

To: Corporate and Finance Services Committee

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

Report Number: CF-24-46

Date of Report: May 29, 2024

Date of Meeting: June 3, 2024

Subject: 2023 Audited Consolidated Financial Statements

Ward: All Wards

File: 03-05

1.0 Purpose

The purpose of this report is to present the 2023 Audited Consolidated Financial Statements to Council for approval.

Attachment 1 to this report is the draft 2023 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, 2023 attached to Report CF-24-46 be approved; and
2. That notice of the availability of the financial statements through the City's website or upon request through Service Oshawa; 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 2023 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, 2023 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, 2023 was \$639.4 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 2023, the annual consolidated surplus was \$47.8 million. The budget column on the Statement of Operations has been modified from the Council approved budget for 2023 to include transactions from the capital fund, reserve and reserve funds, amortization and post-employment benefit expenses.

The City's 2023 approved budget was prepared on a cash basis and excluded expenses related to amortization and post-employment benefits.

5.3 2023 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, 2023

Draft

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Independent Auditor's Report

Draft

Draft

The Corporation of the City of Oshawa
Consolidated statement of financial position
As at December 31, 2023

	Notes	2023 \$	2022 \$ (Note 20) (Restated)
Financial assets			
Cash and cash equivalents		215,466,239	198,766,551
Investments		85,311,883	88,973,679
Taxes receivable		19,569,770	9,228,023
Accounts receivable		6,843,284	6,678,086
Other assets		100,000	100,000
Investment in Oshawa Power and Utilities Corporation	3	84,559,400	81,634,400
		411,850,576	385,380,739
Liabilities			
Accounts payable and accrued liabilities		39,602,371	40,019,513
Deferred revenue	4	147,677,250	139,094,274
Employee future benefits and other liabilities	5	50,438,074	51,221,289
Long-term liabilities	6	34,665,861	41,087,782
Liability for contaminated sites	7	2,860,000	2,860,000
Asset retirement obligation	8	2,464,253	2,464,253
		277,707,809	276,747,111
Net financial assets		134,142,767	108,633,628
Non-financial assets			
Tangible capital assets	10	639,355,733	618,394,724
Inventory and prepaid expenses		4,884,909	3,585,428
		644,240,642	621,980,152
Accumulated surplus	11	778,383,409	730,613,780

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, 2023

	Notes	Budget \$	2023 \$	2022 \$
		(Note 18)		(Note 20) (Restated)
Revenue				
Property taxation		158,866,900	161,884,733	150,112,682
Taxation from other governments		3,483,800	3,450,159	3,365,761
User charges		21,647,700	23,976,010	20,442,649
Government grants		322,700	2,510,599	1,318,982
Contributions from developers – earned		40,050,700	16,640,927	6,608,797
Revenue recognized on assumed tangible capital assets		9,639,300	9,639,302	15,311,127
Canada Community Building Fund		6,505,000	10,434,760	8,264,196
Investment income		9,752,700	10,564,211	6,352,210
Penalties and interest on taxes		2,221,000	2,900,737	2,199,500
Licenses and permits		4,802,000	6,193,808	6,032,407
Fines		1,357,700	1,787,334	1,094,903
Earnings Oshawa Power and Utilities Corporation	3	1,500,000	4,025,000	11,691,000
Other		1,303,400	7,048,671	2,459,724
		261,452,900	261,056,251	235,253,938
Expenses	14			
General government		46,066,500	45,465,514	42,146,662
Protection to persons and property		48,016,200	45,885,300	44,069,297
Transportation services		48,444,700	42,899,185	41,707,509
Environmental services		8,747,100	11,370,388	10,021,414
Health services		373,300	569,041	492,724
Social and family services		2,062,000	2,114,900	1,951,650
Recreation and cultural services		55,360,000	61,898,099	52,746,918
Planning and development services		3,103,600	3,084,195	2,983,281
		212,173,400	213,286,622	196,119,455
Annual surplus		49,279,500	47,769,629	39,134,483
Accumulated surplus, beginning of year		730,613,780	730,613,780	693,673,333
Adjustment on adoption of the asset retirement obligation standard		–	–	(2,194,037)
Accumulated surplus, end of year		779,893,280	778,383,409	730,613,780

