 2022 attached to Report CF-23-44 dated May 31, 2023 be approved; and
2. That notice of the availability of the financial statements through the City's website or upon request through Service Oshawa be published in the local newspaper(s); and
3. That the Financial Statements be forwarded to appropriate stakeholders including the Province of Ontario and the City's banking institution.

3.0 Executive Summary

Not applicable.

4.0 Input From Other Sources

Deloitte LLP

5.0 Analysis

Section 294.1 of the Municipal Act states that “a Municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended, from time to time, by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.”

Municipal Financial Statements report on financial activities and balances. They help ensure accountability and transparency, and assist municipalities with long-term and strategic planning. Financial statements are an important tool for Council to use to report to the taxpayers on the municipal services provided with the resources at their disposal.

5.1 Composition of Municipal Financial Statements

Municipal Financial Statements are composed of 4 statements as well as accompanying disclosure notes. The statements are:

- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Change in Net Assets (Net Debt)
- Consolidated Statement of Cash Flows

5.1.1 Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position presents the context of the municipality's longer-term financial health and is not focused only on how much money is currently in the bank. It considers whether the municipality has the necessary assets to provide future services, and whether there are sufficient future revenues to cover existing liabilities. Net debt occurs when the total debt to be repaid in future years is more than the financial assets at yearend.

5.1.2 Consolidated Statement of Operations

The Consolidated Statement of Operations reports on revenues, expenses and the results for a fiscal year or reporting period. The Consolidated Statement of Operations provides detailed information on what transactions have impacted the accumulated surplus during the year. Non-cash items such as amortization expense and contributed assets are included.

5.1.3 Consolidated Statement of Change in Net Assets (Net Debt)

The Consolidated Statement of Change in Net Financial Assets (Net Debt) reports the significant items that explain the difference between the surplus or deficit for the year as reported on the Consolidated Statement of Operations and the change in net financial assets or net debt on the Consolidated Statement of Financial Position in the period.

5.1.4 Consolidated Statement of Cash Flows

The statement explains show the financial activities recorded on an accrual basis relates to the change in the cash balance in the statement. The Consolidated Statement of Cash Flows provides detailed information on significant cash transactions that are not included in the Statement of Operations.

5.1.5 Notes to the Financial Statements

The Notes to the Financial Statements contain important information and explanations, some of which may be required by legislation and regulation. The notes highlight various aspects of the financial statements and provide background information and insight on the impacts of specific values in the financial statements.

5.2 2022 Consolidated Financial Statements

The City's financial statements include the assets, liabilities, revenues and expenditures of the Oshawa Public Library Board, as they are accountable for the administration of their financial affairs and controlled by the City. The Oshawa Power and Utilities Corporation (O.P.U.C.) is also accounted for in the City's financial statements but on a modified equity basis.

The financial statements for the year ended December 31, 2022 are presented on a full accrual basis and are contained in Attachment 1.

The financial statements include the following items:

- **Tangible Capital Assets** – The net book value of the City's tangible capital assets at December 31, 2022 was \$618.1 million. Assets recorded at cost, are amortized over their estimated useful life. Net book value equals cost less accumulated amortization.
- **Accumulated Surplus** – This amount represents the cumulative total of the City's fund balances including Reserves and Reserve Funds and Tangible Capital Assets. This amount does not represent funds (i.e. cash) available to discharge the obligations of the City.
- **Annual Consolidated Surplus** – This amount is the difference between the City's total revenues and expenses for the reporting period. For 2022, the annual consolidated surplus was \$39.2 million. The budget column on the Statement of Operations has been modified from the Council approved budget for 2022 to include transactions from the capital fund, reserve and reserve funds, amortization and post-employment benefit expenses.

The City's 2022 approved budget was prepared on a cash basis and excluded expenses related to amortization and post-employment benefits.

5.3 2022 Financial Statement Audit

The Municipal Act, section 296, requires that independent external auditors conduct an audit of “the accounts and transactions of the municipality and its local boards and express an opinion on the financial statements”. The City’s independent auditor, Deloitte LLP, has completed its work with respect to the City’s draft Financial Statements.

The financial statements present fairly the financial position of the City, as attested to by the City’s independent external auditors and are recommended for distribution to interested stakeholders.

6.0 Financial Implications

There are no financial implications arising from the recommendations of this report.

