

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15 (Schedule B);

AND IN THE MATTER OF a generic proceeding
commenced by the Ontario Energy Board on its own motion
to consider the cost of capital parameters and deemed
capital structure to be used to set rates

**Compendium of the Consumers Council of Canada (CCC)
London Economics International LLC (LEI) Witness Panel**

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The Legal List Explained

September 29, 2020

The “Legal List” refers to investments that are approved for municipalities by the Province through a regulation under the *Municipal Act*. Sometimes called the “prescribed list” it generally includes:

- Canadian federal, provincial and municipal government or government-guaranteed bonds
- Short-term and fixed-income securities issued by Canadian chartered banks and credit unions
- Other prescribed securities

Equity exposure is allowed exclusively through ONE’s Canadian Equity Fund and similarly the ONE Canadian Corporate Bond Fund is the only access to corporate bonds. With few exceptions, only Canadian securities are eligible. The regulation also requires a minimum credit rating of A- for fixed income products (bonds). The list aims to limit any losses by providing a narrow range of options that are low risk, which can translate into lower potential returns (the risk-reward trade-off).

Until Prudent Investor was introduced in 2018, the Legal List was the only option for municipal investing. Municipalities who opt-in to Prudent Investor can now invest in any security that is appropriate for their circumstances. The Prudent Investor standard can help municipalities manage risk through a more diverse portfolio. It also includes a structured governance framework to promote high-quality investment planning, management and reporting.

Both Prudent Investor and Legal List include annual reporting, as required by the *Municipal Act*. Both also require an investment policy statement that addresses risk tolerance, investment mix and professional legal and financial advice.

While the Legal List has its limits, you can maximize returns through careful planning. Many municipalities have earned revenue for long-term capital projects and even generated operating revenue, through smart investment on the Legal List.

The first step is to have a deep understanding of municipal cash flow, including time horizons. ONE offers five investment products designed for different municipal investment horizons, ranging from fairly liquid short-term savings to a Canadian Equity portfolio that is appropriate for time horizons of five or more years:

- [ONE High Interest Savings Account](#): 1+ month investments (Short-Term)
- [ONE Money Market Portfolio](#): 1 to 18 Months (Short-Term)
- [ONE Canadian Government Bond Portfolio](#): 18 Months to 3 Years (Short to Medium-Term)
- [ONE Canadian Corporate Bond Portfolio](#): 4+ Years (Medium to Long-Term)
- [ONE Canadian Equity Portfolio](#): 5+ Years (Long-Term)

Investment planning balances risks and rewards. Generally, governments don't want to take risks with public dollars even if there is potential for better returns. However, depending on time horizons, it doesn't have to be an either/or decision. If time is on your side, you can plan out investments in a way that safeguards money needed sooner and puts longer term money into a diversified portfolio of products, where it will ultimately earn more despite short-term ups and downs. Whether on the Legal List or under Prudent Investor, the ONE Investment Advisory Team helps municipal investors develop and plan to meet their short-term and long-term objectives.

Category

Investment Planning

Share this Post

The logo for ONE INVESTMENT features the word "ONE" in a large, white, serif font with a gold outline. A horizontal gold line is positioned below the "ONE". Below the line, the word "INVESTMENT" is written in a smaller, white, sans-serif font.

ONE
INVESTMENT

ANNUAL REPORT 2023

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Vision

To be the leading investment solutions provider that empowers the Ontario municipal sector to effectively harness the potential of investments.

Marking 30 years as the only not-for-profit for municipal investors, serving nearly 40% of Ontario municipalities

ONE Investment (ONE) brings Ontario's municipal sector together to benefit from the greater options and lower fees made possible by combining their investment power.

ONE was first offered as a program in 1993 by the Local Authority Services (LAS), the business services arm of the Association of Municipalities of Ontario (AMO), and CHUMS Financing Corp., a subsidiary of the Municipal Finance Officers' Association of Ontario (MFOA). It has evolved to meet changing needs and a new regulatory environment. ONE Investment is now an incorporated not-for-profit organization focused on one thing: providing investment options that support the needs of Ontario's municipalities.

ONE aims to be the leader in best practices for municipal investment. Our purpose is to offer enhanced investment services and to expand municipal capacity for long-term investing and asset management planning. We provide Investment Advisory Services to help municipalities develop investment strategies to meet their goals. As well, ONE offers education and training to help municipalities link investments to funding asset management plans.

