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Consolidated financial statements of  
The Corporation of the  
City of Oshawa

December 31, 2021

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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 V(the "City"), which comprise the consolidated statement of financial position as at December 31, 2021, 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, 2021, 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.

"Original signed by Deloitte LLP"

Chartered Professional Accountants  
Licensed Public Accountants  
June 20, 2022

**The Corporation of the City of Oshawa**  
**Consolidated statement of financial position**  
As at December 31, 2021

	Notes	<b>2021</b>	2020
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash and cash equivalents		<b>182,874,977</b>	108,909,119
Investments		<b>71,517,338</b>	94,986,136
Taxes receivable		<b>9,854,579</b>	11,018,040
Accounts receivable		<b>4,492,508</b>	8,481,188
Other assets		<b>100,268</b>	100,230
Investment in Oshawa Power and Utilities Corporation	3	<b>71,743,400</b>	64,447,400
		<b>340,583,070</b>	287,942,113
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>40,313,495</b>	36,222,732
Deferred revenue	4	<b>106,736,133</b>	72,100,558
Employee future benefits and other liabilities	5	<b>53,750,450</b>	53,442,155
Long-term liabilities	6	<b>49,498,371</b>	57,612,069
Liability for contaminated sites	7	<b>2,810,000</b>	2,810,000
		<b>253,108,449</b>	222,187,514
Net financial assets		<b>87,474,621</b>	65,754,599
<b>Non-financial assets</b>			
Tangible capital assets	9	<b>602,621,022</b>	604,625,141
Inventory and prepaid expenses		<b>3,577,958</b>	3,494,793
		<b>606,198,980</b>	608,119,934
Accumulated surplus	10	<b>693,673,601</b>	673,874,533

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, 2021

	Notes	Budget \$	2021 \$	2020 \$
		<b>(Note 17)</b>		
<b>Revenue</b>				
Property taxation		145,198,700	140,209,421	144,432,120
Taxation from other governments		3,287,200	3,305,026	3,785,479
User charges		12,483,200	10,712,060	10,824,215
Government grants		3,655,500	3,657,105	6,146,637
Contributions from developers – earned		10,788,500	3,353,141	10,108,272
Revenue recognized on assumed tangible capital assets		4,957,000	4,956,971	11,370,572
Canada Community Building Fund		5,631,000	5,764,095	8,072,875
Investment income		2,191,100	2,710,973	2,809,778
Penalties and interest on taxes		1,600,000	2,108,590	1,786,111
Licenses and permits		3,693,200	7,345,506	4,492,946
Fines		1,318,100	997,940	1,122,668
Net earnings Oshawa Power and Utilities Corporation	3	1,700,000	9,208,000	1,129,000
Other		1,749,000	4,491,608	4,116,312
		<b>198,252,500</b>	<b>198,820,436</b>	210,196,985
<b>Expenses</b>	13			
General government		41,476,600	34,131,904	30,030,451
Protection to persons and property		39,176,200	40,934,288	40,621,550
Transportation services		44,193,100	38,422,744	26,830,029
Environmental services		8,268,000	10,515,594	9,457,503
Health services		344,000	417,708	447,869
Social and family services		1,970,200	1,954,238	1,924,640
Social housing		5,400	2,294,668	5,359
Recreation and cultural services		52,259,000	47,596,406	47,049,172
Planning and development services		2,990,500	2,753,818	3,011,107
		<b>190,683,000</b>	<b>179,021,368</b>	159,377,680
Annual surplus		7,569,500	19,799,068	50,819,305
Accumulated surplus, beginning of year		673,874,533	673,874,533	623,055,228
<b>Accumulated surplus, end of year</b>		<b>681,444,033</b>	<b>693,673,601</b>	673,874,533

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, 2021

	<b>2021</b>	2020
	<b>\$</b>	\$
<b>Annual surplus</b>	<b>19,799,068</b>	50,819,305
Amortization of tangible capital assets	<b>27,055,846</b>	26,989,963
Acquisition of tangible capital assets net of transfers from work-in progress	<b>(28,339,676)</b>	(46,204,457)
Loss on disposal/write down of tangible capital assets	<b>3,287,949</b>	6,181
Change in inventory and prepaid expenses	<b>(83,165)</b>	536,687
Increase in net financial assets	<b>21,720,022</b>	32,147,679
Net financial assets, beginning of year	<b>65,754,599</b>	33,606,920
<b>Net financial assets, end of year</b>	<b>87,474,621</b>	65,754,599