7.0 Relationship to the Oshawa Strategic Plan

The preparation and communication of the annual financial statements supports the Oshawa Strategic Plan goals of Economic Prosperity & Financial Stewardship and Accountable Leadership by ensuring respect, responsiveness and transparency.



Stephanie Sinnott, Commissioner,
Corporate and Finance Services Department

Consolidated financial statements of
The Corporation of the
City of Oshawa

December 31, 2022

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Independent Auditor's Report

To the Members of Council of
The Corporation of the City of Oshawa

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Oshawa (the "City"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated 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 City as at December 31, 2022, 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 City 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 City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the City'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 City'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 City'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 City 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 City 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.

The Corporation of the City of Oshawa
Consolidated statement of financial position
As at December 31, 2022

	Notes	2022 \$	2021 \$
Financial assets			
Cash and cash equivalents		198,766,551	182,874,977
Investments		88,973,679	71,517,338
Taxes receivable		9,228,023	9,854,579
Accounts receivable		6,678,086	4,492,508
Other assets		100,000	100,000
Investment in Oshawa Power and Utilities Corporation	3	81,634,400	71,743,400
		385,380,739	340,582,802
Liabilities			
Accounts payable and accrued liabilities		40,019,513	40,313,495
Deferred revenue	4	139,094,274	106,736,133
Employee future benefits and other liabilities	5	51,221,289	53,750,450
Long-term liabilities	6	41,087,782	49,498,371
Liability for contaminated sites	7	2,860,000	2,810,000
		274,282,858	253,108,449
Net financial assets		111,097,881	87,474,353
Non-financial assets			
Tangible capital assets	9	618,145,442	602,621,022
Inventory and prepaid expenses		3,585,428	3,577,958
		621,730,870	606,198,980
Accumulated surplus	10	732,828,751	693,673,333

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

The Corporation of the City of Oshawa
Consolidated statement of operations
Year ended December 31, 2022

Notes	Budget \$	2022 \$	2021 \$
	(Note 17)		
Revenue			
Property taxation	149,287,000	150,112,682	140,209,421
Taxation from other governments	3,283,400	3,365,761	3,305,026
User charges	19,122,200	20,442,649	10,712,060
Government grants	648,200	1,318,982	3,657,105
Contributions from developers – earned	6,703,700	6,608,797	3,353,141
Revenue recognized on assumed tangible capital assets	15,311,100	15,311,127	4,956,971
Canada Community Building Fund	5,631,000	8,264,196	5,764,095
Investment income	4,897,300	6,352,210	2,710,973
Penalties and interest on taxes	2,100,000	2,199,500	2,108,590
Licenses and permits	4,182,800	6,032,407	7,345,506
Fines	1,352,700	1,094,903	997,940
Earnings Oshawa Power and Utilities Corporation	3 9,791,000	11,691,000	9,208,000
Other	1,320,200	2,459,724	4,491,608
	223,630,600	235,253,938	198,820,436
Expenses			
General government	44,413,000	42,139,846	34,131,904
Protection to persons and property	40,424,100	44,069,297	40,934,288
Transportation services	45,955,200	41,704,110	38,422,744
Environmental services	8,466,500	10,021,414	10,515,594
Health services	394,300	492,724	417,708
Social and family services	1,951,700	1,951,650	1,954,238
Social housing	—	—	2,294,668
Recreation and cultural services	56,521,800	52,736,199	47,596,674
Planning and development services	2,851,400	2,983,281	2,753,818
	200,978,000	196,098,521	179,021,636
Annual surplus	22,652,600	39,155,417	19,798,800
Accumulated surplus, beginning of year	693,673,333	693,673,333	673,874,533
Accumulated surplus, end of year	716,325,933	732,828,751	693,673,333

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

The Corporation of the City of Oshawa
Consolidated statement of change in net financial assets
Year ended December 31, 2022

	2022 \$	2021 \$
Annual surplus	39,155,417	19,798,800
Amortization of tangible capital assets	27,298,429	27,055,846
Acquisition of tangible capital assets net of transfers from work-in progress	(42,831,037)	(28,339,676)
Loss on disposal/write down of tangible capital assets	8,188	3,287,949
Change in inventory and prepaid expenses	(7,470)	(83,165)
Increase in net financial assets	23,623,527	21,719,754
Net financial assets, beginning of year	87,474,353	65,754,599
Net financial assets, end of year	111,097,881	87,474,353

