
Consolidated financial statements of
The Corporation of the
City of Oshawa

December 31, 2019

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Oshawa (the "City"), which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 22, 2020

The Corporation of the City of Oshawa
Consolidated statement of financial position

As at December 31, 2019

	Notes	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents		106,274,701	86,417,411
Short-term investments		81,176,249	79,036,162
Taxes receivable		9,156,936	9,371,780
Accounts receivable		4,720,323	5,063,484
Other assets		100,334	101,500
Investment in Oshawa Power and Utilities Corporation	3	65,607,400	63,398,400
		267,035,943	243,388,737
Liabilities			
Accounts payable and accrued liabilities		34,646,117	30,170,007
Deferred revenue	4	77,136,286	70,410,308
Employee future benefits and other liabilities	5	53,359,084	52,306,542
Long-term liabilities	6	65,477,536	73,036,514
Liability for contaminated sites	7	2,810,000	2,860,000
		233,429,023	228,783,371
Net financial asset		33,606,920	14,605,366
Non-financial assets			
Tangible capital assets	9	578,330,713	579,329,357
Inventory and prepaid expenses		4,031,480	4,894,726
Accumulated surplus	10	615,969,113	598,829,449

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

Approved by the Board

_____, Director

_____, Director

The Corporation of the City of Oshawa
Consolidated statement of operations
Year ended December 31, 2019

	Notes	Budget (Note 17) \$	2019 \$	2018 \$
Revenue				
Property taxation		139,804,100	141,143,315	136,610,613
Taxation from other governments		3,860,000	3,861,424	3,843,413
User charges		20,314,200	21,228,897	21,012,009
Government grants		829,800	876,011	1,497,934
Contributions from developers – earned		9,586,800	9,586,785	2,339,811
Revenue recognized on assumed assets		1,787,800	1,113,278	1,224,061
Federal gas tax revenue		3,610,700	3,610,663	4,514,223
Investment income		2,963,000	3,502,721	3,193,129
Penalties and interest on taxes		1,550,000	1,779,286	1,614,238
Licenses and permits		3,606,800	4,559,735	3,844,880
Fines		1,395,000	1,474,159	1,295,866
Net earnings Oshawa Power and Utilities Corporation	3	1,400,000	4,709,000	4,946,000
Other		4,820,800	3,297,618	3,362,846
		195,529,000	200,742,892	189,299,023
Expenses				
General government	13	38,491,100	37,051,048	40,053,030
Protection to persons and property		36,161,300	36,295,957	34,403,038
Transportation services		42,485,200	40,590,784	35,256,641
Environmental services		7,231,400	8,841,459	9,156,904
Health services		364,600	465,614	549,142
Social and family services		1,917,700	1,916,766	1,795,386
Social housing		5,400	366,543	61,095
Recreation and cultural services		52,195,500	54,765,423	52,895,827
Planning and development services		2,815,100	3,309,634	4,724,769
		181,667,300	183,603,228	178,895,832
Annual surplus		13,861,700	17,139,664	10,403,191
Accumulated surplus, beginning of year		598,829,449	598,829,449	588,426,258
Accumulated surplus, end of year		612,691,149	615,969,113	598,829,449

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, 2019

	2019	2018
	\$	\$
Annual surplus	17,139,664	10,403,191
Amortization of tangible capital assets	27,082,251	27,234,122
Acquisition of tangible capital assets net of transfers from work-in progress	(27,822,383)	(21,306,245)
Loss on disposal/write down of tangible capital assets	1,738,776	2,921,641
Change in inventory and prepaid expenses	863,246	(748,358)
Decrease in net debt	19,001,554	18,504,351
Net debt, beginning of year	14,605,366	(3,898,985)
Net asset, end of year	33,606,920	14,605,366

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, 2019

	2019 \$	2018 \$
Operating activities		
Annual consolidated surplus	17,139,664	10,403,191
Items not involving cash		
Amortization	27,082,251	27,234,122
Loss on disposal/write down of tangible capital assets	1,738,776	2,921,641
Assumed assets recognized as revenue	(1,113,278)	(1,224,061)
Net earnings of Oshawa Public Utilities Corporation	(4,709,000)	(4,946,000)
Net changing in non-cash working capital		
Taxes receivable	214,844	(414,455)
Accounts receivable	343,161	1,601,861
Other Assets	1,166	—
Accounts payable and accrued liabilities	4,476,110	(2,376,124)
Deferred revenue	6,725,978	10,235,904
Employee future benefits and other liabilities	1,052,542	847,907
Inventory and prepaid expenses	863,246	(748,358)
Cash provided by operating activities	53,815,460	43,535,628
Capital activities		
Acquisition of tangible capital assets	(26,709,105)	(20,082,184)
Contaminated sites liability	(50,000)	410,000
	(26,759,105)	(19,672,184)
Financing activity		
Debenture debt retired	(7,558,978)	(7,302,828)
Investing activities		
Net change in short-term investments	(2,140,087)	(522,089)
Dividend received from OPUC	2,500,000	2,300,000
Cash consumed by investing activities	359,913	1,777,911
Increase in cash and cash equivalents	19,857,290	18,338,527
Cash and cash equivalents, beginning of year	86,417,411	68,078,884
Cash and cash equivalents, end of year	106,274,701	86,417,411