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

**The Corporation of the City of Oshawa**  
**Consolidated statement of cash flows**  
Year ended December 31, 2021

	<b>2021</b>	2020
	<b>\$</b>	\$
<b>Operating activities</b>		
Annual surplus	<b>19,799,068</b>	50,819,305
Items not involving cash		
Amortization	<b>27,055,846</b>	26,989,963
Loss on disposal/write down of tangible capital assets	<b>3,287,949</b>	6,181
Assumed assets recognized as revenue	<b>(4,956,971)</b>	(11,370,572)
Net earnings of Oshawa Public Utilities Corporation	<b>(9,208,000)</b>	(1,129,000)
Net changing in non-cash working capital		
Taxes receivable	<b>1,163,461</b>	(1,861,104)
Accounts receivable	<b>3,988,680</b>	(3,760,865)
Other Assets	<b>(38)</b>	104
Accounts payable and accrued liabilities	<b>4,090,763</b>	1,576,615
Deferred revenue	<b>34,635,575</b>	(5,035,728)
Employee future benefits and other liabilities	<b>308,295</b>	83,071
Inventory and prepaid expenses	<b>(83,165)</b>	536,687
	<b>80,081,463</b>	56,854,657
<b>Capital activities</b>		
Acquisition of tangible capital assets	<b>(23,382,705)</b>	(34,833,885)
	<b>(23,382,705)</b>	(34,833,885)
<b>Financing activity</b>		
Debenture debt retired	<b>(8,113,698)</b>	(7,865,467)
<b>Investing activities</b>		
Net change in short-term investments	<b>23,468,798</b>	(13,809,887)
Dividend received from OPUC	<b>1,912,000</b>	2,289,000
Cash consumed by investing activities	<b>25,380,798</b>	(11,520,887)
Increase in cash and cash equivalents	<b>73,965,858</b>	2,634,418
Cash and cash equivalents, beginning of year	<b>108,909,119</b>	106,274,701
<b>Cash and cash equivalents, end of year</b>	<b>182,874,977</b>	108,909,119

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	20 – 40
Buildings	10 – 50
Machinery and equipment	3 – 25
Vehicles	4 – 25
Furniture	7
Linear assets	15 – 50
Other assets	5 – 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 reasonable 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 2021, 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:

	<b>School Boards</b>	<b>Region</b>	<b>2021 Total</b>	2020 Total
	\$	\$	\$	\$
Property taxes	<b>49,502,730</b>	<b>146,077,127</b>	<b>195,579,857</b>	209,390,344
Taxation from other governments	—	<b>1,978,952</b>	<b>1,978,952</b>	1,944,413
Total amounts transferred	<b>49,502,730</b>	<b>148,056,079</b>	<b>197,558,809</b>	211,334,757

**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:

	<b>2021</b>	2020
	\$	\$
Balance, beginning of year	<b>64,447,400</b>	65,607,400
Changes during the year		
Net income for the year	<b>9,208,000</b>	1,129,000
	<b>73,655,400</b>	66,736,400
Dividend received from Oshawa Public Utilities Commission	<b>(1,912,000)</b>	(2,289,000)
Balance, end of year	<b>71,743,400</b>	64,447,400

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, 2021

**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, 2021 and its operations.

	<b>2021</b> <b>(000's)</b> <b>\$</b>	2020 (000's) \$
Assets		
Current	<b>47,727</b>	43,460
Capital and intangibles	<b>197,751</b>	184,274
Other	<b>6,410</b>	7,937
Total assets	<b>251,888</b>	235,671
Regulatory balances	<b>5,430</b>	3,544
Total assets and regulatory balances	<b>257,318</b>	239,215
Liabilities		
Current	<b>24,825</b>	18,643
Long-term debt	<b>90,275</b>	82,488
Other	<b>62,886</b>	67,316
Total liabilities	<b>177,986</b>	168,447
Shareholders' equity		
Share capital	<b>23,064</b>	23,064
Accumulated other comprehensive loss	<b>(2,444)</b>	(6,343)
Retained earnings	<b>51,144</b>	47,726
Total equity attributable to the Corporation	<b>71,764</b>	64,447
Non-controlling interests	<b>990</b>	—
Total equity	<b>72,754</b>	64,447
Regulatory balances	<b>6,578</b>	6,321
Total liabilities, equity and regulatory balances	<b>257,318</b>	239,215
Comprehensive income		
Commodity revenue	<b>131,609</b>	155,016
Commodity expenses	<b>(133,537)</b>	(156,686)
Distribution revenue	<b>25,700</b>	25,501
Operating expenses	<b>(15,356)</b>	(16,350)
Other income (expense)	<b>(4,748)</b>	(3,904)
Accumulated other comprehensive loss	<b>3,899</b>	(3,651)
Net movements in regulatory balances, net of tax	<b>1,641</b>	1,203
Total comprehensive income for the year	<b>9,208</b>	1,129

Included in revenue above is \$250,432 (\$5,085 in 2020) for dark fibre services provided. Operating expenses above include \$341,400 (\$334,707 in 2020) paid to the City for net rent at 100 Simcoe Street, Oshawa, ON.