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

Draft

The Corporation of the City of Oshawa
Consolidated statement of cash flows
Year ended December 31, 2022

	2022 \$	2021 \$
Operating activities		
Annual surplus	39,155,417	19,798,800
Items not involving cash		
Amortization	27,298,429	27,055,846
Loss on disposal/write down of tangible capital assets	8,192	3,287,949
Assumed assets recognized as revenue	(15,311,127)	(4,956,971)
Net earnings of Oshawa Public Utilities Corporation	(11,691,000)	(9,208,000)
Net changing in non-cash working capital		
Taxes receivable	626,556	1,163,461
Accounts receivable	(2,185,578)	3,988,680
Other assets	—	230
Accounts payable and accrued liabilities	(293,982)	4,090,763
Deferred revenue	32,358,141	34,635,575
Employee future benefits and other liabilities	(2,529,161)	308,295
Inventory and prepaid expenses	(7,470)	(83,165)
	67,428,417	80,081,463
Capital activities		
Acquisition of tangible capital assets	(27,519,914)	(23,382,705)
Increase in liability for contaminated sites	50,000	—
	(27,469,914)	(23,382,705)
Financing activity		
Debenture debt retired	(8,410,589)	(8,113,698)
Investing activities		
Net change in short-term investments	(17,456,341)	23,468,798
Dividend received from OPUC	1,800,000	1,912,000
	(15,656,341)	25,380,798
Increase in cash and cash equivalents	15,891,574	73,965,858
Cash and cash equivalents, beginning of year	182,874,977	108,909,119
Cash and cash equivalents, end of year	198,766,551	182,874,977

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

The Corporation of the City of Oshawa is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies

The consolidated financial statements of The Corporation of the City of Oshawa (the "City") are the representations of management prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the City are as follows:

Reporting entity

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 controlled by the City, including the following:

Oshawa Public Library Board

Inter-departmental and inter-organizational transactions and balances between this organization have been eliminated.

The City's investment in the Oshawa Power and Utilities Corporation ("OPUC") is accounted for on the modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, the business enterprise's accounting policies are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of OPUC in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from OPUC will be reflected as reductions in the investment asset account.

Basis of accounting

The consolidated financial statements are prepared under the accrual basis of accounting.

The accrual basis of accounting recognizes revenue in the fiscal year in which transactions or events occurred that gave rise to the revenue and became measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

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.

1. Significant accounting policies (continued)

Tangible capital assets

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

	Useful life – years
Land improvements	15 – 50
Buildings	10 – 50
Machinery and equipment	3 – 25
Vehicles	4 – 20
Furniture	7 – 10
Linear assets	15 – 60
Other assets	7 – 50

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets classified as work-in-progress are not amortized until the asset is available for productive use.

Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value on the earlier of the date received or of the transfer of risk and responsibility. Contributed assets are recorded as revenue.

Intangible assets

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

Interest capitalization

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

Reserves and reserve funds

Certain amounts, as approved by City Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from these reserves and reserve funds are reported as an adjustment to the respective fund when approved. Reserves and reserve funds form part of the accumulated surplus balance.

Government transfers

Government transfers are recognized as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

1. Significant accounting policies (continued)

Deferred revenue

The City receives development charge contributions, payments in lieu of parkland and gas tax funding under the authority of federal/provincial legislation and City by-laws. These funds by their nature are restricted in their use and until applied to applicable capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal year they are expended. The City also receives revenue for user charges and fees which have been collected but for which the related services have yet to be performed. These amounts are also recorded as deferred revenue and will be recognized as revenues in the fiscal year the services are performed.

Taxation and related revenue

Property tax billings are prepared by the City based on an assessment roll provided by the Municipal Property Assessment Corporation ("MPAC"). All assessed property values in the City are established by MPAC based on a common valuation date.

Investment income

Investment income is reported as revenue in the fiscal year earned. Investment income earned on development charges, parkland obligatory reserve funds and Canada Community Building Fund (previously known as federal gas tax reserve fund) is added to the reserve fund balance and forms part of the respective deferred revenue balance.

Post-employment benefits

The present value of the cost of providing employees with future benefit programs is recognized as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care costs. Actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

Liability for contaminated sites

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the City is either directly responsible or accepts responsibility, 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 City'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.

