
Consolidated financial statements of
The Corporation of the
City of Oshawa

December 31, 2017

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Independent Auditor's Report

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Oshawa

We have audited the accompanying consolidated financial statements of the Corporation of the City of Oshawa, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Oshawa as at December 31, 2017 and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants
June 21, 2018

The Corporation of the City of Oshawa
Consolidated statement of financial position
As at December 31, 2017

	Notes	2017	2016
		\$	\$
Assets			
Cash and cash equivalents		68,078,884	56,017,800
Short-term investments		78,514,073	71,454,700
Taxes receivable		8,957,325	5,549,200
Accounts receivable		6,665,345	10,811,268
Other assets		101,500	101,500
Investment in Oshawa Power and Utilities Corporation	3	60,752,400	56,348,400
		223,069,527	200,282,868
Liabilities			
Accounts payable and accrued liabilities		32,546,131	24,955,949
Deferred revenue	4	60,174,404	61,420,674
Employee future benefits and other liabilities	5	51,458,635	50,555,954
Long-term liabilities	6	80,339,342	87,399,129
Liability for contaminated sites	7	2,450,000	3,050,000
		226,968,512	227,381,706
Net financial debt		(3,898,985)	(27,098,838)
Non-financial assets			
Tangible capital assets	9	588,178,875	582,853,140
Inventory and prepaid expenses		4,146,368	2,972,901
Accumulated surplus	10	588,426,258	558,727,203

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, 2017

	Notes	Budget (Note 17)	2017	2016
		\$	\$	\$
Revenue				
Property taxation		130,464,377	133,424,039	127,499,714
Taxation from other governments		3,690,300	3,631,352	3,456,285
User charges		19,775,013	19,892,196	20,082,019
Government grants		1,608,279	1,588,037	640,662
Contributions from developers – earned		11,797,340	11,711,836	1,575,251
Revenue recognized on assumed assets		1,841,200	1,841,232	8,253,708
Federal gas tax revenue		5,610,050	5,612,050	4,529,010
Investment income		2,450,820	2,811,562	2,329,883
Penalties and interest on taxes		1,281,200	1,403,742	1,322,614
Licenses and permits		3,333,900	5,477,133	6,456,741
Fines		1,429,200	1,227,219	1,059,158
Net earnings Oshawa Power and Utilities Corporation	3	1,100,000	6,704,000	6,330,000
Other		7,296,166	9,636,099	12,229,435
		191,677,845	204,960,497	195,764,480
Expenses				
General government	13	38,365,170	41,607,176	36,625,377
Protection to persons and property		36,691,091	33,952,658	33,840,480
Transportation services		39,733,425	32,570,076	32,552,115
Environmental services		7,343,403	7,881,907	7,278,169
Health services		249,812	495,950	515,283
Social and family services		1,678,300	1,739,839	1,700,876
Social housing		209,627	208,944	234,925
Recreation and cultural services		52,998,511	51,739,565	54,112,016
Planning and development services		5,472,741	5,065,327	4,768,955
		182,742,080	175,261,442	171,628,196
Annual surplus		8,935,765	29,699,055	24,136,284
Accumulated surplus, beginning of year		558,727,203	558,727,203	534,590,919
Accumulated surplus, end of year		567,662,968	588,426,258	558,727,203

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 debt
Year ended December 31, 2017

	2017	2016
	\$	\$
Annual surplus	29,699,055	24,136,284
Amortization of tangible capital assets	26,495,982	26,429,175
Acquisition of tangible capital assets net of transfers from Work-in Progress	(32,522,919)	(35,159,987)
Loss on disposal/write down of tangible capital assets	701,202	1,182,674
Change in inventory and prepaid expenses	(1,173,467)	(150,040)
Decrease in net debt	23,199,853	16,438,106
Net debt, beginning of year	(27,098,838)	(43,536,944)
Net debt, end of year	(3,898,985)	(27,098,838)