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
Oshawa Central Business District Improvement Area

Inter-departmental and inter-organizational transactions and balances between these organizations 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 federal gas tax reserve funds 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

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 2019, 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	2019 Total	2018 Total
	\$	\$	\$	\$
Property taxes	60,461,393	145,198,576	205,659,969	199,812,359
Taxation from other governments	—	1,937,806	1,937,806	1,962,577
Total amounts transferred	60,461,393	147,136,382	207,597,775	201,774,936

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:

	2019	2018
	\$	\$
Balance, beginning of year	63,398,400	60,752,400
Changes during the year		
Net income for the year	4,709,000	4,946,000
	68,107,400	65,698,400
Dividend received from Oshawa Public Utilities Commission	(2,500,000)	(2,300,000)
Balance, end of year	65,607,400	63,398,400

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, 2019

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, 2019 and its operations.

	2019	2018
	(000's)	(000's)
	\$	\$
Assets		
Current	36,829	41,061
Capital and intangibles	172,845	160,842
Other	8,291	4,067
Total assets	217,965	205,970
Regulatory balances	752	7,195
Total assets and regulatory balances	218,717	213,165
Liabilities		
Current	21,654	28,279
Long-term debt	62,814	63,116
Other	59,930	52,615
Total liabilities	144,398	144,010
Shareholders' equity		
Share capital	23,064	23,064
Accumulated other comprehensive loss	(2,692)	(1,677)
Retained earnings	45,235	42,011
Total equity	65,607	63,398
Regulatory balances	8,712	5,757
Total liabilities, equity and regulatory balances	218,717	213,165
Comprehensive income		
Commodity revenue	129,434	119,918
Commodity expenses	(126,186)	(121,763)
Distribution revenue	25,366	24,282
Operating expenses	(15,903)	(15,942)
Other income (expense)	(3,727)	(1,933)
Accumulated other comprehensive loss	(1,015)	(1,540)
Net movements in regulatory balances, net of tax	(3,260)	1,924
Total comprehensive income for the year	4,709	4,946

Included in revenue above is \$820,752 (\$372,385 in 2018) earned from the City for services provided. Operating expenses above include \$329,225 (\$322,700 in 2018) 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, 2019

4. Deferred revenue

Deferred revenue consists of the following:

	2019	2018
	\$	\$
Obligatory reserve funds		
Development charges	56,521,550	54,354,683
Parkland	1,261,656	1,172,667
Federal gas tax	14,772,045	8,486,485
Other	4,581,035	6,396,473
	77,136,286	70,410,308

Continuity of deferred revenue is as follows:

	2019	2018
	\$	\$
Balance, beginning of year	70,410,308	60,174,404
Developer contributions collected	7,546,367	8,178,457
Federal gas tax	9,691,229	4,765,126
Other collections	9,489,669	10,956,427
Interest earned	1,128,409	775,976
	27,855,674	24,675,986
Less		
Developer contributions used	9,586,785	2,339,811
Federal gas tax used	3,610,663	4,514,223
Transfer to operating	1,535,776	1,880,913
General deferred revenue	6,396,472	5,705,135
	21,129,696	14,440,082
Balance, end of year	77,136,286	70,410,308

5. Employee future benefits and other liabilities

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

	2019	2018
	\$	\$
Future payments required to WSIB	10,660,765	10,435,609
Accumulated sick leave benefit plan entitlements	8,122,161	7,733,952
Post employment benefits	33,732,940	33,289,580
Other liabilities	843,218	847,401
	53,359,084	52,306,542

(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, 2019.

(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, 2019.

