

Consolidated financial statements of

**The Corporation of the  
City of Oshawa**

December 31, 2015

# The Corporation of the City of Oshawa

December 31, 2015

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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, 2015, 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, 2015, 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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants  
June 23, 2016

**THE CORPORATION OF THE CITY OF OSHAWA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
December 31, 2015

	2015	2014 (Restated Note 2)
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	50,439,122	52,495,853
Short-term investments	58,992,528	39,257,745
Taxes receivable	6,500,546	6,212,049
Accounts receivable	5,872,534	5,309,209
Other assets	101,500	101,500
Investment in Oshawa Power and Utilities Corporation (Note 4)	51,918,400	49,812,400
	<b>173,824,630</b>	<b>153,188,756</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	26,919,503	25,551,052
Deferred revenue (Note 5)	55,266,546	46,302,253
Employee future benefits and other liabilities (Note 6)	49,525,931	47,783,350
Long-term liabilities (Note 7)	82,599,594	88,298,618
Liability for contaminated sites	3,050,000	-
	<b>217,361,574</b>	<b>207,935,273</b>
<b>Net Financial Debt</b>	<b>(43,536,944)</b>	<b>(54,746,517)</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 9)	575,305,002	574,878,247
Inventory and prepaid expenses	2,822,861	2,574,316
<b>Accumulated Surplus (Note 10)</b>	<b>534,590,919</b>	<b>522,706,046</b>

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
year ended December 31, 2015

	Budget (Note 17)	2015	2014 (Restated Note 2)
	\$	\$	\$
<b>Revenues</b>			
Property taxation	118,878,300	121,230,919	116,636,721
Taxation from other governments	3,581,600	2,808,481	2,768,828
User charges	18,141,900	23,452,220	18,791,317
Government grants	649,600	999,480	600,794
Contributions from developers - earned	2,785,000	2,662,355	6,836,366
Revenue recognized on assumed assets	9,000,400	9,000,425	6,563,923
Federal gas tax revenue	3,024,300	3,024,333	3,341,487
Investment income	1,759,200	1,667,104	1,858,463
Penalties and interest on taxes	1,315,000	1,213,007	1,248,652
Licenses and permits	3,265,400	4,416,118	5,394,134
Fines	1,135,000	1,138,874	914,361
Net earnings Oshawa Power and Utilities Corporation (Note 4)	1,100,000	3,906,000	3,543,000
Other	10,403,800	8,363,930	5,384,567
	<b>175,039,500</b>	<b>183,883,246</b>	<b>173,882,613</b>
<b>Expenses (Note 13)</b>			
General government	39,899,400	36,759,882	33,038,514
Protection to persons and property	30,713,800	31,263,371	29,957,552
Transportation services	33,552,500	32,124,053	32,226,235
Environmental services	6,524,200	6,120,627	6,817,636
Health services	258,300	526,551	476,663
Social and family services	1,678,300	1,681,068	1,707,100
Social housing	187,200	229,977	86,132
Recreation and cultural services	49,465,200	55,590,624	55,711,946
Planning and development services	4,558,900	4,652,220	5,053,415
	<b>166,837,800</b>	<b>168,948,373</b>	<b>165,075,193</b>
<b>Annual Surplus</b>	<b>8,201,700</b>	<b>14,934,873</b>	<b>8,807,420</b>
<b>Accumulated surplus, beginning of year (Note 2)</b>	<b>522,706,046</b>	<b>519,656,046</b>	<b>513,898,626</b>
<b>Accumulated surplus, end of year</b>	<b>530,907,746</b>	<b>534,590,919</b>	<b>522,706,046</b>

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**  
year ended December 31, 2015

	<b>2015</b>	<b>2014</b> (Restated Note 2)
	\$	\$
<b>Annual Surplus</b>	14,934,873	8,807,420
Amortization of tangible capital assets	25,661,386	24,641,124
Acquisition of tangible capital assets net of transfers from Work-in Progress	(26,091,309)	(27,032,565)
Loss on disposal/write down of tangible capital assets	3,168	142,115
Change in inventory and prepaid expenses	(248,545)	339,387
<b>Decrease in net debt</b>	<b>14,259,573</b>	<b>6,897,481</b>
<b>Net debt, beginning of year (note 2)</b>	<b>(57,796,517)</b>	<b>(61,643,998)</b>
<b>Net debt, end of year</b>	<b>(43,536,944)</b>	<b>(54,746,517)</b>