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, 2017

	2017	2016
	\$	\$
Operating activities		
Annual consolidated surplus	29,699,055	24,136,284
Items not involving cash		
Amortization	26,495,982	26,429,175
Loss on disposal/write down of tangible capital assets	701,202	1,182,674
Assumed assets recognized as revenue	(1,841,232)	(8,253,708)
Net earnings of Oshawa Public Utilities Corporation	(6,704,000)	(6,330,000)
Net changing in non-cash working capital		
Taxes receivable	(3,408,125)	951,346
Accounts receivable	4,145,923	(4,938,734)
Accounts payable and accrued liabilities	7,590,182	(1,963,554)
Deferred revenue	(1,246,270)	6,154,128
Employee future benefits and other liabilities	902,681	1,030,023
Inventory and prepaid expenses	(1,173,467)	(150,040)
Cash provided by Operating Activities	55,161,931	38,247,594
Capital activity		
Acquisition of tangible capital assets	(30,681,687)	(26,906,279)
Contaminated sites liability	(600,000)	—
	(31,281,687)	(26,906,279)
Financing activities		
Debenture debt retired	(7,059,787)	(5,910,465)
New debt issued	—	10,710,000
Cash (consumed) provided by Financing Activities	(7,059,787)	4,799,535
Investing activities		
Net change in short-term investments	(7,059,373)	(12,462,172)
Dividend received from OPUC	2,300,000	1,900,000
Cash consumed by Investing Activities	(4,759,373)	(10,562,172)
Increase in cash and cash equivalents	12,061,084	5,578,678
Cash and cash equivalents, beginning of year	56,017,800	50,439,122
Cash and cash equivalents, end of year	68,078,884	56,017,800

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 reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

Accounting for School Boards and Region of Durham transactions

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

Trust funds

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

1. Significant accounting policies (continued)

Use of estimates

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

2. Operations of School Boards and The Region of Durham

During 2017, 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:

	2017			2016
	School Boards	Region	Total	Total
	\$	\$	\$	\$
Property taxes	53,634,707	130,106,201	183,740,908	179,387,423
Taxation from other governments	—	1,972,877	1,972,877	2,009,968
Total amounts transferred	53,634,707	132,079,078	185,713,785	181,397,391

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:

	2017	2016
	\$	\$
Balance, beginning of year	56,348,400	51,918,400
Changes during the year		
Net income for the year	6,704,000	6,330,000
	63,052,400	58,248,400
Dividend received from Oshawa Public Utilities Commission	(2,300,000)	(1,900,000)
Balance, end of year	60,752,400	56,348,400

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, 2017

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, 2017 and its operations.

	2017	2016
	(000's)	(000's)
	\$	\$
Assets		
Current	39,560	45,182
Capital and intangibles	147,754	137,788
Other	5,226	6,581
Total assets	192,540	189,551
Regulatory balances	5,452	4,830
Total assets and regulatory balances	197,992	194,381
Liabilities		
Current	30,650	32,780
Long-term debt	48,399	48,670
Other	51,139	48,584
Total liabilities	130,188	130,034
Shareholders' equity		
Share capital	23,064	23,064
Accumulated other comprehensive loss	(137)	(1,190)
Retained earnings	37,825	34,474
Total equity	60,752	56,348
Regulatory balances	7,052	7,999
Total liabilities, equity and regulatory balances	197,992	194,381
Comprehensive Income		
Commodity revenue	125,611	148,625
Commodity expenses	(127,115)	(146,563)
Distribution revenue	22,709	22,524
Operating expenses	(15,112)	(15,215)
Other income (expense)	(2,028)	(1,668)
Accumulated other comprehensive loss	1,053	610
Net movements in regulatory balances, net of tax	1,586	(1,983)
Total comprehensive income for the year	6,704	6,330

Included in revenue above is \$6,038,400 (\$4,747,804 in 2016) earned from the City for services provided. Operating expenses above include \$315,717 (\$307,428 in 2016) 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, 2017