**The Corporation of the City of Oshawa**  
**Notes to the consolidated financial statements**  
December 31, 2021

**4. Deferred revenue**

Deferred revenue consists of the following:

	2021	2020
	\$	\$
Obligatory reserve funds		
Development charges	<b>83,005,565</b>	57,449,077
Parkland	—	1,324,664
Canada Community Building Fund	<b>15,897,085</b>	11,701,564
Other	<b>7,833,483</b>	1,625,253
	<b>106,736,133</b>	72,100,558

Continuity of deferred revenue is as follows:

	2021	2020
	\$	\$
Balance, beginning of year	<b>72,100,558</b>	77,136,286
Developer contributions collected	<b>29,894,816</b>	16,583,940
Canada Community Building Fund	<b>9,918,898</b>	4,837,355
Other collections	<b>7,741,935</b>	(1,102,293)
Interest earned	<b>195,919</b>	737,537
	<b>47,751,568</b>	21,056,539
Less		
Developer contributions used	<b>3,353,141</b>	10,108,272
Canada Community Building Fund used	<b>5,764,095</b>	8,072,875
Transfer to operating	—	550,000
General deferred revenue	<b>3,998,757</b>	7,361,120
	<b>13,115,993</b>	26,092,267
Balance, end of year	<b>106,736,133</b>	72,100,558

**5. Employee future benefits and other liabilities**

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

	2021	2020
	\$	\$
Future payments required to WSIB	<b>10,069,663</b>	10,718,750
Accumulated sick leave benefit plan entitlements	<b>8,541,623</b>	8,049,590
Post employment benefits	<b>34,766,712</b>	34,056,628
Other liabilities	<b>372,452</b>	617,187
	<b>53,750,450</b>	53,442,155

**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 an actuarial valuation completed as of December 31, 2021

*(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 an actuarial valuation completed as of December 31, 2021.

*(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, 2021 is based on an actuarial extrapolation; a full valuation was completed as at December 31, 2019.

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

Discount rate – benefit plans	3.00%
Discount rate – sick leave	2.75%
Future inflation rates	3.0% 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, 2021	<b>53,442,155</b>
Current period service cost	<b>1,628,235</b>
Amortization of actuarial gains	<b>(156,235)</b>
Interest	<b>874,054</b>
Benefits paid	<b>(2,037,759)</b>
Liability for post employment benefits as at December 31, 2021	<b>53,750,450</b>

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

	\$
Accrued benefit obligation	<b>45,762,378</b>
Unamortized actuarial gains	<b>7,988,072</b>
Liability for post employment benefits and other liabilities	<b>53,750,450</b>

**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:

	\$
2022	8,410,589
2023	6,421,922
2024	6,692,174
2025	5,775,486
2026	<u>6,017,445</u>
Total	<u>33,317,616</u>
Payable in 2027 to 2029	<u>16,180,755</u>
	<u>49,498,371</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 2021 amounted to \$8,113,698 (\$7,865,467 in 2020).
- (d) Interest expense on long-term liabilities in 2021 amounted to \$2,313,135 (\$2,604,837 in 2020).

**7. Liability for contaminated sites**

The City has recorded an unfunded liability of \$2,810,000 (\$2,810,000 in 2020) 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. 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, 2021 is \$2,442,000 (\$0 in 2020)

**8. Internal debt (continued)**

	<b>2021</b>	2020
	\$	\$
IFNs to finance capital projects		
Replacement Radios	<b>130,000</b>	—
New Vehicle Hazmat/Command Post	<b>640,000</b>	—
New Vehicle Assistant Deputy Fire Chief	<b>40,000</b>	—
New Utility Vehicle	<b>45,000</b>	—
Survey Equipment Replacement	<b>60,000</b>	—
Kinsmen Stadium Redevelopment Design	<b>325,000</b>	—
Replacement of Playground Surfaces	<b>502,000</b>	—
Remove and Replace Fuel Tanks Oshawa Executive Airport	<b>700,000</b>	—
	<b>2,442,000</b>	—

**9. Tangible capital assets**

Tangible capital assets consist of the following:

	<b>2021</b>	2020
	\$	\$
Land	<b>131,050,576</b>	133,232,868
Land improvements	<b>23,855,054</b>	24,735,371
Buildings	<b>125,028,266</b>	127,460,254
Machinery and equipment	<b>14,666,890</b>	12,301,840
Vehicles	<b>15,200,087</b>	11,875,189
Furniture	<b>404,499</b>	224,322
Linear assets	<b>246,267,847</b>	244,768,709
Other assets	<b>6,869,071</b>	5,470,823
	<b>563,342,290</b>	560,069,376
Work-in-progress	<b>39,278,732</b>	44,555,765
	<b>602,621,022</b>	604,625,141

(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 2021 amounted to \$4,956,971 (\$11,370,572 in 2020).