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
year ended December 31, 2015

	2015	2014 (Restated Note 2)
	\$	\$
<b>Operating Activities</b>		
Annual consolidated surplus	14,934,873	8,807,420
Items not involving cash:		
Amortization	25,661,386	24,641,124
Loss on disposal/write down of tangible capital assets	3,168	142,115
Assumed assets recognized as revenue	(9,000,425)	(6,563,923)
Net earnings of Oshawa Public Utilities Corporation	(3,906,000)	(3,543,000)
Net changing in non-cash working capital:		
Taxes receivable	(288,497)	1,304,678
Accounts receivable	(563,325)	47,589
Accounts payable and accrued liabilities	1,368,451	2,386,688
Deferred revenue	8,964,293	(160,238)
Employee future benefits and other liabilities	1,742,581	899,849
Inventory and prepaid expenses	(248,545)	339,387
<b>Cash provided by Operating Activities</b>	<b>38,667,960</b>	<b>28,301,689</b>
<b>Capital Activities</b>		
Acquisition of tangible capital assets	(17,090,884)	(20,468,642)
<b>Financing</b>		
Debenture debt retired	(5,699,024)	(5,424,484)
New debt issued	-	7,000,000
<b>Cash (consumed) provided by Financing Activities</b>	<b>(5,699,024)</b>	<b>1,575,516</b>
<b>Investing</b>		
Net change in short-term investments	(19,734,783)	(5,748,835)
Dividend received from OPUC	1,800,000	1,700,000
<b>Cash consumed by Investing Activities</b>	<b>(17,934,783)</b>	<b>(4,048,835)</b>
(Decrease) increase in cash and cash equivalents	(2,056,731)	5,359,728
<b>Cash and cash equivalents, beginning of year</b>	<b>52,495,853</b>	<b>47,136,125</b>
<b>Cash and cash equivalents, end of year</b>	<b>50,439,122</b>	<b>52,495,853</b>

The accompanying notes are an integral part of these financial statements.



**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**year ended December 31, 2015**

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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.

**THE CORPORATION OF THE CITY OF OSHAWA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 2015**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.

**THE CORPORATION OF THE CITY OF OSHAWA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 2015**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.

**THE CORPORATION OF THE CITY OF OSHAWA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 2015**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.

**THE CORPORATION OF THE CITY OF OSHAWA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 2015**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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”.

**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. Changes in accounting policy**

**Oshawa Public Utilities Corporation first time adoption of International Financial Reporting Standards (IFRS)**

Oshawa Public Utilities Corporation (“OPUC”) which is a 100% subsidiary of the City of Oshawa adopted IFRS on January 1, 2015. The adoption of IFRS requires retrospective application of the new accounting framework to January 1, 2014, the date of transition. As a result, the amounts reported by OPUC for its December 31, 2014 year end and the opening balance sheets as at the date of transition have been restated.

In preparing its opening IFRS consolidated balance sheet OPUC has adjusted amounts reported previously in its financial statements prepared in accordance with Canadian GAAP. IFRS 1 requires an entity to explain how the transition from its previous GAAP to IFRS affected its reported financial position, financial performance and cash flows by providing reconciliations of shareholder’s equity, comprehensive income and cash flows for prior periods.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**year ended December 31, 2015**

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**2. Changes in accounting policy (continued)**

Accordingly, OPUC prepared their first annual financial statements in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1) has been applied. The adjustments in the City's financials due to IFRS are provided as per below:

<b>As at and for the year ended December 31, 2014, unless otherwise stated</b>	<b>Balance, previously reported</b>	<b>IFRS adjustments to opening accumulated surplus as at Jan. 1, 2014</b>	<b>IFRS adjustments to 2014</b>	<b>Balance, restated</b>
Investment in OPUC	50,750,400	-	(938,000)	49,812,400
Equity pick up from OPUC	4,481,000	-	(938,000)	3,543,000
Accumulated surplus	523,644,046	-	(938,000)	522,706,046

**Contaminated Sites**

As at January 1, 2015, the City adopted the Canadian public sector accounting standard PS 3260 Liability for Contaminated Sites. The standard requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements as set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. 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 Region 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..