4. Deferred revenue

Deferred revenue consists of the following:

	2017	2016
	\$	\$
Obligatory reserve funds		
Development charges	45,277,974	46,803,186
Parkland	1,084,224	1,174,528
Federal gas tax	8,107,071	9,078,162
Other	5,705,135	4,364,798
	60,174,404	61,420,674

Continuity of deferred revenue is as follows:

	2017	2016
	\$	\$
Balance, beginning of year	61,420,674	55,266,546
Developer contributions collected	11,801,606	7,619,541
Federal gas tax	4,629,053	4,548,529
Other collections	8,515,119	6,284,600
Interest earned	400,209	267,237
	25,345,987	18,719,907
Less		
Developer contributions used	11,711,836	1,575,251
Federal gas tax used	5,612,050	4,529,010
Transfer to operating	804,818	750,000
Transfer to Reserve & Reserve Funds	4,098,756	0
General deferred revenue	4,364,797	5,711,518
	26,592,257	12,565,779
Balance, end of year	60,174,404	61,420,674

5. Employee future benefits and other liabilities

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

	2017	2016
	\$	\$
Future payments required to WSIB	10,188,315	10,073,300
Accumulated sick leave benefit plan entitlements	7,719,106	8,176,358
Post employment benefits	32,628,591	31,313,214
Other liabilities	922,623	993,082
	51,458,635	50,555,954

(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, 2017.

(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, 2017.

(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, 2017.

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

5. Employee future benefits and other liabilities (continued)

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, 2017	50,555,955
Current period service cost	1,563,603
Amortization of actuarial losses	62,090
Interest	1,772,875
Benefits paid	(2,495,888)
Liability for post employment benefits as at December 31, 2017	<u>51,458,635</u>

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

	\$
Accrued benefit obligation	51,458,635
Unamortized actuarial losses	—
Liability for post employment benefits and other liabilities	<u>51,458,635</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:

	\$
2018	7,302,828
2019	7,558,979
2020	7,828,653
2021	8,110,827
2022	<u>8,407,879</u>
Total	39,209,166
Payable in 2023 to 2027	30,239,840
Payable in 2028 and thereafter	<u>10,890,336</u>
	<u>80,339,342</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.

6. Long-term liabilities (continued)

- (d) Principal repaid on long-term liabilities in 2017 amounted to \$7,059,787 (\$5,910,465 in 2016).
- (e) Interest expense on long-term liabilities in 2017 amounted to \$3,372,654 (\$3,398,245 in 2016).

7. Liability for contaminated sites

The City has recorded an unfunded liability of \$2,450,000 (\$3,050,000 in 2016) 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, 2017 is \$13,747,200; comprised of the following:

	2017	2016
	\$	\$
IFNs to generate incremental revenue		
44 Bond Street redevelopment	172,724	284,306
UOIT Downtown Campus	1,407,861	1,492,026
	1,580,585	1,776,332
IFNs to finance capital projects		
Parking Revenue Control Systems	31,524	78,097
City Hall revitalization	3,641,576	4,746,643
MLELS office space (44 Simcoe St.)	159,248	188,805
Amazing Spaces Projects	884,444	2,918,872
Fire Hall #6	2,720,309	3,026,166
Oshawa Harbour	682,129	750,000
Roads	247,385	272,000
Airport Runway	3,800,000	—
	12,166,615	11,980,583
	13,747,200	13,756,915

9. Tangible capital assets

Tangible capital assets consist of the following:

	2017	2016
	\$	\$
Land	130,727,665	132,145,759
Land improvements	25,238,061	21,122,004
Buildings	141,529,754	148,372,204
Machinery & equipment	12,188,120	11,961,628
Vehicles	10,942,219	10,440,318
Furniture	252,076	328,538
Linear assets	242,896,773	239,572,679
Other assets	6,424,615	5,428,937
	570,199,283	569,372,067
Work-in-progress	17,979,591	13,481,073
	588,178,875	582,853,140

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 2017 amounted to \$1,841,232 (\$8,253,708 in 2016).