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, 2023

	2023	2022
Notes	\$	\$
		(Note 20) (Restated)
Annual surplus	47,769,629	39,134,483
Amortization of tangible capital assets	29,459,772	27,319,363
Acquisition of tangible capital assets net of transfers from work-in progress	(50,623,825)	(42,831,037)
Loss on disposal/write down of tangible capital assets	203,044	8,188
Change in inventory and prepaid expenses	(1,299,481)	(7,470)
Increase in net financial assets	25,509,139	23,623,527
Net financial assets, beginning of year	108,633,628	87,474,353
Adjustment on adoption of the asset retirement obligation standard	8 —	(2,464,253)
Net financial assets, end of year	134,142,767	108,633,628

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, 2023

	2023 \$	2022 \$
		(Note 20) (Restated)
Operating activities		
Annual surplus	47,769,629	39,134,483
Items not involving cash		
Amortization	29,459,772	27,319,363
Loss on disposal/write down of tangible capital assets	203,044	8,192
Assumed assets recognized as revenue	(9,639,302)	(15,311,127)
Net earnings of Oshawa Public Utilities Corporation	(4,025,000)	(11,691,000)
Net changing in non-cash working capital		
Taxes receivable	(10,341,747)	626,556
Accounts receivable	(165,198)	(2,185,578)
Other assets	—	—
Accounts payable and accrued liabilities	(417,142)	(293,982)
Deferred revenue	8,582,976	32,358,141
Employee future benefits and other liabilities	(783,215)	(2,529,161)
Inventory and prepaid expenses	(1,299,481)	(7,470)
	59,344,336	67,428,417
Capital activities		
Acquisition of tangible capital assets	(40,984,523)	(27,519,914)
Increase in liability for contaminated sites	—	50,000
	(40,984,523)	(27,469,914)
Financing activity		
Debenture debt retired	(6,421,921)	(8,410,589)
Investing activities		
Net change in short-term investments	3,661,796	(17,456,341)
Dividend received from OPUC	1,100,000	1,800,000
	4,761,796	(15,656,341)
Increase in cash and cash equivalents	16,699,688	15,891,574
Cash and cash equivalents, beginning of year	198,766,551	182,874,977
Cash and cash equivalents, end of year	215,466,239	198,766,551

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.

Financial Instruments

Financial Instruments reported on the City's Statement of Financial Position are measured as follows:

Financial Instrument	Measurement
Cash and cash equivalents	Cost
Investments	Amortized cost
Taxes receivable	Cost
Accounts receivable	Cost
Accounts payable and accrued liabilities	Cost
Long-term liabilities	Amortized cost

Financial Instruments measured at cost/amortized cost are carried using the effective interest method, less and impairment losses on financial assets.

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.

1. Significant accounting policies (continued)

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.

Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to the remediation of the asset retirement obligation, based on the most reliable information that is available as at the applicable reporting date.

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.

Adoption of Accounting Policies

Effective January 1, 2022, the City adopted the following new Public Sector Accounting Standards.

- (a) PS 3450 - Financial Instruments, covers accounting and reporting of financial instruments, including derivatives. Adopting this new standard has no financial impact on reporting the City's Financial Instruments.
- (b) PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings no longer in use. Previously the City reported obligations related to the retirement of tangible capital assets in the period when the asset was retired. The new standard was adopted on the modified retrospective basis with restatement of prior period comparative amounts. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard.