(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 in these financial statements is based on an actuarial valuation completed as of 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	3.50%
Discount rate – sick leave	3.25%
Future inflation rates	2.0% per annum
Medical benefit cost escalation	8.5% per year reducing to 4.5% after 6 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, 2019	52,306,542
Current period service cost	1,445,443
Amortization of actuarial gains	(99,516)
Interest	1,784,098
Benefits paid	(2,077,483)
Liability for post employment benefits as at December 31, 2019	53,359,084

5. Employee future benefits and other liabilities (continued)

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

	\$
Accrued benefit obligation	49,946,191
Unamortized actuarial gains	3,412,893
Liability for post employment benefits and other liabilities	<u>53,359,084</u>

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:

	\$
2020	7,828,653
2021	8,110,827
2022	8,407,879
2023	6,419,362
2024	<u>6,689,782</u>
Total	37,456,503
Payable in 2025 to 2029	24,493,009
Payable in 2030 and thereafter	<u>3,528,024</u>
	<u>65,477,536</u>

- (c) Approval of the Ontario Municipal Board has been obtained for the long-term liabilities issued by the Region of Durham for the City on or before December 31, 1992. Those issued after December 31, 1992 have been approved by by-law. 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.
- (d) Principal repaid on long-term liabilities in 2019 amounted to \$7,558,978 (2018 – \$7,302,828).
- (e) Interest expense on long-term liabilities in 2019 amounted to \$2,881,133 (2018 – \$3,135,463).

7. Liability for contaminated sites

The City has recorded an unfunded liability of \$2,810,000 (\$2,860,000 in 2018) 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, 2019 is \$3,479,575 comprised of the following:

	2019	2018
	\$	\$
IFNs to finance capital projects		
City Hall revitalization	—	3,114,408
Fire Hall #6	—	2,407,265
Oshawa Harbour	—	421,115
Airport Runway	3,104,675	3,456,120
Parking Transponders and Equipment	374,900	—
	3,479,575	9,398,908

9. Tangible capital assets

Tangible capital assets consist of the following:

	2019	2018
	\$	\$
Land	130,532,848	129,375,012
Land improvements	24,317,470	24,705,472
Buildings	131,864,869	137,366,126
Machinery and equipment	12,128,822	12,126,272
Vehicles	10,363,503	10,566,595
Furniture	255,762	250,849
Linear assets	223,705,057	233,391,969
Other assets	5,646,906	6,426,525
	538,815,237	554,208,820
Work-in-progress	39,515,476	25,120,537
	578,330,713	579,329,357

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 2019 amounted to \$1,113,278 (2018 – \$1,224,061).

9. Tangible capital assets (continued)

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.

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:

	2019 \$	2018 \$
Operating fund	972,971	644,962
Capital fund	1,566,749	1,143,765
Reserves and reserve funds	94,917,902	86,716,018
Unfunded liabilities	(125,426,622)	(132,403,053)
Net equity in OPUC	65,607,400	63,398,400
Invested in tangible capital assets	578,330,713	579,329,357
	615,969,113	598,829,449

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 2019 amounted to \$7,285,047 (2018 – \$7,120,985).

As at December 31, 2019, the OMERS plan with over 500,000 members had a funding deficit of approximately \$3.4 billion.

12. Trust funds

Trust funds administered by the City amounting to \$1,382,808 (2018 – \$1,309,641) 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:

	2019	2018
	\$	\$
Salaries, wages and benefits	100,881,182	98,274,612
Interest on long-term debt	2,881,133	1,056,320
Materials and supplies	47,721,535	43,175,482
Rents and financial expenses	449,849	435,128
Transfer payments	4,587,278	8,720,168
Amortization	27,082,251	27,234,122
	183,603,228	178,895,832

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, 2019 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 and occupancy at 44 Simcoe Street expiring in 2022 are as follows:

	\$
2020	613,353
2021	337,398
2022	129,567

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 2019, 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 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, Finance, and Human Resources.

Protection to persons and property

Protection is comprised of Fire Services and Municipal Law Enforcement and Licensing Services ("MLELS"). 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. Subsequent event

Subsequent to the year-end, 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. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments 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, 2019

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	129,375,012	48,907,466	252,348,757	28,540,812	26,021,831	1,156,392	461,053,644	15,613,122	25,120,537	988,137,573
Additions	1,157,836	1,310,028	2,241,012	3,235,736	1,802,448	78,879	2,338,595	1,230,036	21,489,548	34,884,118
Disposals/write downs	—	(41,042)	(47,920)	(2,547,323)	(1,024,108)	(208,223)	(7,034,172)	(1,922,749)	(7,094,609)	(19,920,146)
	130,532,848	50,176,452	254,541,849	29,229,225	26,800,171	1,027,048	456,358,067	14,920,409	39,515,476	1,003,101,545
Balance, beginning of year	—	24,201,994	114,982,632	16,414,540	15,455,236	905,544	227,661,675	9,186,597	—	408,808,218
Amortization expense	—	1,698,030	7,730,887	2,536,101	2,006,409	73,965	12,025,507	1,011,352	—	27,082,251
Amortization disposal	—	(41,042)	(36,539)	(1,850,238)	(1,024,977)	(208,223)	(7,034,172)	(924,446)	—	(11,119,637)
	—	25,858,982	122,676,980	17,100,403	16,436,668	771,286	232,653,010	9,273,503	—	424,770,832
	130,532,848	24,317,470	131,864,869	12,128,822	10,363,503	255,762	223,705,057	5,646,906	39,515,476	578,330,713