The adoption of this standard has been applied prospectively and the City has recorded \$3,050,000 of liabilities for contaminated sites.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended December 31, 2015

**3. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF DURHAM**

During 2015, 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:

	2015			2014
	School Boards	Region	Total	Total
Property taxes	\$53,343,942	\$124,117,104	\$177,461,046	\$173,985,216
Taxation from other governments	-	1,984,212	1,984,212	1,996,036
<b>Total amounts transferred</b>	\$53,343,942	\$126,101,316	179,445,258	\$175,981,252

**4. 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:

	2015	2014 (Restated Note 2)
	\$	\$
Balance, beginning of year	49,812,400	47,969,400
Changes during the year		
Net income for the year	3,906,000	3,543,000
	53,718,400	51,512,400
Dividend received from Whitby Hydro Energy Corporation	(1,800,000)	(1,700,000)
Balance, end of year	51,918,400	49,812,400

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**  
**year ended December 31, 2015**

**4. 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, 2015 and its operations.

	<b>2015</b>	2014
	<b>(000's)</b>	(000's)
		(Restated Note 2)
	\$	\$
<b>Assets</b>		
Current	<b>38,497</b>	26,623
Capital and intangibles	<b>130,667</b>	121,151
Other	<b>7,216</b>	7,059
<b>Total assets</b>	<b>176,380</b>	154,833
<b>Regulatory balances</b>	<b>6,335</b>	5,378
<b>Total assets and regulatory balances</b>	<b>182,715</b>	160,211
<b>Liabilities</b>		
Current	<b>27,672</b>	26,549
Long-term debt	<b>48,925</b>	34,167
Other	<b>46,557</b>	40,861
<b>Total liabilities</b>	<b>123,154</b>	101,577
<b>Shareholders' equity</b>		
Share capital	<b>23,064</b>	23,064
Accumulated other comprehensive loss	<b>(1,800)</b>	(930)
Retained earnings	<b>30,654</b>	27,678
<b>Total equity</b>	<b>51,918</b>	49,812
<b>Regulatory balances</b>	<b>7,643</b>	8,822
<b>Total liabilities, equity and regulatory balances</b>	<b>182,715</b>	160,211
<b>Comprehensive Income</b>		
Commodity revenue	<b>131,936</b>	122,060
Commodity expenses	<b>(131,343)</b>	(124,030)
Distribution revenue	<b>19,469</b>	18,574
Operating expenses	<b>(12,933)</b>	(12,233)
Other income (expense)	<b>(1,859)</b>	(1,868)
Accumulated other comprehensive loss	<b>(870)</b>	(930)
Net movements in regulatory balances, net of tax	<b>(494)</b>	1,970
<b>Total comprehensive income for the year</b>	<b>3,906</b>	3,543

Included in revenue above is \$5,707,586 (2014 - \$5,333,214) earned from the City for services provided. Operating expenses above include \$301,916 (2014 - \$297,017) 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**  
year ended December 31, 2015

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**5. DEFERRED REVENUE**

Deferred revenue consists of the following:

	<b>2015</b>	<b>2014</b>
Obligatory reserve funds		
Development charges	\$39,481,062	\$33,249,731
Parkland	1,066,225	955,426
Federal gas tax	9,007,743	7,671,555
Other	5,711,516	4,425,541
<b>Total</b>	<b>\$55,266,546</b>	<b>\$46,302,253</b>

Continuity of deferred revenue is as follows:

	<b>2015</b>	<b>2014</b>
Balance, beginning of year	\$46,302,253	\$46,462,491
Developer contributions collected	\$9,969,540	5,918,271
Federal gas tax	4,331,933	4,447,970
Other collections	6,366,523	5,274,486
Interest earned	355,525	443,697
	<b>21,023,521</b>	<b>16,084,424</b>
Less:		
Developer contributions used	2,662,355	6,836,366
Federal gas tax used	3,024,333	3,341,487
Transfer to operating	1,947,000	-
General deferred revenue used	4,425,540	6,066,809
	<b>12,059,228</b>	<b>16,244,662</b>
Balance, end of year	<b>\$55,266,546</b>	<b>\$46,302,253</b>

**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended December 31, 2015

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**6. EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES**

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

	<b>2015</b>	<b>2014</b>
Future payments required to WSIB	\$9,623,641	\$8,844,994
Accumulated sick leave benefit plan entitlements	8,563,726	8,880,765
Post employment benefits	30,296,442	29,045,772
Other liabilities	1,042,122	1,011,819
<b>Total</b>	<b>49,525,931</b>	<b>\$47,783,350</b>

(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, 2015.

(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, 2014 and extrapolated to December 31, 2015.

(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, 2014 and extrapolated to December 31, 2015.