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 2023, 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	2023 Total	2022 Total
	\$	\$	\$	\$
Property taxes	60,894,697	173,022,316	233,917,013	217,268,694
Taxation from other governments	—	2,145,164	2,145,164	2,027,924
Total amounts transferred	60,894,697	175,167,480	236,062,177	219,296,618

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:

	2023	2022
	\$	\$
Balance, beginning of year	81,634,400	71,743,400
Changes during the year		
Total comprehensive income for the year	4,025,000	11,691,000
	85,659,400	83,434,400
Dividend received from OPUC	(1,100,000)	(1,800,000)
	84,559,400	81,634,400

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.

The Corporation of the City of Oshawa
Notes to the consolidated financial statements
December 31, 2023

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, 2023 and its operations.

	2023	2022
	(000's)	(000's)
	\$	\$
Assets		
Current	45,498	42,338
Capital and intangibles	218,652	206,864
Other	9,377	10,695
	273,527	259,897
Regulatory balances	—	—
Total assets and regulatory balances	273,527	259,897
Liabilities		
Current	33,376	26,999
Long-term debt	94,030	89,253
Other	67,849	60,516
	195,255	176,768
Shareholders' equity		
Share capital	23,064	23,064
Accumulated other comprehensive loss	2,713	4,083
Retained earnings	57,732	54,421
Total equity attributable to the Corporation	83,509	81,568
Non-controlling interests	1,921	1,007
	85,430	82,575
Regulatory balances	3,969	11,178
Total liabilities, equity and regulatory balances	284,654	270,521
Comprehensive income		
Commodity revenue	134,200	135,920
Commodity expenses	(135,397)	(140,514)
Distribution revenue	29,026	27,226
Operating expenses	(18,419)	(16,874)
Other income (expense)	(5,104)	(5,546)
Accumulated other comprehensive loss	(1,370)	6,527
Net movements in regulatory balances, net of tax	1,089	4,952
	4,025	11,691

Included in revenue above is \$250,769 (\$250,769 in 2022) for dark fibre services provided. Operating expenses above include \$351,098 (\$348,229 in 2022) paid to the City for net rent at 100 Simcoe Street, Oshawa, ON.

4. Deferred revenue

Deferred revenue consists of the following:

Continuity of deferred revenue is as follows:

	2023	2022
	\$	\$
Obligatory reserve funds		
Development charges	104,044,027	95,794,937
Parkland cash in lieu	16,075,908	14,813,606
Canada Community Building Fund	8,158,622	12,847,941
Other	19,398,693	15,637,790
	147,677,250	139,094,274

Continuity of deferred revenue is as follows:

	2023	2022
	\$	\$
Balance, beginning of year	139,094,274	106,736,133
Developer contributions collected	21,300,428	37,368,574
Canada Community Building Fund	5,277,115	5,057,235
Other collections	9,752,300	7,797,913
Interest earned	4,406,310	999,831
	40,736,153	51,223,553
Less		
Developer contributions used	15,791,157	4,845,189
Canada Community Building Fund used	10,434,761	8,264,196
Transfer to operating	—	1,937,466
General deferred revenue	5,927,259	3,818,561
	32,153,177	18,865,412
Balance, end of year	147,677,250	139,094,274

5. Employee future benefits and other liabilities

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

	2023	2022
	\$	\$
Future payments required to WSIB	6,733,854	6,956,632
Accumulated sick leave benefit plan entitlements	8,548,160	8,780,881
Post employment benefits	34,737,938	35,226,042
Other liabilities	418,122	257,734
	50,438,074	51,221,289

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. Extrapolations for the current fiscal period of 2023 were based on the prior full valuation of the plan, which was effective 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 most recent full actuarial valuation was prepared effective December 31, 2022 and the results of that valuation, together with actual and expected experience, have been used to provide extrapolated results effective December 31, 2023.

(c) Post-employment benefits

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

The most recent full actuarial valuation was prepared effective December 31, 2022 and the results of that valuation, together with actual and expected experience, have been used to provide extrapolated results effective December 31, 2023.