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:

	2017	2016
	\$	\$
Operating fund	750,859	567,360
Capital fund	688,507	(6,566,470)
Reserves and reserve funds	78,503,595	66,529,856
Unfunded liabilities	(140,447,979)	(141,005,083)
Net equity in OPUC	60,752,400	56,348,400
Invested in tangible capital assets	588,178,875	582,853,140
	588,426,258	558,727,203

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 2017 amounted to \$6,697,202 (\$6,557,898 in 2016).

12. Trust funds

Trust funds administered by the City amounting to \$1,177,920 (\$1,508,940 in 2016) 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:

	2017	2016
	\$	\$
Salaries, wages and benefits	92,332,634	90,152,022
Interest on long-term debt	3,372,655	3,398,246
Materials and supplies	48,275,038	47,217,379
Rents and financial expenses	414,041	206,558
Transfer payments	4,371,092	4,224,816
Amortization	26,495,982	26,429,175
	175,261,442	171,628,196

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, 2017 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 2020 are as follows:

	\$
2018	577,014
2019	414,019
2020	228,654

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 2016, 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 City Manager's Office 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 Works and Transportation 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.

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 interment 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.

18. Segmented reporting (continued)

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 Municipal 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 events

The amalgamation of Durham Region Transit (DRT) services took place in 2006. Durham Region By-law 85-2004 set out the transfer terms of assets (economic resources) and liabilities (debt) except for the unfunded liability relating to employee future benefits associated with active Oshawa Transit Commission employees and retirees.

Subsequent to December 31, 2017, the City of Oshawa and the Region of Durham reached a settlement relating to the unfunded liability for employee future benefits. Under the settlement the City will pay the Region of Durham \$6.2 million. A first installment of \$2 million was paid in April 2018, which was funded from reserves. The remaining \$4.2 million will be paid over 10 years in annual installments of \$420,000 commencing in 2019. The City has expensed the full settlement amount in 2017.

The Corporation of the City of Oshawa

Schedule 1 – consolidated schedule of tangible capital assets

Year ended December 31, 2017

	2017									
	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	132,145,759	42,094,251	249,488,064	24,595,219	25,375,770	1,854,625	458,269,738	14,147,523	13,481,073	961,452,022
Additions	372,530	5,718,286	970,563	2,360,442	2,314,197	53,746	15,411,069	938,850	15,745,024	43,884,707
Disposals/write downs	(1,790,623)	—	(1,667,304)	(420,899)	(2,950,182)	(313,254)	(8,683,386)	244,562	(11,246,506)	(26,827,592)
	130,727,665	47,812,537	248,791,323	26,534,763	24,739,785	1,595,118	464,997,421	15,330,935	17,979,591	978,509,137
Balance, beginning of year	—	20,972,247	101,115,860	12,633,591	14,935,452	1,526,087	218,697,059	8,718,586	—	378,598,882
Amortization expense	—	1,602,229	7,740,399	2,166,089	1,812,296	130,208	12,052,714	992,046	—	26,495,982
Amortization disposal	—	—	(1,594,691)	(453,038)	(2,950,182)	(313,254)	(8,649,124)	(804,312)	—	(14,764,601)
	—	22,574,476	107,261,568	14,346,643	13,797,566	1,343,042	222,100,649	8,906,320	—	390,330,263
	130,727,665	25,238,061	141,529,755	12,188,120	10,942,219	252,076	242,896,773	6,424,615	17,979,591	588,178,875