ONE Investment offers municipalities and municipal treasurers:

- Five different investment products for different timeframes and needs, all compliant with the province's "Legal List" of eligible investments.
- Access to the Prudent Investor Standard, through the ONE Joint Investment Board (ONE JIB), to any municipality, regardless of population or financial assets, which seeks more strategic and flexible investment strategies.
- In-person and online education and training opportunities.
- Tools and templates to support staff reports to council.

Governance

ONE Investment Board of Directors

As a not-for-profit, ONE Investment is governed by a Board of Directors, which provides oversight and direction to the organization. This role is governed by federal not-for-profit legislation.

BOARD OF DIRECTORS	
Julie Stevens <i>Chair</i>	Chief Administrative Officer (CAO), District Municipality of Muskoka
Gary McNamara <i>Vice-Chair</i>	Mayor, Town of Tecumseh
Stephanie Leveille	Treasurer, City of Temiskaming Shores
Terrie Miller	CFA, Consultant
Ken Nix	CAO, Township of Scugog
Trevor Pinn	Deputy CAO, Finance and Technology/Treasurer, Municipality of Clarington
Nancy Taylor	Commissioner of Finance/Treasurer, Regional Municipality of Durham
Julie Pittini	Director of Treasury Services, Region of Peel
Sandra Zwiers	CAO, County of Essex

ONE Joint Investment Board

The ONE Joint Investment Board is responsible for the control and management of investments under the Prudent Investor regime. This Board is governed by the Municipal Act. Ontario's Prudent Investor regulation requires an arms-length, independent investment board to oversee and implement a municipality's investments.

JOINT INVESTMENT BOARD

Bill Hughes

MBA, MES – Chair

Senior Fellow,
University of Toronto Institute on Municipal
Finance and Governance

Geri James

CFA – Vice Chair

Senior Investment Specialist
Former Director, Institutional Client Business
BlackRock Asset Management

Jennifer Dowty

CFA

Equities analyst/business reporter
Globe and Mail

Heidi Franken

CFA

Registrar
CPA Ontario

James G. Giles

CFA, CPA

Former Chief Investment Officer
Foresters Financial

Mike Melinyshyn

MBA, CPA, CMA

CFO/Director of Corporate Services
and Deputy Treasurer
Town of Innisfil

Scott Pountney

CFA, CAIA, RIPC

Director, Managed Assets Program,
Aviso

Stephen Rettie

CPA, CMA

CAO and Deputy Treasurer
Town of Bracebridge

Christine Tessier

CFA, CAIA

Chief Investment Officer at
Harbourfront Wealth Management

Advisory Committees

ONE is further guided by a Peer Advisory Committee comprised of municipal leaders and an Investment Advisory Committee, comprised of investment sector experts and legal representatives. These Committees were established prior to incorporation as a not-for-profit and they continue to provide advice primarily related to ONE's Legal List investment products.

PROGRAM (PEER) ADVISORY COMMITTEE

Tara Baker	General Manager/City Treasurer City of Guelph
Erika Kromm	Clerk-Treasurer Municipality of Neening
Mark Martin	Manager, Treasury City of Ottawa
Michael McGovern	Treasurer Township of Central Frontenac

INVESTMENT ADVISORY COMMITTEE

Heather Douglas <i>LLB, Committee Chair</i>	Partner, WeirFouldsLLP
Jennifer Dowty <i>CFA</i>	Equities analyst/business reporter Globe and Mail
James G. Giles <i>CFA, CPA</i>	Former Chief Investment Officer Foresters Financial
Bill Hughes <i>MBA, MES</i>	Senior Fellow, University of Toronto Institute on Municipal Finance and Governance
Geri James <i>CFA</i>	Senior Investment Specialist Former Director, Institutional Client Business BlackRock Asset Management
Christine Tessier <i>CFA, CAIA</i>	Chief Investment Officer at Harbourfront Wealth Management

2023-2027 Strategic Plan:

A renewed vision to be the leading investment solutions partner for the Ontario municipal sector.

The Strategic Plan aligns our goals with the needs of municipal and broader public sector investors. The plan identifies four main strategic imperatives:

1 Develop our data & analytics capabilities: initiatives that help ONE collect and leverage insights in a more effective manner.



2 Grow our people & capabilities: initiatives that improve ONE's ability to provide products and services to current and potential clients.



3 Grow our brand, awareness & education: initiatives that support ONE's growth goals as they relate to engagement with and support of municipalities.



4 Drive investment maturity: initiatives that better enable ONE to support the investment maturity development of municipalities, with the goal of Prudent Investor participation.