Accounting for School Boards and Region of Durham transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and Region of Durham are not reflected in the municipal balances of these financial statements.

Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Financial Activities and Fund Balance" and the "Trust Funds Statement of Financial Position".

1. Significant accounting policies (continued)

Use of estimates

The preparation of consolidated financial statements, in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates. Accounts requiring significant estimates include accounts receivable, accrued liabilities, employee future benefits and other liabilities, and tangible capital assets.

2. Operations of School Boards and the Region of Durham

During 2022, requisitions were made by the School Boards and the Region of Durham requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized in the following table:

	School Boards	Region	2022 Total	2021 Total
	\$	\$	\$	\$
Property taxes	58,264,914	159,003,780	217,268,694	195,579,857
Taxation from other governments	—	2,027,924	2,027,924	1,978,952
Total amounts transferred	58,264,914	161,031,704	219,296,618	197,558,809

3. Investment and equity in Oshawa Power and Utilities Corporation

In accordance with the requirements of Bill 35 (the Energy Competition Act, 1998), the City passed a transfer by-law, effective November 1, 2000, that transferred substantially all of the assets and liabilities of Oshawa Public Utilities Commission ("the Commission") to Oshawa Power and Utilities Corporation ("OPUC"). OPUC has carried on the former business of the Commission with all the rights, duties, obligations, and responsibilities. The City is the sole shareholder of the OPUC.

The City's investment in OPUC is as follows:

	2022	2021
	\$	\$
Balance, beginning of year	71,743,400	64,447,400
Changes during the year		
Total Comprehensive income for the year	11,691,000	9,208,000
	83,434,400	73,655,400
Dividend received from OPUC	(1,800,000)	(1,912,000)
	81,634,400	71,743,400

The City holds 1,000 common shares of the OPUC representing 100% of the outstanding shares. With Council approval, the proceeds from the current year dividend were transferred to operations with a corresponding reduction in equity in OPUC.

3. Investment and equity in Oshawa Power and Utilities Corporation (continued)

The following table provides condensed financial information in respect of the financial position of OPUC as at December 31, 2022 and its operations.

	2022	2021
	(000's)	(000's)
	\$	\$
Assets		
Current	42,338	47,727
Capital and intangibles	206,864	198,499
Other	10,695	6,410
Total assets	259,897	252,636
Regulatory balances	—	5,430
Total assets and regulatory balances	259,897	258,066
Liabilities		
Current	26,999	25,264
Long-term debt	89,253	90,275
Other	60,516	63,195
Total liabilities	176,768	178,734
Shareholders' equity		
Share capital	23,064	23,064
Accumulated other comprehensive loss	4,083	(2,444)
Retained earnings	54,421	51,144
Total equity attributable to the Corporation	81,568	71,764
Non-controlling interests	1,007	990
Total equity	82,575	72,754
Regulatory balances	11,178	6,578
Total liabilities, equity and regulatory balances	270,521	258,066
Comprehensive income		
Commodity revenue	135,920	131,609
Commodity expenses	(140,514)	(133,537)
Distribution revenue	27,226	25,700
Operating expenses	(16,874)	(15,356)
Other income (expense)	(5,546)	(4,748)
Accumulated other comprehensive loss	6,527	3,899
Net movements in regulatory balances, net of tax	4,952	1,641
Total comprehensive income for the year	11,691	9,208

Included in revenue above is \$250,769 (\$250,432 in 2021) for dark fibre services provided. Operating expenses above include \$348,229 (\$341,400 in 2021) paid to the City for net rent at 100 Simcoe Street, Oshawa, ON.

4. Deferred revenue

Deferred revenue consists of the following:

	2022 \$	2021 \$
Obligatory reserve funds		
Development charges	88,724,247	70,621,769
Parkland cash in lieu	14,813,606	12,383,796
Canada Community Building Fund	12,847,941	15,897,085
Other	22,708,480	7,833,483
	139,094,274	106,736,133

Continuity of deferred revenue is as follows:

	2022 \$	2021 \$
Balance, beginning of year	106,736,133	72,100,558
Developer contributions collected	37,368,574	29,894,816
Canada Community Building Fund	5,057,235	9,918,898
Other collections	7,797,913	7,741,935
Interest earned	999,831	195,919
	51,223,553	47,751,568
Less		
Developer contributions used	4,845,189	3,353,141
Canada Community Building Fund used	8,264,196	5,764,095
Parkland used		
Transfer to operating	1,937,466	—
General deferred revenue	3,818,561	3,998,757
	18,865,412	13,115,993
Balance, end of year	139,094,274	106,736,133