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

Discount rate – benefit plans	4.60%
Discount rate – sick leave	4.60%
Future inflation rates	2.0% per annum
Medical benefit cost escalation	5.00% 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, 2023	51,221,289
Current period service cost	1,372,183
Amortization of actuarial gains	(1,048,544)
Interest	2,058,688
Benefits paid	(3,165,542)
Liability for post employment benefits as at December 31, 2023	50,438,074

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

	\$
Accrued benefit obligation	41,109,890
Unamortized actuarial gains	9,328,184
Liability for post employment benefits and other liabilities	50,438,074

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:

	\$
2024	6,692,173
2025	5,775,486
2026	6,017,445
2027	5,343,940
2028	3,791,037
Total	<u>27,620,081</u>
Payable in 2029 to 2032	<u>7,045,780</u>
	<u>34,665,861</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 2023 amounted to \$6,421,921 (\$8,410,589 in 2022).
- (d) Interest expense on long-term liabilities in 2023 amounted to \$1,673,907 (\$2,002,958 in 2022).

7. Liability for contaminated sites

The City has recorded an unfunded liability of \$2,860,000 (\$2,860,000 in 2022) 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 2023. At this time, the City does not anticipate obtaining any recoveries in respect of the estimated liability.

8. Asset Retirement Obligation

The City's Asset Retirement Obligation consists of several obligations as follows:

(a) Asbestos obligation

The City owns buildings which contain asbestos and is legally required to perform abatement activities upon renovation or demolition of the asset. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed.

(b) Other obligations

The City owns ice rinks containing ammonia and brine/glycol for which environmental disposal costs will be incurred on retirement of the asset. The City also owns firewater holding tanks that will be accounted for on retirement.

The transition and recognition of asset retirement obligations involved an accompanying increase to the Buildings and Machinery and equipment capital assets and the restatement of prior year numbers (see Note 20).

8. Asset Retirement Obligation (continued)

Changes to the asset retirement obligation in the year are as follows:

	Asbestos	Other obligations	Balance at December 31, 2022
	\$	\$	\$
Asset retirement obligation			
Balance, beginning of the year	—	—	—
Adjustment on adoption of the asset retirement obligation standard	2,244,253	220,000	2,464,253
Balance, beginning of the year, restated	2,244,253	220,000	2,464,253
Liabilities settled	—	—	—
Closing balance	2,244,253	220,000	2,464,253

	Asbestos	Other obligations	Balance at December 31, 2023
	\$	\$	\$
Asset retirement obligation			
Balance, beginning of the year	2,244,253	220,000	2,464,253
Liabilities incurred	—	—	—
Liabilities settled	—	—	—
Closing balance	2,244,253	220,000	2,464,253

9. 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, 2023 is \$3,098,128 (\$3,121,147 in 2022)

9. Internal debt (continued)

	2023	2022
	\$	\$
IFNs to finance capital projects		
Civic Pool Roof Replacement	—	700,000
Replacement Radios	—	130,000
New Vehicle Hazmat/Command Post	—	640,000
New Vehicle Assistant Deputy Fire Chief New	—	40,000
Utility Vehicle	—	24,147
Survey Equipment Replacement	—	60,000
Kinsmen Stadium Redevelopment Design	—	325,000
Replacement of Playground Surfaces Replace	—	502,000
Fuel Tanks Oshawa Executive Airport Capital	635,925	700,000
Requirements for New Staff	1,662,203	—
Three Road Projects	800,000	—
	3,098,128	3,121,147

10. Tangible capital assets

Tangible capital assets consist of the following:

	2023	2022
	\$	\$
Land	138,221,537	131,721,537
Land improvements	40,939,261	32,995,295
Buildings	115,617,363	119,508,339
Machinery and equipment	15,225,726	15,503,928
Vehicles	13,489,233	14,641,022
Furniture	228,034	314,836
Linear assets	265,649,978	263,937,048
Other assets	4,949,506	5,896,008
	594,320,638	584,518,013
Work-in-progress	45,035,095	33,876,711
	639,355,733	618,394,724

(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 2023 amounted to \$9,639,302 (\$15,311,127 in 2022).