Message from the ONE Investment Board Chair



The world does not stop changing, and neither does ONE Investment. The pressures on municipal budgets, asset management plans and infrastructure spending are only escalating.

In 2023, ONE marked its 30th anniversary and continued to evolve as a leader in municipal investments – creating innovative new solutions to help make investing easier, less costly and more effective – for more municipalities.

The ONE Legal List Investment Program allows municipalities to jointly invest in securities that are specified in provincial regulations. Choices include High Interest Savings Accounts, as well as Canadian government and corporate bonds and equities that are all aligned with this provincial Legal List.

The ONE Prudent Investment (PI) Program, launched in 2020, allows Participating Municipalities to invest long-term funds far more broadly and globally while still being compliant with provincial legislation.

Municipalities appoint the ONE Joint Investment Board (ONE JIB), an independent board of seasoned experts, to manage their portfolio. The Program includes a suite of investment products that is broader than those offered under the Legal List Program, as well as advisory services including templates and support for the Council process.

The PI Program continued to grow in 2023. The Town of Aylmer and the Town of Aurora both joined the program, bringing the total to 11 municipalities. This is nearly double the six that helped found the ONE JIB in 2020.

Providing more ways for municipal investors to benefit from ONE

Given the growth in the PI Program, and to ensure that the largest municipal investors have a Prudent Investor solution to meet their unique needs, ONE Investment recognized the need to develop a new offering.

In 2023, ONE staff worked to lay the foundation for the new Outsourced Chief Investment Officer (OCIO) Offering. This will be a comprehensive investment program available through ONE JIB, along with an external portfolio manager, to offer broader investment opportunities. The OCIO offering provides the scale and specialization that larger municipalities seek, without compromising ONE Investment's own staff capacity.

The OCIO Offering will be competitively priced and far more efficient for municipalities as compared to creating and managing their own investment board. This program will be ready for launch in 2024.

Expanding municipal expertise and capacity

Many municipalities have limited staff capacity or expertise to manage a long-term investment strategy while also managing budgets and day-to-day operations.

Investing public sector funds requires a high level of transparency and accountability. ONE Investment provides several tools to help municipalities fulfill these expectations.

For example, in 2023, ONE developed a Responsible Investing policy to guide ONE Investment activities in 2024 and beyond. ONE Investment believes that environmental, social and governance (ESG) risks are important considerations for investment decisions as they may affect long-term risk and potential returns of securities. The ONE policy builds on existing frameworks used by our fund managers. It provides confidence to municipalities that ESG risks are being mitigated.

As well, ONE offers monthly and quarterly reporting for all investors, to make it easier for finance staff to monitor and report back to Council.

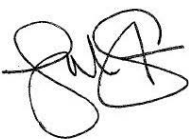
In addition, webinars from our fund managers keep municipalities apprised of our offerings and investment sector developments. ONE's quarterly e-newsletters on investment topics provide practical insights and continue to be well received. Many are still being viewed long after their initial publication date.

The world keeps getting more complicated. ONE Investment aims to make life easier for municipal finance staff. ONE is laying a strong financial foundation for local communities.

ONE Investment does not do this work alone and we benefit from the insights of many experts. I would like to thank my fellow Board members, ONE Investment staff, members of our advisory committees and the ONE Joint Investment Board for supporting our work. Their professional knowledge, experience and expertise is benefitting communities across Ontario.

The support of the Boards of both LAS and CHUMS is valued as we build successful solutions for municipalities by municipalities.

Finally, I must thank our more than 190 municipal and public sector investors for their confidence and trust over the past year, and over the past three decades.



Julie Stevens

Chair, ONE Investment Board

Message from ONE Joint Investment Board Chair



In 2023, the ONE JIB continued to attract new investors. The Board has a robust governance and policy framework designed to ensure that it carries out its fiduciary responsibilities in an effective and ethical manner.

The Prudent Investment Program has become increasingly attractive to municipalities, especially given the changes affecting the sector. ONE JIB launched in 2020 with six founding municipalities and about \$315 million in assets under management. By end of 2023, assets under management had more than doubled to \$664 million, and the number of Participating Municipalities had grown to 11.

Two new municipalities joined ONE JIB in 2023, the Town of Aylmer and the Town of Aurora.

ONE JIB is in the process of introducing a new Outsourced Chief Investment Officer (OCIO) offering under the Prudent Investment Program. It will provide the scale and investment specialization needed to appeal to large municipal investors. The OCIO offering will be available to all Participating Municipalities.