5. Employee future benefits and other liabilities

Employee benefits, post-employment and other liabilities are comprised of the following:

	2022 \$	2021 \$
Future payments required to WSIB	6,956,632	10,069,663
Accumulated sick leave benefit plan entitlements	8,780,881	8,541,623
Post employment benefits	35,226,042	34,766,712
Other liabilities	257,734	372,452
	51,221,289	53,750,450

5. Employee future benefits and other liabilities (continued)

(a) Future payments required to WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act, the City has elected to be treated as a Schedule 2 employer and therefore remits payments to the WSIB as required to fund disability payments. The estimated liability reported in these financial statements is based on a full actuarial valuation completed as of December 31, 2022.

(b) Accumulated sick leave benefit plan entitlements

Under the sick leave benefit plan, unused sick leave can accumulate and some employees may become entitled to a cash payment when they leave the City's employ. The estimated liability reported in these financial statements is based on a full actuarial valuation completed as of December 31, 2022.

(c) Post-employment benefits

The City makes available to qualifying employees certain non-pension retirement benefits for extended health care and life insurance.

The estimated liability reported for the period ending December 31, 2022 is based on a full valuation.

The significant actuarial assumptions adopted in estimating the City's accrued post-employment benefits liability are as follows:

Discount rate – benefit plans	5.00%
Discount rate – sick leave	5.00%
Future inflation rates	2.0% per annum
Medical benefit cost escalation	5.8% per year reducing to 4.5% after 4 years

Information about the City's employee benefits, post-employment benefits and other liabilities is as follows:

	\$
Liability for post employment benefits as at January 1, 2022	53,750,450
Current period service cost	1,517,605
Amortization of actuarial gains	(636,263)
Interest	1,153,520
Benefits paid	(4,564,023)
Liability for post employment benefits as at December 31, 2022	51,221,289

The accrued benefit liability as of year-end is determined as follows:

	\$
Accrued benefit obligation	38,883,355
Unamortized actuarial gains	12,337,934
Liability for post employment benefits and other liabilities	51,221,289

6. Long-term liabilities

- (a) Long-term liabilities are comprised of debentures issued by the Region of Durham for which the City has assumed responsibility for the payment of principal and interest charges. Interest rates vary from 1.40% to 5.334%.
- (b) Future principal payments required for payment of net long-term liabilities are summarized as follows:

	\$
2023	6,421,922
2024	6,692,174
2025	5,775,486
2026	6,017,444
2027	5,343,940
Total	<u>30,250,966</u>
Payable in 2028 to 2030	<u>10,836,816</u>
	<u>41,087,782</u>

By-laws for long term liabilities are approved by Council. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limits prescribed by the Ministry of Municipal Affairs and Housing.

- (c) Principal repaid on long-term liabilities in 2022 amounted to \$8,410,589 (\$8,113,698 in 2021).
- (d) Interest expense on long-term liabilities in 2022 amounted to \$2,002,958 (\$2,313,135 in 2021).

7. Liability for contaminated sites

The City has recorded an unfunded liability of \$2,860,000 (\$2,810,000 in 2021) for the estimated remediation costs associated with a City owned site with identified contaminants in the soil. The liability estimate for the site identified was based on an environmental assessment conducted by a third party engineering firm during 2022. At this time, the City does not anticipate obtaining any recoveries in respect of the estimated liability.

8. Internal debt

The City issues internal debt through the use of Interfund Notes (IFN). Interfund Notes represent an investment of surplus cash used to finance capital projects. The City has two forms of IFNs: notes to generate incremental revenue and notes to finance City owned capital projects.

IFNs issued to generate incremental revenue are an investment by the City in projects that are not owned by the City. The new revenue streams from these investments will retire the IFN used to fund the project, and ultimately realize revenue in the future to reduce tax levy pressures.

The interest rate charged on IFNs to finance City owned capital projects is prime rate, at the issuance of the note, less half a percent.