(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.

10. 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.

11. Accumulated surplus

Accumulated surplus consists of the following:

	2023	2022
	\$	\$
Operating fund	6,236,285	6,882,737
Capital fund	2,512,928	(275,257)
Reserves and reserve funds	138,247,251	124,130,500
Unfunded liabilities	(90,063,935)	(97,689,071)
Net equity in OPUC	84,559,400	81,634,400
Invested in tangible capital assets	639,355,733	618,394,724
Asset Retirement Obligations	(2,464,253)	(2,464,253)
	778,383,409	730,613,780

12. 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 2023 amounted to \$8,790,391 (\$8,180,341 in 2022).

As at December 31, 2023, the OMERS plan with over 612,500 members had a funding deficit of approximately \$4.2 billion.

13. Trust funds

Trust funds administered by the City amounting to \$1,581,451 (\$1,527,463 in 2022) are presented separately in the Trust Fund Statement of Financial Activities and Fund Balance and Statement of Financial Position.

14. Expenses by object

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

	2023	2022
	\$	\$
Salaries, wages and benefits	117,287,382	108,078,941
Interest on long-term debt	1,751,632	2,002,958
Materials and supplies	53,700,125	52,824,961
Rents and financial expenses	590,842	487,384
Transfer payments	10,496,869	5,405,848
Amortization	29,459,772	27,319,363
	<u>213,286,622</u>	<u>196,119,455</u>

15. 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, 2023 and accordingly no provision has been made in these financial statements for any liability that may result.

16. Commitments

Minimum payments under operating leases for computer equipment as follows:

	<u>\$</u>
2024	497,792
2025	324,068
2026	158,213

17. 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.

18. Budget figures

The budgets originally approved by City Council for 2023, 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.

19. 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.

19. 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.

20. Prior year restatement on adoption of PS3280 Asset Retirement Obligation

Effective January 1, 2023, the City of Oshawa adopted PS 3280, Asset Retirement Obligations using the modified retroactive application method.

The implication of the new asset retirement obligations standard resulted in the following changes to the 2022 comparative consolidated financial statements:

	2022 Previously reported \$	Adjustment \$	2022 \$ (Restated)
Consolidated statement of financial position			
Tangible capital assets	618,145,442	249,282	618,394,724
Asset Retirement Obligations	—	2,464,253	2,464,253
Accumulated surplus, end of year	<u>732,828,751</u>	<u>(2,214,971)</u>	<u>730,613,780</u>
Consolidated statement of operations			
Expenses			
General government	42,139,846	6,816	42,146,662
Transportation services	41,704,110	3,399	41,707,509
Recreation and cultural services	52,736,199	10,719	52,746,918
Annual surplus	39,155,417	(20,934)	39,134,483
Accumulated surplus, beginning of year	693,673,333	(2,194,037)	691,479,296
Accumulated surplus, end of year	<u>732,828,751</u>	<u>(2,214,971)</u>	<u>730,613,780</u>
Consolidated statement of changes in net financial assets			
Annual surplus	39,155,417	(20,934)	39,134,483
Amortization of tangible capital assets	27,298,429	20,934	27,319,363
Adjustment on adoption of the asset retirement obligation standard	—	(2,464,253)	(2,464,253)
Net financial assets end of year	<u>111,097,881</u>	<u>(2,464,253)</u>	<u>108,633,628</u>
Consolidated statement of cash flows			
Annual surplus	39,155,417	(20,934)	39,134,483
Amortization of TCA	<u>27,298,429</u>	<u>20,934</u>	<u>27,319,363</u>

The Corporation of the City of Oshawa
Schedule 1 – Consolidated schedule of tangible capital assets
Year ended December 31, 2023