ONE has partnered with Phillips, Hager & North (PH&N) Institutional to deliver a scalable OCIO program with a broad suite of investment products and services.

What is ONE JIB?

The ONE Joint Investment Board, or ONE JIB, develops and manages investments for municipalities under the Prudent Investor (PI) Standard. Under PI, municipalities can build more strategic and diverse investment portfolios to better manage risk and achieve higher long-term risk-adjusted returns.

Prudent Investor for municipalities is governed by provincial legislation and regulation:

- To be eligible, a municipality or group of municipalities must have \$100 million in funds set aside for long-term use.
- Municipalities must create an independent board of experts to manage their long-term investments or join a Joint Investment Board.

The ONE Joint Investment Board (JIB) combines municipal investments so any municipality can benefit.

- Comprised of senior-level global investment experts and specialists in municipal finance.
- Develops a tailor-made Investment Plan for each Participating Municipality's investment goals and risk tolerance.
- Created and uses an Outcomes Framework to allocate investments.

Governance

Independent expertise ensures that investment decisions are based on experience and strategy, even during difficult times. ONE JIB is comprised of investment, municipal finance and compliance experts.

In late 2023, ONE JIB increased the maximum number of Board members from 10 to 12. This will allow a seat for a municipal treasurer from a large municipality.

ONE JIB reviewed its Terms of Reference, Code of Conduct and Procedure By-law in 2023 to ensure they continued to support a strong governance framework.

ONE has consistently worked with firms that strive for high standards of investing through an environmental, social and governance (ESG) framework. ONE Investment formed an ESG Working Group to begin the work of formalizing the ESG practices already embedded in ONE Investment and ONE JIB's investment decision-making processes, with a goal of a single policy to govern the Legal List and Prudent Investment Programs. This policy was approved in 2024.

On behalf of the entire ONE JIB, I would like to thank all the municipalities who have entrusted us with their investments. We are committed to working with you to build your community.



Bill Hughes

Chair, ONE Joint Investment Board

“

With the help of ONE's staff team, joining the ONE Investment Prudent Investment (PI) Program was straightforward. We appreciate the broader investment powers and professional investment expertise that our Town receives from ONE Investment and ONE Joint Investment Board. We also are pleased to take a more diversified, risk-managed and flexible approach to investing our longer-term funds to help us prepare for future municipal capital needs.”

- Andy Grozelle
CAO, Town of Aylmer

2023 Highlights

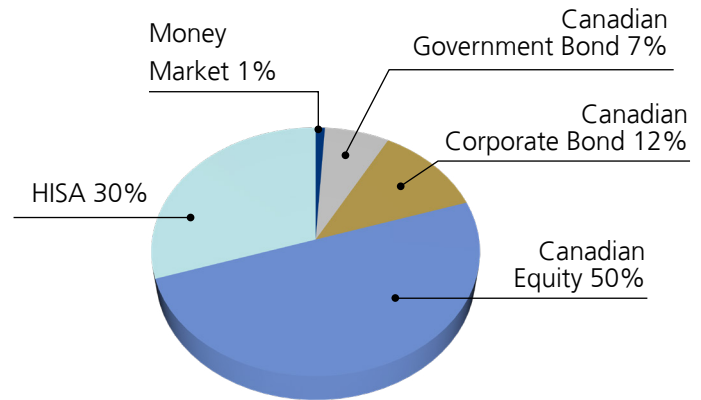
ONE Investment had **192** active Ontario municipal and broader public sector investors, with a total investment balance of **\$3.13 billion** at the end of 2023.

Legal List Results Overview

ONE Investment has created a range of investment products that comply with the provincially approved list of municipal investments. In fact, ONE's equity portfolio is the only equities product allowed for municipalities investing under the Legal List framework.

The available products meet different time horizons, to serve different municipal needs. At the end of 2023, ONE was managing \$2.47 billion in its Legal List and High Interest Savings Account (HISA) portfolios for about 192 municipal and public sector clients.