**THE CORPORATION OF THE CITY OF OSHAWA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 2015**

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**6. EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES (continued)**

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

Discount rate – benefit plans	4.0%
Discount rate – sick leave	3.25%
Future inflation rates	2.0% per annum
Medical benefit cost escalation	8.0% per year reducing to 5.0% 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 Jan. 1, 2015	\$47,783,350
Current period service cost	1,935,601
Amortization of actuarial losses	(3,223)
Interest	1,776,787
Benefits paid	(1,966,584)
<u>Liability for post employment benefits as at Dec. 31, 2015</u>	<u>\$49,525,931</u>

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

Accrued benefit obligation	\$49,514,677
Unamortized actuarial losses	11,254
<u>Liability for post employment benefits and other liabilities</u>	<u>\$49,525,931</u>

THE CORPORATION OF THE CITY OF OSHAWA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 2015

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7. 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:

2016	2017	2018	2019	2020	Total
\$5,910,465	\$6,133,787	\$6,366,828	\$6,610,979	\$6,867,653	\$31,889,712
			Payable in 2021 to 2025		30,367,093
			Payable in 2026 and thereafter		<u>20,342,789</u>
					<u>\$82,599,594</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 2015 amounted to \$5,699,024 (2014 - \$5,424,484).

(e) Interest expense on long-term liabilities in 2015 amounted to \$3,593,784 (2014 - \$3,551,265).

**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended December 31, 2015

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**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, 2015 is \$16,324,054; comprised of the following:

	<b>2015</b>	<b>2014</b>
IFNs to Generate Incremental Revenue:		
44 Bond Street Redevelopment	\$405,517	\$523,100
Durham Consolidated Courthouse	1,460,149	6,198,673
UOIT Downtown Campus	1,569,623	1,646,750
	<u>\$3,435,289</u>	<u>\$8,368,523</u>
IFNs to Finance Capital Projects:		
Civic Centennial Pool	\$ -	\$99,417
Parking Revenue Control Systems	139,949	200,364
City Hall Revitalization	5,437,885	6,017,535
MLELS Office Space (44 Simcoe St.)	217,642	245,775
Amazing Spaces Projects	3,769,782	4,599,937
Fire Hall #6	3,325,000	-
	<u>\$12,890,258</u>	<u>\$11,163,028</u>
<b>Total</b>	<u><u>\$16,325,547</u></u>	<u><u>\$19,531,551</u></u>

**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended December 31, 2015

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**9. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	<b>2015</b>	<b>2014</b>
Land	\$133,313,862	\$133,277,900
Land improvements	22,331,255	22,201,496
Buildings	149,998,858	136,820,559
Machinery & equipment	10,773,808	8,815,100
Vehicles	8,407,227	9,657,325
Furniture	482,231	704,380
Linear assets	235,148,287	233,914,367
Other assets	6,434,928	7,359,674
	<u>\$566,890,456</u>	<u>\$552,750,801</u>
Work-in-progress	8,414,546	22,127,446
<b>Total</b>	<u><u>\$575,305,002</u></u>	<u><u>\$574,878,247</u></u>

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 2015 amounted to \$9,000,425 (2014 - \$6,563,923).

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.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended December 31, 2015

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**10. ACCUMULATED SURPLUS**

Accumulated surplus consists of the following:

	<b>2015</b>	<b>2014</b>
Operating fund	\$142,324	\$2,178,004
Capital fund	(13,120,886)	(8,080,495)
Reserves and reserve funds	55,521,584	39,999,858
Unfunded liabilities	(135,175,505)	(136,081,968)
Net equity in OPUC	51,918,400	49,812,400
Invested in tangible capital assets	575,305,002	574,878,247
<b>Total</b>	<b>\$534,590,919</b>	<b>\$522,706,046</b>

**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 2015 amounted to \$6,707,713. (2014 - \$6,143,887).

**12. TRUST FUNDS**

Trust funds administered by the City amounting to \$1,113,574 (2014 - \$1,043,786) are presented separately in the Trust Fund Statement of Financial Activities and Fund Balance and Statement of Financial Position.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
year ended December 31, 2015

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**13. EXPENSES BY OBJECT**

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

	<b>2015</b>	<b>2014</b>
Salaries, wages and benefits	\$90,423,539	\$83,448,819
Interest on long-term debt	3,593,784	3,551,265
Materials and supplies	44,942,075	49,129,951
Rents and financial expenses	171,856	442,635
Transfer payments	4,155,733	3,861,399
Amortization	25,661,386	24,641,124
<b>Total</b>	<b>\$168,948,373</b>	<b>\$165,075,193</b>

**14. CONTINGENCIES**

The City of Oshawa 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, 2015 and accordingly no provision has been made in these financial statements for any liability that may result.