Year ended December 31, 2018

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	130,727,666	47,812,536	248,791,323	26,534,763	24,739,785	1,595,118	464,997,421	15,330,936	17,979,592	978,509,140
Additions	777,153	1,225,893	3,557,434	2,253,457	1,638,390	65,758	2,710,863	1,546,420	13,969,219	27,744,587
Disposals/write downs	(2,129,807)	(130,963)	—	(247,408)	(356,344)	(504,483)	(6,654,640)	(1,264,234)	(6,828,274)	(18,116,153)
	129,375,012	48,907,466	252,348,757	28,540,812	26,021,831	1,156,393	461,053,644	15,613,122	25,120,537	988,137,574
Balance, beginning of year	—	22,574,476	107,261,568	14,346,642	13,797,566	1,343,042	222,100,649	8,906,320	—	390,330,263
Amortization expense	—	1,758,482	7,721,063	2,404,881	2,014,014	86,906	12,215,665	1,033,111	—	27,234,122
Amortization disposal	—	(130,964)	—	(336,983)	(356,344)	(524,404)	(6,654,639)	(752,834)	—	(8,756,168)
	—	24,201,994	114,982,631	16,414,540	15,455,236	905,544	227,661,675	9,186,597	—	408,808,217
	129,375,012	24,705,472	137,366,126	12,126,272	10,566,595	250,849	233,391,969	6,426,525	25,120,537	579,329,357

The Corporation of the City Oshawa
Schedule 2 – Consolidated schedule of segmented disclosure
Year ended December 31, 2019

	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General government	2019 Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	33,740,645	12,363,453	28,684,014	2,642,142	3,586,193	270,046	19,594,689	100,881,182
Debt servicing (interest)	—	14,547	1,952,174	—	—	—	914,412	2,881,133
Amortization	1,425,226	12,381,937	7,828,393	6,854	2,816,195	71,877	2,551,769	27,082,251
Other expenses	1,130,086	15,830,847	16,300,842	660,638	2,439,071	2,407,000	13,990,178	52,758,662
	36,295,957	40,590,784	54,765,423	3,309,634	8,841,459	2,748,923	37,051,048	183,603,228
External tax revenues	28,665,541	32,057,476	43,252,212	2,613,858	6,982,739	2,171,023	29,261,890	145,004,739
External non-tax revenues	4,903,526	20,550,830	15,622,764	1,344,160	64,423	204,179	8,339,271	51,029,153
Net income OPUC	—	—	—	—	—	—	4,709,000	4,709,000
	33,569,067	52,608,306	58,874,976	3,958,018	7,047,162	2,375,202	42,310,161	200,742,892
Net surplus (deficit) before transfers	(2,726,890)	12,017,522	4,109,553	648,384	(1,794,297)	(373,721)	5,259,113	17,139,664

Year ended December 31, 2018

	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General government	2018 Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	33,487,304	11,505,476	26,482,618	4,680,221	2,274,693	279,033	19,565,267	98,274,612
Debt servicing (interest)	(1,130,913)	(30,851)	2,155,206	—	—	—	62,878	1,056,320
Amortization	1,266,792	12,539,066	7,805,658	596	2,944,283	91,980	2,585,747	27,234,122
Other expenses	779,855	11,242,950	16,452,345	43,952	3,937,928	2,034,610	17,839,138	52,330,778
	34,403,038	35,256,641	52,895,827	4,724,769	9,156,904	2,405,623	40,053,030	178,895,832
External tax revenues	27,010,384	27,680,562	41,529,374	3,709,493	7,189,234	1,888,694	31,446,285	140,454,026
External non-tax revenues	4,073,449	13,167,165	14,841,123	4,415,177	1,423,436	344,813	5,633,834	43,898,997
Net income OPUC	—	—	—	—	—	—	4,946,000	4,946,000
	31,083,833	40,847,727	56,370,497	8,124,670	8,612,670	2,233,507	42,026,119	189,299,023
Net surplus (deficit) before transfers	(3,319,205)	5,591,086	3,474,670	3,399,901	(544,234)	(172,116)	1,973,089	10,403,191