ONE - Legal List Portfolio and HISA - \$2.47B
(As of December 31, 2023)

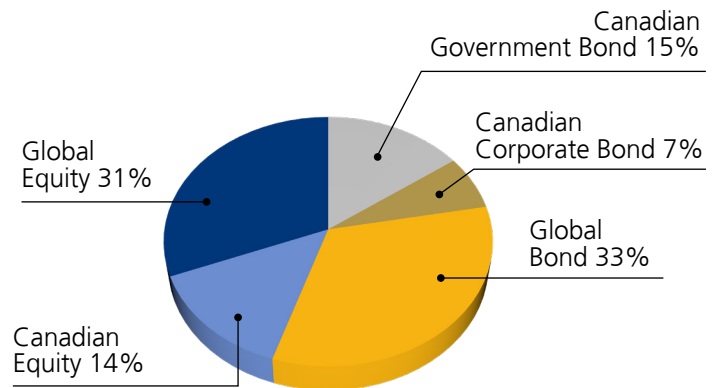


Prudent Investor Overview

The Prudent Investment Program features ONE JIB – the sector's first and only Joint Investment Board created by municipalities for municipalities. Through the collective approach of ONE JIB, any municipality will meet the investment threshold set by the Municipal Act and can take part in Prudent Investor.

Under the Prudent Investor framework, municipalities who opt-in can invest in a broader range of investments, to better diversify portfolios. This helps manage risk and improve returns over the long-term.

ONE - Prudent Investor Funds - \$664.4M
(As of December 31, 2023)



To further enhance the Prudent Investment Offering, ONE JIB, through its agent, ONE Investment, is looking to leverage an Outsourced Chief Investment Officer (OCIO) model to offer more investment solutions to municipalities in 2024 and beyond.

In 2023, two more municipalities, the Towns of Aylmer and Aurora, also transitioned their investments to ONE JIB. At year-end, ONE JIB was managing investments of \$664.4 million for 11 municipalities.

Building Municipal Capacity: Investment Advisory Services, Education and Training

Many municipalities do not have the resources, capacity, or expertise to manage long-term investments. ONE's team of advisors support municipalities through the process, creating financial strategies to help pay for asset management plans, and setting up investments.

Through the advisory services team, municipalities access advice from both a dedicated investment expert and a municipal finance expert. This team bridges the gap, translating the realities of Main Street into a Bay Street financing strategy appropriate for a municipality's investment policy and portfolio structure.

The team works with prospective and current investors. In 2023, the team onboarded two new PI municipalities as well as supported many Legal List investors.

ONE also offers training for municipal staff. Investment 101 sessions will be back again in person in 2024. This training helps bridge the skills of municipal staff who are seeking to learn how investment planning can fund asset management and capital plans.

ONE fosters investment maturity through a quarterly newsletter that provides insights about current market and economic trends, as well as investment basics. It was created in 2018 to help municipalities learn about the Prudent Investor opportunity and it continues to serve both our Legal List and Prudent Investor clients. It has been well received, consistently meeting or exceeding industry benchmarks.

In 2023, more than 160 existing ONE clients or prospective municipalities contacted us to discuss their investments, learn more about ONE Investment options, or seek support from our Investment Advisory Services team.

“**Kincardine has chosen ONE Investment's Legal List products since 2013 because it gives us confidence that we are leveraging professional portfolio management and maintaining our compliance with the Municipal Act. As a next step, we are on track to use all of ONE's Legal List portfolios to invest funds from a newly created legacy fund. This strategy is the result of a council-approved investment policy that we created with the support of ONE's Investment Advisory Services team. ONE will help us manage a well-diversified portfolio of securities that will maximize the value of these legacy funds for future community infrastructure projects.**”

- Roxana Baumann CPA, CA, CMO
Director of Corporate Services/Treasurer, Municipality of Kincardine

Financial Statements

**ONE Investment
Financial Statements
For the year ended December 31, 2023**

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Independent Auditor's Report

To the Directors of ONE Investment

Opinion

We have audited the financial statements of ONE Investment (the "Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Organization 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 generally accepted auditing standards 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.



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Organization'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 Organization'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 Organization 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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
June 12, 2024

ONE Investment Statement of Financial Position

December 31	2023	2022
Assets		
Current		
Cash	\$ 1,841,321	\$ 149,968
Investments (Note 4)	-	1,262,284
Accounts receivable (Note 6 (a))	2,093,446	1,768,394
Prepaid expenses	104,908	109,093
	4,039,675	3,289,739
Equipment (Note 3)	2,500	6,270
	\$ 4,042,175	\$ 3,296,009
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 5 and 6 (b))	\$ 1,864,240	\$ 1,616,487
Advances from related parties (Note 6 (c))	2,177,935	1,679,522
	\$ 4,042,175	\$ 3,296,009

On behalf of the Board:

_____ Director

_____ Director

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

ONE Investment Statement of Operations

For the year ended December 31	2023	2022
Revenue		
Management fees (Note 6 (d))	\$ 6,916,238	\$ 6,087,360
Fund management expenditures		
Bond manager - legal list	201,533	210,268
Corporate bond fund - prudent investor	46,094	39,332
Custodial recordkeeping - legal list	282,035	271,418
Custodial recordkeeping - prudent investor	234,356	216,733
Equity fund - prudent investor	132,435	109,920
Equity manager - legal list	1,767,000	1,545,533
General administration fees - legal list	67,956	65,062
Global bond fund - prudent investor	626,325	543,279
Global equity fund - prudent investor	1,041,152	844,474
Government bond fund - prudent investor	63,092	40,396
Money market manager - legal list	6,628	7,794
Prudent rebates and tier discounts	354,576	275,312
Universe corporate bond manager - legal list	352,147	345,008
	5,175,329	4,514,529
Operating expenditures		
Advertising and promotion	42,378	21,042
Amortization	3,770	4,038
Bank fees	1,171	1,748
Consulting	61,290	2,126
General administration fees	123,024	117,926
Governance	360,946	340,789
Harmony system	79,900	99,328
Insurance	135,890	129,261
IT services	51,499	48,680
Legal fees	168,810	58,557
Office and general	50,671	23,849
Professional fees	145,920	128,932
Special projects	27,612	203,708
Staff support	429,797	378,289
Training and development	49,546	8,888
Travel	8,685	5,670
	1,740,909	1,572,831
Total expenditures	6,916,238	6,087,360
Excess of revenue over expenditures	\$ -	\$ -

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

ONE Investment Statement of Cash Flows

For the year ended December 31	2023	2022
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ -	\$ -
Adjustment required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization	3,770	4,038
Changes in non-cash working capital balances		
Accounts receivable	(325,052)	(258,231)
Prepaid expenses	4,185	(23,252)
Accounts payable and accrued liabilities	247,753	226,115
	(69,344)	(51,330)
Investing activities		
Purchase of equipment	-	(1,298)
Purchase of investments	-	(458,712)
Redemption of investments	1,262,284	-
	1,262,284	(460,010)
Financing activity		
Advances from related parties	498,413	451,073
	1,691,353	(60,267)
Increase (decrease) in cash during the year	1,691,353	(60,267)
Cash, beginning of year	149,968	210,235
Cash, end of year	\$ 1,841,321	\$ 149,968

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

ONE Investment

Notes to Financial Statements

December 31, 2023

1. Basis of Presentation

ONE Investment (the "Organization") is a not-for-profit organization incorporated, without share capital, under Letters Patent on July 10, 2018 under the Canada Not-for-profit Corporations Act, and operations commenced transitioning to the Organization in 2019. The members of the Organization are Local Authority Services ("LAS") and CHUMS Financing Corporation ("CHUMS"). The Organization's mandate is to facilitate investments by municipalities and public sector bodies in investment products and vehicles and to make available, and lower the cost of, such products and services in a manner consistent with the investment objectives of such municipalities and public sector bodies, including:

- i. providing access to appropriate cash and treasury management products and services;
- ii. assisting municipalities and municipal agencies, boards and commissions (including local boards as well as conservation authorities) in building and expanding capacity as relates to effective financial and infrastructure asset management;
- iii. providing education and training to municipalities and municipal officers with respect to financial and infrastructure asset management; and
- iv. providing leadership through promotion of best practices in municipal finance.

As a not-for-profit organization, the Organization is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Accounting standards for not-for-profit organizations require entities to select policies appropriate for their circumstances from choices provided in the specific standards. The following are details of the choices selected by the Organization and applied in these financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Financial assets include cash, High Interest Savings Account (HISA), and accounts receivable. Transaction costs incurred on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

ONE Investment Notes to Financial Statements

December 31, 2023

6. Related Party Transactions

- a) Included in accounts receivable are amounts due from Local Authority Services of \$1,040,181 (2022 - \$883,847) and amounts due from CHUMS Financing Corporation of \$1,040,181 (2022 - \$883,847).
- b) Included in accounts payable and accrued liabilities are amounts owing to Local Authority Services of \$55,451 (2022 - \$29,376).
- c) Amounts due to Local Authority Services of \$1,091,109 (2022 - \$841,170) and CHUMS Financing Corporation of \$1,086,826 (2022 - \$838,353) are unsecured, repayable on demand and are non-interest bearing.
- d) Included in revenue is \$3,458,119 (2022 - \$3,043,680) from Local Authority Services and \$3,458,119 (2022 - \$3,043,680) from CHUMS Financing Corporation, which is 100% of the Organization's revenue, for management fee income related to services performed. These transactions are measured at the exchange amount, which is the consideration established and agreed to by the related parties.
- e) Administration fees paid to Local Authority Services were \$190,980 (2022 - \$182,988).