The City's Interfund Note balance at December 31, 2022 is \$3,121,147 (\$2,442,000 in 2021)

8. Internal debt (continued)

	2022	2021
	\$	\$
IFNs to finance capital projects		
Civic Pool Roof Replacement	700,000	700,000
Replacement Radios	130,000	130,000
New Vehicle Hazmat/Command Post	640,000	640,000
New Vehicle Assistant Deputy Fire Chief	40,000	40,000
New Utility Vehicle	24,147	45,000
Survey Equipment Replacement	60,000	60,000
Kinsmen Stadium Redevelopment Design	325,000	325,000
Replacement of Playground Surfaces	502,000	502,000
Replace Fuel Tanks Oshawa Executive Airport	700,000	—
	3,121,147	2,442,000

9. Tangible capital assets

Tangible capital assets consist of the following:

	2022	2021
	\$	\$
Land	131,721,537	131,050,576
Land improvements	32,995,295	23,855,054
Buildings	119,289,432	125,028,266
Machinery and equipment	15,473,553	14,666,890
Vehicles	14,641,022	15,200,087
Furniture	314,836	404,499
Linear assets	263,937,048	246,267,847
Other assets	5,896,008	6,869,071
	584,268,731	563,342,290
Work-in-progress	33,876,711	39,278,732
	618,145,442	602,621,022

(i) *Contributed tangible capital assets*

The City records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are land, roadways, and storm sewer lines installed by a developer as part of a subdivision agreement. Transfers of tangible capital assets in 2022 amounted to \$15,311,127 (\$4,956,971 in 2021).

(ii) *Tangible capital assets recognized at nominal value*

Certain assets have been assigned a nominal value of one Canadian dollar because of the difficulty of determining a tenable valuation and/or the assets were older than their estimated expected useful lives, and therefore were fully amortized.

9. Tangible capital assets (continued)

(iii) Works of art and historical treasures

The City protects and preserves a number of owned historical buildings, collections of equipment, artifacts, documents and exhibits and works of art. These assets are not held for financial gain or to provide service but rather for public exhibition, education or research in furtherance of public service. These historical treasures and works of art are not recognized as tangible capital assets in the financial statements. The acquisition or betterment of such assets is recognized in the financial statements as an operating expense.

10. Accumulated surplus

Accumulated surplus consists of the following:

	2022 \$	2021 \$
Operating fund	6,882,737	2,313,229
Capital fund	(275,257)	156,657
Reserves and reserve funds	124,130,500	125,837,847
Unfunded liabilities	(97,689,071)	(108,998,822)
Net equity in OPUC	81,634,400	71,743,400
Invested in tangible capital assets	618,145,442	602,621,022
	732,828,751	693,673,333

11. Pension agreements

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all regular, full-time and eligible other-than-continuous full-time employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Contributions made by the City in 2022 amounted to \$8,180,341 (\$7,892,203 in 2021).

As at December 31, 2022, the OMERS plan with over 559,000 members had a funding deficit of approximately \$6.7 billion.

12. Trust funds

Trust funds administered by the City amounting to \$1,527,463 (\$1,496,328 in 2021) are presented separately in the Trust Fund Statement of Financial Activities and Fund Balance and Statement of Financial Position.

13. Expenses by object

The following is a summary of the expenses reported on the Consolidated Statement of Operations by object of expenses:

	2022	2021
	\$	\$
Salaries, wages and benefits	108,078,941	100,489,291
Interest on long-term debt	2,002,958	2,313,135
Materials and supplies	52,824,961	43,211,021
Rents and financial expenses	487,384	179,692
Transfer payments	5,405,848	5,772,651
Amortization	27,298,429	27,055,846
	<u>196,098,521</u>	<u>179,021,636</u>

14. Contingencies

The City has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2022 and accordingly no provision has been made in these financial statements for any liability that may result.

15. Commitments

Minimum payments under operating leases for computer equipment as follows:

	<u>\$</u>
2023	447,413
2024	<u>323,757</u>

16. Guarantees

The City's primary guarantees include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements.

These indemnification agreements may require the City to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the City from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the City has not made any significant payments under such or similar indemnification agreements and therefore, no amount has been accrued in the financial statements with respect to these agreements.

17. Budget figures

The budgets originally approved by City Council for 2022, adjusted as noted below, are reflected on the Consolidated Statement of Operations.

- An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original Council approved budget.
- Amounts included in the original Council approved capital budget which are not recognized as tangible capital assets are included in Consolidated Statement of Operations under the appropriate functional expense category.

Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements. For Tangible Capital Assets, budgets are set for individual projects. As many capital projects are carried out over one or more years it is not practical to present annualized budget information on the Consolidated Statement of Change in Net Debt.

18. Segmented reporting

The City of Oshawa is a diversified lower tier municipal government that provides a wide range of services to the residents including Fire, Transportation, Library, Recreation, Waste Collection, Airport, Cemetery, and others. For segmented reporting purposes, financial information is presented by functional classification as categorized by the Financial Information Return required by the Province.

General government

The Office of the CAO and Corporate and Finance Services departments are primarily responsible for the provision of internal services that support the work of City Council, management and staff across all municipal departments as well as for the provision of external services to the public. These services are provided for through the governance and corporate management divisions including Legislative Services, Corporate Communications, and Corporate Strategic Initiatives through the Office of the CAO and Finance Services, Information Technology, Innovation and Transformation, Legal Services, and Human Resources through Corporate and Finance Services. Business and Economic Development are also part of this segmented reporting.

Protection to persons and property

Protection is comprised of Fire Services, Municipal Law Enforcement and Licensing Services ("MLELS"), Building Permit and Inspection Services, and Corporate Security. Fire Services is responsible to provide fire suppression, fire prevention, education, planning and emergency incident services to the City of Oshawa. MLELS is responsible for the investigation and enforcement of various municipal by-laws related to property standards, lot maintenance, zoning, signs, noise, parking enforcement and animal licensing. Corporate Security is responsible to ensure proper security and safety measures are in place throughout the City of Oshawa.

Transportation services

The majority of transportation services are provided by Community and Operations Services as well as Engineering Services. The primary responsibilities include inspection and maintenance of the City roads and structures, sidewalks, traffic engineering, transportation planning, streetlights, road and sidewalk snow clearing and winter control. Revenues and expenses related to the Oshawa Executive Airport are also part of this segmented reporting.

18. Segmented reporting (continued)

Environmental services

Environmental Services are provided by Parks and Waste Operations Services as well as Engineering Services. Responsibilities include sustaining the quality of life for the residents of the City of Oshawa through the collection of organics and residual waste, stormwater management, and monitoring and administering environmental programs.

Health and social services

Cemetery Services is the only City branch in this category. Union Cemetery provides maintenance and administration of cemetery operations. Additionally, it ensures the benefit and protection of each citizen who has purchased or has an interest in internment rights within the cemetery.

Recreation and cultural services

Recreation Services provide public services that contribute to neighbourhood development and sustainability, the provision of recreation and leisure services such as fitness, skating and aquatic programs. Parks Services provide the maintenance, improvement and beautification of parks and trails. This segment includes the Oshawa Public Library which provides facilities and materials to meet the informational, educational, recreational and cultural needs of the City's residents. The revenues and expenses related to the Tribute Communities Centre are also part of this segmented reporting.

Planning and development services

Development Services manages urban and rural development, local neighbourhood planning, community development and heritage matters. It ensures an acceptable quality of building construction and maintenance of properties. Development Services also develops and maintains the City's Official Plan and Zoning By-laws and amendments, and real estate services.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and any amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

The Corporation of the City of Oshawa
Schedule 1 – Consolidated schedule of tangible capital assets
Year ended December 31, 2022

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	2022 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	131,050,576	52,451,780	260,329,815	34,782,680	33,166,989	956,936	484,195,490	16,882,156	39,278,732	1,053,095,154
Additions	670,961	11,168,058	963,594	3,489,562	1,868,937	—	30,071,946	—	17,185,396	65,418,454
Disposals/write downs	—	(1,230,097)	—	(306,421)	(2,546,977)	—	(6,460,485)	(679,094)	(22,587,417)	(33,810,491)
	131,721,537	62,389,741	261,293,409	37,965,821	32,488,949	956,936	507,806,951	16,203,062	33,876,711	1,084,703,117
Balance, beginning of year	—	28,596,726	135,301,549	20,115,790	17,966,902	552,437	237,927,643	10,013,085	—	450,474,132
Amortization expense	—	2,027,429	6,702,428	2,675,096	2,428,002	89,663	12,402,745	973,066	—	27,298,429
Amortization disposal	—	(1,229,709)	—	(298,618)	(2,546,977)	—	(6,460,485)	(679,097)	—	(11,214,886)
	—	29,394,446	142,003,977	22,492,268	17,847,927	642,100	243,869,903	10,307,054	—	466,557,675
	131,721,537	32,995,295	119,289,432	15,473,553	14,641,022	314,836	263,937,048	5,896,008	33,876,711	618,145,442