(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:

	<b>2021</b>	2020
	<b>\$</b>	\$
Operating fund	<b>2,313,497</b>	1,482,539
Capital fund	<b>156,657</b>	11,082,707
Reserves and reserve funds	<b>125,837,847</b>	109,460,971
Unfunded liabilities	<b>(108,998,822)</b>	(117,224,224)
Net equity in OPUC	<b>71,743,400</b>	64,447,400
Invested in tangible capital assets	<b>602,621,022</b>	604,625,140
	<b>693,673,601</b>	673,874,533

**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 2021 amounted to \$7,892,203 (\$7,709,694 in 2020).

As at December 31, 2021, the OMERS plan with over 500,000 members had a funding deficit of approximately \$3.1 billion.

**12. Trust funds**

Trust funds administered by the City amounting to \$1,496,328 (\$1,425,569 in 2020) 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:

	<b>2021</b>	2020
	<b>\$</b>	\$
Salaries, wages and benefits	<b>100,489,291</b>	98,219,198
Interest on long-term debt	<b>2,313,135</b>	2,604,837
Materials and supplies	<b>43,210,753</b>	27,354,782
Rents and financial expenses	<b>179,692</b>	158,259
Transfer payments	<b>5,772,651</b>	4,050,641
Amortization	<b>27,055,846</b>	26,989,963
	<b>179,021,368</b>	159,377,680

**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, 2021 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>
2022	453,722
2023	338,024

**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 2021, 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, 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*

Corporate Services, Finance, and the Office of the CAO 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 through the governance and corporate management divisions including City Clerk, Information Technology, and Human Resources.

### *Protection to persons and property*

Protection is comprised of Fire Services, Municipal Law Enforcement and Licensing Services ("MLELS") 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 and animal services.

### *Transportation services*

The majority of transportation services are provided by Operations Services and Engineering Services. The primary responsibilities include inspection and maintenance of the City roads, sidewalks and storm drainage networks, traffic engineering, transportation planning, streetlights, road and sidewalk snow clearing and winter control.

### *Environmental services*

Environmental Services are provided by Parks and Environmental Services and 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, and monitoring and administering environmental programs.

## **18. Segmented reporting (continued)**

### *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, and the support of arts and culture. Parks and Environmental 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.

### *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, provides economic and business development, real estate services and administers the Oshawa Executive Airport.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and 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.

## **19. COVID-19 pandemic**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 17, 2020 the Province of Ontario made an order declaring a state of emergency in response to COVID-19.

As a result of the COVID-19 pandemic response the City experienced a change in demand for some of its services and incurred unbudgeted pandemic expense and revenue pressures during the year. The Province issued a series of funding announcements during the year to support the continued COVID-19 response across the municipal sector. The various funding envelopes are intended to support the continued provision of service during the pandemic, to reduce operating pressures and replace lost revenue.

The duration and impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of the pandemic will have on the financial results and condition of the City in future periods.

**The Corporation of the City of Oshawa**  
**Schedule 1 – Consolidated schedule of tangible capital assets**  
Year ended December 31, 2021

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	2021 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>133,232,868</b>	<b>51,861,473</b>	<b>257,855,465</b>	<b>31,531,857</b>	<b>27,801,865</b>	<b>1,013,753</b>	<b>482,495,578</b>	<b>14,974,680</b>	<b>44,555,765</b>	<b>1,045,323,304</b>
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)
	<b>131,050,576</b>	<b>52,451,780</b>	<b>260,329,815</b>	<b>34,782,680</b>	<b>33,166,989</b>	<b>956,936</b>	<b>484,195,490</b>	<b>16,882,156</b>	<b>39,278,732</b>	<b>1,053,095,154</b>
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
	<b>131,050,576</b>	<b>23,855,054</b>	<b>125,028,266</b>	<b>14,666,890</b>	<b>15,200,087</b>	<b>404,499</b>	<b>246,267,847</b>	<b>6,869,071</b>	<b>39,278,732</b>	<b>602,621,022</b>