7. Financial Instrument Risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of market changes in interest rates. The Organization is exposed to interest rate risk on its investments.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and advances from related parties. The Organization reduces exposure to liquidity risk by ensuring that it maintains adequate cash reserves to pay creditors.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable and investments.



Consolidated Financial Statements

The City of Ottawa

December 31, 2023

MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management of the City of Ottawa (the "City").

The consolidated financial statements are prepared by management, in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The consolidated financial statements necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the consolidated financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for the preparation of consolidated financial statements.

The Auditor General's office reports directly to City Council ("Council") and, on an ongoing basis, carries out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

Council fulfils its responsibility for financial reporting through its Audit Committee and the Finance and Corporate Services Committee.

KPMG LLP, Chartered Professional Accountants, have been appointed by Council to express an opinion on the City's consolidated financial statements. Their report follows.



Wendy Stephanson
City Manager
Ottawa, Canada



Cyril Rogers
Interim Chief Financial Officer
Ottawa, Canada



KPMG LLP

150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613 212 5764
Fax 613 212 2896

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council

Opinion

We have audited the consolidated financial statements of City of Ottawa (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net debt, its consolidated remeasurement gains and losses, and its consolidated 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. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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.



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

Emphasis of Matter – Prospective Change in Accounting Policy

We draw attention to Note 26 to the financial statements which indicates that the City has adopted certain public sector accounting standards on a prospective basis.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information

We draw attention to Note 25 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated and corrected.

Note 25 explains the reason for the restatements and corrections and also explains the adjustments that were applied to certain comparative information.

Our opinion is not modified with respect of this matter.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2022, excluding the adjustments that were applied to restate and correct certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 15, 2023.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate and correct certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report"

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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 unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

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 generally accepted auditing standards 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 the financial statements.



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As part of an audit in accordance with Canadian generally accepted auditing standards, 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.
- 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.



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Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group of 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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 26, 2024

THE CITY OF OTTAWA

Consolidated statement of financial position

As at December 31, 2023, with comparative information as at December 31, 2022 (*dollars in thousands*)

Financial assets	2023	2022
		(Restated – note 25)
Cash and cash equivalents	\$1,300,718	\$782,034
Accounts receivable (<i>note 3</i>)	607,445	1,176,999
Investments (<i>note 4</i>)	1,724,076	1,796,577
Investment in government business enterprise (<i>note 5</i>)	529,669	526,944
Loan receivable (<i>note 6</i>)	204,630	212,012
Total financial assets	4,366,538	4,494,566
Liabilities		
Accounts payable and accrued liabilities (<i>note 7</i>)	1,637,887	1,662,160
Deferred revenue (<i>note 8</i>)	1,405,018	1,267,679
Employee future benefits and pension agreements (<i>note 9</i>)	772,958	732,484
Asset retirement obligations (<i>note 10</i>)	76,199	74,559
Contaminated sites (<i>note 11</i>)	19,143	21,331
Net long-term debt (<i>note 12</i>)	3,305,549	3,211,582
Mortgages payable (<i>note 13</i>)	391,230	313,877
Other liabilities (<i>note 14</i>)	60,092	58,902
Capital lease obligations (<i>note 15</i>)	65,430	72,407
Total liabilities	7,733,506	7,414,981
Net debt	(3,366,968)	(2,920,415)
Non-financial assets		
Tangible capital assets (<i>note 16</i>)	22,250,618	20,918,781
Inventories	67,905	57,664
Prepaid expenses	48,623	40,465
Total non-financial assets	22,367,146	21,016,910
Accumulated surplus (<i>note 17</i>)	\$19,000,178	\$18,096,495
Accumulated surplus is comprised of:		
Accumulated surplus - operations	\$18,961,351	\$18,096,495
Accumulated remeasurement gains	38,827	0
	\$19,000,178	\$18,096,495

Note 18: Contingencies, commitments and contractual rights

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

THE CITY OF OTTAWA

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2023, with comparative information for the year ended December 31, 2022 (*dollars in thousands*)