Year ended December 31, 2016

	2016									
	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture	Linear assets	Other assets	Work-in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	133,313,862	42,062,943	243,379,006	22,088,809	21,713,286	1,956,216	450,898,813	14,911,665	8,414,547	938,739,147
Additions	5,302	347,807	6,109,058	3,457,356	3,685,949	46,898	16,420,946	20,145	12,757,718	42,851,179
Disposals/write downs	(1,173,405)	(316,499)	—	(950,946)	(23,465)	(148,489)	(9,050,021)	(784,287)	(7,691,192)	(20,138,304)
	132,145,759	42,094,251	249,488,064	24,595,219	25,375,770	1,854,625	458,269,738	14,147,523	13,481,073	961,452,022
Balance, beginning of year	—	19,731,688	93,380,148	11,315,001	13,306,059	1,473,985	215,750,526	8,476,738	—	363,434,145
Amortization expense	—	1,557,057	7,735,712	2,269,536	1,652,858	200,591	11,981,085	1,032,336	—	26,429,175
Amortization disposal	—	(316,498)	—	(950,946)	(23,465)	(148,489)	(9,034,552)	(790,488)	—	(11,264,438)
	—	20,972,247	101,115,860	12,633,591	14,935,452	1,526,087	218,697,059	8,718,586	—	378,598,882
	132,145,759	21,122,004	148,372,204	11,961,628	10,440,318	328,538	239,572,679	5,428,937	13,481,073	582,853,140

The Corporation of the City Oshawa

Schedule 2 – Consolidated schedule of segmented disclosure

Year ended December 31, 2017

	2017							
	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General government	Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	32,085,757	9,350,413	26,601,394	4,337,840	2,271,747	249,954	17,435,529	92,332,634
Debt servicing (interest)	—	(46,312)	2,345,808	—	—	—	1,073,159	3,372,655
Amortization	1,203,059	12,133,779	7,693,533	723	2,938,589	91,980	2,434,319	26,495,982
Other expenses	663,842	11,132,196	15,098,830	726,764	2,671,571	2,102,799	20,664,169	53,060,171
	33,952,658	32,570,076	51,739,565	5,065,327	7,881,907	2,444,733	41,607,176	175,261,442
External tax revenues	26,551,161	25,469,975	40,460,618	3,961,113	6,163,694	1,911,794	32,537,036	137,055,391
External non-tax revenues	5,776,346	24,623,172	14,693,010	4,771,574	5,219,071	2,915,451	3,202,481	61,201,105
Net income OPUC	—	—	—	—	—	—	6,704,000	6,704,000
	32,327,507	50,093,147	55,153,628	8,732,687	11,382,765	4,827,245	42,443,517	204,960,496
Net surplus (deficit) before transfers	(1,625,151)	17,523,071	3,414,063	3,667,360	3,500,858	2,382,512	836,341	29,699,054

	2016							
	Protection to persons and property	Transportation services	Recreation and culture	Planning and development	Environmental services	Health and social services	General government	Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Expenses								
Salaries and wages	32,096,646	8,707,932	26,046,158	4,380,388	2,178,124	256,302	16,486,470	90,152,020
Debt servicing (interest)	—	48,370	2,661,365	—	—	—	688,511	3,398,246
Amortization	1,257,581	12,026,850	7,830,803	424	2,773,840	87,969	2,451,708	26,429,175
Other expenses	486,253	11,768,963	17,573,690	388,143	2,326,205	2,106,813	16,998,688	51,648,755
	33,840,480	32,552,115	54,112,016	4,768,955	7,278,169	2,451,084	36,625,377	171,628,196
External tax revenues	25,792,797	24,810,822	41,243,513	3,634,839	5,547,331	1,868,186	28,058,511	130,955,999
External non-tax revenues	7,083,357	20,620,147	15,966,741	2,269,844	3,390,030	2,360,286	6,788,076	58,478,481
Net income OPUC	—	—	—	—	—	—	6,330,000	6,330,000
	32,876,154	45,430,969	57,210,254	5,904,683	8,937,361	4,228,472	41,176,587	195,764,480
Net surplus (deficit) before transfers	(964,326)	12,878,854	3,098,238	1,135,728	1,659,192	1,777,388	4,551,210	24,136,284