The City transferred its responsibility for public transit to the Region of Durham on January 1, 2006 and all related assets and liabilities. Despite this, the Region of Durham has stated the City should fund the employee related liabilities accrued prior to January 1, 2006. In March 2011, the Region issued a statement of claim against the City to determine responsibility for the obligation through a legal process. The amount of the settlement, if any, is not determinable at this time.

**15. COMMITMENTS**

Minimum payments under operating leases for computer equipment and occupancy at 44 Simcoe Street are as follows:

2016	\$ 550,432
2017	\$ 364,595
2018	\$ 186,087
2019	\$ 68,000
2020	\$ 68,000
Thereafter	\$ 68,000



**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**year ended December 31, 2015**

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**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 2015, 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.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**year ended December 31, 2015**

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**17. BUDGET FIGURES (continued)**

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.

**18. SEGMENTED REPORTING (continued)**

**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.

**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.

**THE CORPORATION OF THE CITY OF OSHAWA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
year ended December 31, 2015**

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**18. SEGMENTED REPORTING (continued)**

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.

**THE CORPORATION OF THE CITY OF OSHAWA**  
**SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
year ended December 31, 2015

	Land \$	Land Improvements \$	Buildings \$	Machinery and Equipment \$	Vehicles \$	Furniture \$	Linear Assets \$	Other Assets \$	Work-in Progress \$	2015 Total \$
Balance, beginning of year	133,277,900	40,907,162	222,865,170	18,758,660	21,543,696	2,037,807	445,276,785	15,630,687	22,127,446	922,425,313
Additions	35,962	1,662,809	20,513,836	4,023,114	286,642	20,019	13,088,620	173,206	10,691,141	50,495,349
Disposals/Write Downs/Transfers	-	(507,028)	-	(692,965)	(117,052)	(101,610)	(7,466,592)	(892,228)	(24,404,040)	(34,181,515)
	<b>133,313,862</b>	<b>42,062,943</b>	<b>243,379,006</b>	<b>22,088,809</b>	<b>21,713,286</b>	<b>1,956,216</b>	<b>450,898,813</b>	<b>14,911,665</b>	<b>8,414,547</b>	<b>938,739,147</b>
Balance, beginning of year	-	18,705,666	86,044,611	9,943,560	11,886,371	1,333,427	211,362,418	8,271,013	-	347,547,066
Amortization Expense	-	1,533,048	7,335,537	2,061,241	1,536,740	242,168	11,854,700	1,097,952	-	25,661,386
Amortization Disposal	-	(507,026)	-	(689,800)	(117,052)	(101,610)	(7,466,592)	(892,227)	-	(9,774,307)
	-	<b>19,731,688</b>	<b>93,380,148</b>	<b>11,315,001</b>	<b>13,306,059</b>	<b>1,473,985</b>	<b>215,750,526</b>	<b>8,476,738</b>	-	<b>363,434,145</b>
	<b>133,313,862</b>	<b>22,331,255</b>	<b>149,998,858</b>	<b>10,773,808</b>	<b>8,407,227</b>	<b>482,231</b>	<b>235,148,287</b>	<b>6,434,927</b>	<b>8,414,547</b>	<b>575,305,002</b>