Year ended December 31, 2021

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	2021 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	133,232,868	51,861,473	257,855,465	31,531,857	27,801,865	1,013,753	482,495,578	14,974,680	44,555,765	1,045,323,304
Additions	2,522	927,153	6,028,208	4,949,573	5,590,480	254,319	14,018,992	1,845,462	12,741,981	46,358,690
Disposals/write downs	(2,184,814)	(336,846)	(3,553,858)	(1,698,750)	(225,356)	(311,136)	(12,319,080)	62,014	(18,019,014)	(38,586,840)
	131,050,576	52,451,780	260,329,815	34,782,680	33,166,989	956,936	484,195,490	16,882,156	39,278,732	1,053,095,154
Balance, beginning of year	—	27,126,102	130,395,211	19,230,017	15,926,676	789,431	237,726,869	9,503,857	—	440,698,163
Amortization expense	—	1,747,258	7,367,799	2,342,776	2,265,582	74,142	12,228,964	1,029,325	—	27,055,846
Amortization disposal	—	(276,634)	(2,461,461)	(1,457,003)	(225,356)	(311,136)	(12,028,190)	(520,097)	—	(17,279,877)
	—	28,596,726	135,301,549	20,115,790	17,966,902	552,437	237,927,643	10,013,085	—	450,474,132
	131,050,576	23,855,054	125,028,266	14,666,890	15,200,087	404,499	246,267,847	6,869,071	39,278,732	602,621,022

The Corporation of the City of Oshawa
Schedule 2 – Consolidated schedule of segmented disclosure
Year ended December 31, 2022

	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General government	2022 Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	39,770,494	12,789,832	25,808,227	2,504,800	3,658,782	269,514	23,277,292	108,078,941
Debt servicing (interest)	—	4,059	1,260,581	—	—	—	738,318	2,002,958
Amortization	1,197,255	12,560,568	6,986,294	—	3,230,757	62,180	3,261,375	27,298,429
Other expenses	3,101,548	16,349,652	18,681,097	478,481	3,131,875	2,112,680	14,862,860	58,718,193
	44,069,297	41,704,111	52,736,199	2,983,281	10,021,414	2,444,374	42,139,845	196,098,521
External tax revenues	34,491,270	32,640,134	41,274,507	2,334,894	7,843,359	1,913,113	32,981,166	153,478,443
External non-tax revenues	6,432,559	28,777,394	11,763,943	3,330,723	7,888,238	284,296	11,607,342	70,084,495
Net income OPUC	—	—	—	—	—	—	11,691,000	11,691,000
	40,923,829	61,417,528	53,038,450	5,665,617	15,731,597	2,197,409	56,279,508	235,253,938
Annual surplus before transfers	(3,145,468)	19,713,417	302,251	2,682,336	5,710,183	(246,965)	14,139,663	39,155,417

Year ended December 31, 2021

	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General government	2021 Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	38,650,747	13,078,181	23,258,744	2,641,161	4,054,061	213,766	18,592,631	100,489,291
Debt servicing (interest)	—	7,840	1,504,409	—	—	—	800,886	2,313,135
Amortization	1,155,830	12,319,748	7,483,129	—	3,115,600	57,627	2,923,912	27,055,846
Other expenses	1,127,711	13,016,975	15,350,392	112,657	3,345,933	4,395,221	11,814,475	49,163,364
	40,934,288	38,422,744	47,596,674	2,753,818	10,515,594	4,666,614	34,131,904	179,021,636
External tax revenues	32,815,422	30,802,015	38,156,182	2,207,628	8,429,941	3,741,042	27,362,217	143,514,447
External non-tax revenues	7,566,343	13,154,097	8,726,395	2,607,897	2,489,050	250,914	13,215,293	48,009,989
Net income OPUC	—	—	—	—	—	—	7,296,000	7,296,000
	40,381,765	43,956,112	46,882,577	4,815,525	10,918,991	3,991,956	47,873,510	198,820,436
Annual surplus before transfers	(552,523)	5,533,368	(714,097)	2,061,707	403,397	(674,658)	13,741,606	19,798,800