Year ended December 31, 2020

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>130,532,848</b>	<b>51,366,045</b>	<b>254,541,849</b>	<b>29,229,225</b>	<b>26,800,171</b>	<b>1,027,048</b>	<b>462,424,618</b>	<b>14,920,409</b>	<b>39,515,476</b>	<b>1,010,357,689</b>
Additions	2,700,020	973,630	3,313,616	2,560,347	3,544,534	36,884	27,286,238	748,899	18,325,422	59,489,590
Disposals/write downs	—	(478,202)	—	(257,715)	(2,542,840)	(50,179)	(7,215,278)	(694,628)	(13,285,133)	(24,523,975)
	<b>133,232,868</b>	<b>51,861,473</b>	<b>257,855,465</b>	<b>31,531,857</b>	<b>27,801,865</b>	<b>1,013,753</b>	<b>482,495,578</b>	<b>14,974,680</b>	<b>44,555,765</b>	<b>1,045,323,304</b>
Balance, beginning of year	—	25,888,722	122,676,980	17,100,403	16,436,668	771,286	232,793,299	9,273,503	—	424,940,861
Amortization expense	—	1,715,582	7,718,231	2,387,329	2,026,667	68,324	12,148,848	924,982	—	26,989,963
Amortization disposal	—	(478,202)	—	(257,715)	(2,536,659)	(50,179)	(7,215,278)	(694,628)	—	(11,232,661)
	—	27,126,102	130,395,211	19,230,017	15,926,676	789,431	237,726,869	9,503,857	—	440,698,163
	<b>133,232,868</b>	<b>24,735,371</b>	<b>127,460,254</b>	<b>12,301,840</b>	<b>11,875,189</b>	<b>224,322</b>	<b>244,768,709</b>	<b>5,470,823</b>	<b>44,555,765</b>	<b>604,625,141</b>

**The Corporation of the City of Oshawa**  
**Schedule 2 – Consolidated schedule of segmented disclosure**  
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 \$
<b>Expenses</b>								
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	15,350,124	112,657	3,345,933	4,395,221	11,814,475	49,163,096
	<b>40,934,288</b>	<b>38,422,744</b>	<b>47,596,406</b>	<b>2,753,818</b>	<b>10,515,594</b>	<b>4,666,614</b>	<b>34,131,904</b>	<b>179,021,368</b>
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
	<b>40,381,765</b>	<b>43,956,112</b>	<b>46,882,577</b>	<b>4,815,525</b>	<b>10,918,991</b>	<b>3,991,956</b>	<b>47,873,510</b>	<b>198,820,436</b>
<b>Annual surplus before transfers</b>	<b>(552,523)</b>	<b>5,533,368</b>	<b>(713,829)</b>	<b>2,061,707</b>	<b>403,397</b>	<b>(674,658)</b>	<b>13,741,606</b>	<b>19,799,068</b>

Year ended December 31, 2020

	Protection to persons and property \$	Transportation services \$	Recreation and culture \$	Planning and development \$	Environmental services \$	Health and social services \$	General government \$	2020 Total consolidated \$
<b>Expenses</b>								
Salaries and wages	37,198,753	11,970,422	23,930,314	2,383,767	3,762,648	239,261	18,734,033	98,219,198
Debt servicing (interest)	—	11,352	1,735,089	—	—	—	858,396	2,604,837
Amortization	1,340,175	12,276,276	7,931,810	—	2,911,651	55,103	2,474,919	26,989,934
Other expenses	2,082,622	2,571,979	13,451,959	627,340	2,783,204	2,083,504	7,963,103	31,563,711
	<b>40,621,550</b>	<b>26,830,029</b>	<b>47,049,172</b>	<b>3,011,107</b>	<b>9,457,503</b>	<b>2,377,868</b>	<b>30,030,451</b>	<b>159,377,680</b>
External tax revenues	37,708,070	24,905,712	43,674,686	2,795,143	8,779,187	2,207,321	27,376,917	147,946,710
External non-tax revenues	4,848,424	23,066,515	9,695,178	4,651,042	6,386,545	247,584	15,014,659	63,909,947
Net income OPUC	—	—	—	—	—	—	(1,160,000)	(1,160,000)
	<b>42,556,494</b>	<b>47,972,227</b>	<b>53,369,864</b>	<b>7,446,185</b>	<b>15,165,732</b>	<b>2,454,905</b>	<b>41,231,576</b>	<b>210,196,983</b>
<b>Annual surplus before transfers</b>	<b>1,934,944</b>	<b>21,142,198</b>	<b>6,320,692</b>	<b>4,435,078</b>	<b>5,708,229</b>	<b>77,037</b>	<b>11,201,125</b>	<b>50,819,303</b>