	Land \$	Land Improvements \$	Buildings \$	Machinery and Equipment \$	Vehicles \$	Furniture \$	Linear Assets \$	Other Assets \$	Work-in Progress \$	2014 Total \$
<b>Cost</b>										
Balance, beginning of year	133,171,355	41,129,707	219,684,129	19,749,322	20,605,388	2,489,677	450,649,878	15,659,271	14,126,266	917,264,993
Additions	106,545	246,900	4,300,997	1,394,745	2,114,915	55,689	10,010,170	801,424	13,602,122	32,633,507
Disposals/Write Downs/Transfers	-	(469,445)	(1,119,956)	(2,385,407)	(1,176,607)	(507,559)	(15,383,263)	(830,008)	(5,600,942)	(27,473,187)
Balance, end of year	<b>133,277,900</b>	<b>40,907,162</b>	<b>222,865,170</b>	<b>18,758,660</b>	<b>21,543,696</b>	<b>2,037,807</b>	<b>445,276,785</b>	<b>15,630,687</b>	<b>22,127,446</b>	<b>922,425,313</b>
<b>Accumulated Amortization</b>										
Balance, beginning of year	-	17,652,128	80,127,429	10,499,624	11,574,679	1,545,103	215,185,529	8,051,580	-	344,636,072
Amortization Expense	-	1,522,982	6,942,060	1,782,306	1,488,299	295,883	11,560,152	1,049,442	-	24,641,124
Amortization Disposal	-	(469,444)	(1,024,878)	(2,338,370)	(1,176,607)	(507,559)	(15,383,263)	(830,009)	-	(21,730,130)
Balance, end of year	-	<b>18,705,666</b>	<b>86,044,611</b>	<b>9,943,560</b>	<b>11,886,371</b>	<b>1,333,427</b>	<b>211,362,418</b>	<b>8,271,013</b>	-	<b>347,547,066</b>
<b>Net Book Value, end of year</b>	<b>133,277,900</b>	<b>22,201,496</b>	<b>136,820,559</b>	<b>8,815,100</b>	<b>9,657,325</b>	<b>704,380</b>	<b>233,914,367</b>	<b>7,359,674</b>	<b>22,127,446</b>	<b>574,878,247</b>

**THE CORPORATION OF THE CITY OSHAWA**  
**CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE**  
year ended December 31, 2015

								2015
	Protection to Persons and Property	Transportation Services	Recreation and Culture	Planning and Development	Environmental Services	Health and Social Services	General Government	Total Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Expenses</b>								
Salaries and wages	29,708,796	9,838,888	24,645,935	4,023,774	1,937,583	272,907	19,995,656	90,423,539
Debt servicing (interest)	-	24,069	2,689,973	-	-	-	879,741	3,593,784
Amortization	1,133,885	11,965,330	7,920,159	424	2,583,123	83,957	1,974,508	25,661,386
Other expenses	420,690	10,295,766	20,334,557	628,022	1,599,921	2,080,732	13,909,977	49,269,664
	31,263,371	32,124,053	55,590,624	4,652,220	6,120,627	2,437,596	36,759,882	168,948,373
External tax revenues	22,953,105	23,585,006	40,813,815	3,415,591	4,493,674	1,789,647	26,988,561	124,039,400
External non-tax revenues	4,856,715	20,108,520	18,781,346	2,067,870	2,137,132	1,943,623	6,042,640	55,937,846
Net income OPUC	-	-	-	-	-	-	3,906,000	3,906,000
	27,809,820	43,693,526	59,595,161	5,483,461	6,630,806	3,733,270	36,937,201	183,883,246
<b>Net surplus (deficit) before transfers</b>	(3,453,551)	11,569,472	4,004,537	831,241	510,179	1,295,674	177,319	14,934,873

**THE CORPORATION OF THE CITY OSHAWA**  
**CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE**  
year ended December 31, 2014

								2014 (Restated note 2)
	Protection to Persons and Property	Transportation Services	Recreation and Culture	Planning and Development	Environmental Services	Health and Social Services	General Government	Total Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Expenses</b>								
Salaries and wages	28,336,524	9,211,531	22,246,556	4,391,437	2,144,958	249,906	16,867,907	83,448,819
Debt servicing (interest)	-	25,755	2,560,303	-	-	-	965,207	3,551,265
Amortization	969,167	11,854,375	7,734,654	-	2,495,185	71,291	1,516,452	24,641,124
Loss on Disposal of TCA	-	-	-	-	-	-	-	-
Other expenses	651,861	11,134,574	23,170,433	661,978	2,177,493	1,948,698	13,688,948	53,433,985
	29,957,552	32,226,235	55,711,946	5,053,415	6,817,636	2,269,895	33,038,514	165,075,193
External tax revenues	23,722,599	24,191,909	36,728,953	3,751,860	5,061,688	1,682,262	24,266,278	119,405,549
External non-tax revenues	5,574,215	18,725,796	14,115,736	2,884,533	2,575,379	281,790	6,776,615	50,934,064
Net income OPUC	-	-	-	-	-	-	3,543,000	3,543,000
	29,296,814	42,917,705	50,844,689	6,636,393	7,637,067	1,964,052	34,585,893	173,882,613
<b>Net surplus (deficit) before transfers</b>	(660,738)	10,691,470	(4,867,257)	1,582,978	819,431	(305,843)	1,547,379	8,807,420