	Land improvements	Land	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	2023 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	131,721,537	62,389,741	263,712,662	38,010,821	32,488,949	956,936	507,806,951	16,203,062	33,876,711	1,087,167,370
Additions	6,500,000	10,510,861	3,231,678	2,688,804	1,369,515	—	15,159,796	—	25,092,238	64,552,892
Disposals/write downs	—	(216,695)	(420,464)	(57,184)	(1,862,659)	—	(25,166)	—	(13,933,854)	(16,516,022)
	138,221,537	72,683,907	266,523,876	40,642,441	31,995,805	956,936	522,941,581	16,203,062	45,035,095	1,135,204,240
Balance, beginning of year	—	29,394,446	144,204,323	22,506,893	17,847,927	642,100	243,869,903	10,307,054	—	468,772,646
Amortization expense	—	2,566,066	6,926,274	2,967,006	2,521,304	86,802	13,445,818	946,502	—	29,459,772
Amortization disposal	—	(215,866)	(224,084)	(57,184)	(1,862,659)	—	(24,118)	—	—	(2,383,911)
	—	31,744,646	150,906,513	25,416,715	18,506,572	728,902	257,291,603	11,253,556	—	495,848,507
	138,221,537	40,939,261	115,617,363	15,225,726	13,489,233	228,034	265,649,978	4,949,506	45,035,095	639,355,733

	Land improvements	Land	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
Adoption of PS3280 ARO	—	—	2,419,253	45,000	—	—	—	—	—	2,464,253
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	263,712,662	38,010,821	32,488,949	956,936	507,806,951	16,203,062	33,876,711	1,087,167,370
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
Adoption of PS3280 ARO	—	—	2,200,346	14,625	—	—	—	—	—	2,214,971
Amortization disposal	—	(1,229,709)	—	(298,618)	(2,546,977)	—	(6,460,485)	(679,097)	—	(11,214,886)
	—	29,394,446	144,204,323	22,506,893	17,847,927	642,100	243,869,903	10,307,054	—	468,772,646
	131,721,537	32,995,295	119,508,339	15,503,928	14,641,022	314,836	263,937,048	5,896,008	33,876,711	618,394,724

The Corporation of the City of Oshawa
Schedule 2 – Consolidated schedule of segmented disclosure
Year ended December 31, 2023

	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General government	2023 Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	40,341,204	14,423,553	30,044,428	2,736,151	4,106,890	318,971	25,316,185	117,287,382
Debt servicing (interest)	—	77,725	1,002,963	—	—	—	670,944	1,751,632
Amortization	1,349,674	13,424,937	7,736,735	—	3,592,955	64,381	3,291,090	29,459,772
Other expenses	4,194,422	14,972,970	23,113,973	348,044	3,670,543	2,300,589	16,187,295	64,787,836
	45,885,300	42,899,185	61,898,099	3,084,195	11,370,388	2,683,941	45,465,514	213,286,622
External tax revenues	35,569,231	33,254,463	47,981,985	2,390,797	8,814,064	2,080,529	35,243,823	165,334,892
External non-tax revenues	8,725,473	28,731,636	26,503,379	7,223,024	1,011,216	326,538	19,175,093	91,696,359
Net income OPUC	—	—	—	—	—	—	4,025,000	4,025,000
Annual surplus before transfers	44,294,704	61,986,099	74,485,364	9,613,821	9,825,280	2,407,067	58,443,916	261,056,251
	(1,590,596)	19,086,914	12,587,265	6,529,626	(1,545,108)	(276,874)	12,978,402	47,769,629
	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General government	2022 Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
								(Restated)
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	12,563,967	6,997,013	—	3,230,757	62,180	3,268,191	27,319,363
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	41,707,509	52,746,918	2,983,281	10,021,414	2,444,374	42,146,662	196,119,455
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)	19,710,019	291,532	2,682,336	5,710,183	(246,965)	14,132,846	39,134,483