Revenue	2023 Budget (note 23)	2023 Actual	2022 Actual
			(Restated – note 25)
Taxes available for municipal purposes (note 19)	\$2,230,703	\$2,282,933	\$2,137,217
Government transfers	1,548,222	1,308,108	1,546,685
Fees and user charges	980,069	959,863	873,192
Contributed tangible capital assets	441,038	488,087	469,303
Development charges	190,694	170,256	168,419
Investment income	61,283	95,691	73,143
Fines and penalties	59,038	55,048	46,791
Other revenue	40,429	56,603	84,875
Share of earnings of government business enterprise (note 5)	34,300	24,104	39,674
Total revenue	5,585,776	5,440,693	5,439,299
Expenses			
General government	114,877	115,682	122,496
Protection to persons and property	687,250	758,321	709,384
Roads, traffic and parking	464,888	493,362	445,868
Transit	793,699	781,055	765,405
Environmental services	500,852	517,004	485,899
Health services	260,398	258,974	283,289
Social and family services	782,176	724,130	608,750
Social housing	359,543	435,553	457,784
Recreation and cultural services	399,722	404,117	373,097
Planning and development	94,839	87,639	95,240
Total expenses (note 20)	4,458,244	4,575,837	4,347,212
Annual surplus	1,127,532	864,856	1,092,087
Accumulated surplus - operations, opening	18,096,495	18,096,495	17,132,487
Restatements (note 25)	0	0	(131,754)
Accumulated surplus - operations, opening, as restated	18,096,495	18,096,495	17,000,733
Other comprehensive income	0	0	3,675
Accumulated surplus - operations, ending	\$19,224,027	\$18,961,351	\$18,096,495

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

THE CITY OF OTTAWA

Consolidated statement of change in net debt

For the year ended December 31, 2023, with comparative information for the year ended December 31, 2022 (*dollars in thousands*)

	2023 Budget (note 23)	2023 Actual	2022 Actual
			(Restated – note 25)
Annual surplus	\$1,127,532	\$864,856	\$1,092,087
Acquisition of tangible capital assets including contributed assets	(1,769,245)	(1,769,245)	(1,688,570)
Amortization of tangible capital assets	411,968	411,968	401,015
Loss on disposal of tangible capital assets	23,182	23,182	19,147
Proceeds on disposal of tangible capital assets	2,258	2,258	1,433
Supply of inventories	(10,241)	(10,241)	(5,555)
Increase in prepaid expenses	(8,158)	(8,158)	(1,049)
Change in net debt excluding remeasurement gains	(222,704)	(485,380)	(181,492)
Net debt, opening	(2,920,415)	(2,920,415)	(2,595,301)
Restatements (note 25)	0	0	(147,297)
Net debt, opening, as restated	(2,920,415)	(2,920,415)	(2,742,598)
Accumulated remeasurement gains	38,827	38,827	0
Other comprehensive income	0	0	3,675
Net debt, ending	\$(3,104,292)	\$(3,366,968)	\$(2,920,415)

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

THE CITY OF OTTAWA

Consolidated statement of cash flows

For the year ended December 31, 2023, with comparative information for the year ended December 31, 2022 (*dollars in thousands*)

Operating activities	2023	2022
		(Restated – note 25)
Annual surplus	\$864,856	\$1,092,087
Items not affecting cash		
Share of earnings of government business enterprise	(24,104)	(39,674)
Amortization of tangible capital assets	411,968	401,015
Contributed tangible capital assets	(488,087)	(469,303)
Loss on disposal of tangible capital assets	23,182	19,147
	787,815	1,003,272
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	569,554	(181,056)
Increase in inventories	(10,241)	(5,555)
Increase in prepaid expenses	(8,158)	(1,049)
Decrease in loan receivable	7,382	7,039
(Decrease) increase in accounts payable and accrued liabilities	(24,273)	195,686
Increase in deferred revenue	137,339	159,483
Increase in employee future benefits and pension agreements	40,474	4,274
Increase in asset retirement obligation liability	1,640	1,357
(Decrease) increase in liabilities for contaminated sites	(2,188)	74
Increase in other liabilities	1,190	3,118
Cash provided by operating activities	1,500,534	1,186,643
Capital activities		
Acquisition of tangible capital assets	(1,281,158)	(1,219,267)
Proceeds on disposal of tangible capital assets	2,258	1,433
Cash applied to capital activities	(1,278,900)	(1,217,834)
Investing activities		
Net sale (purchase) of investments	112,707	(85,381)
Dividends from Hydro Ottawa Holding Inc.	20,000	23,700
Cash provided by (applied to) investing activities	132,707	(61,681)

THE CITY OF OTTAWA

Consolidated statement of cash flows (continued)

For the year ended December 31, 2023, with comparative information for the year ended December 31, 2022 (*dollars in thousands*)

Financing activities	2023	2022
		(Restated – note 25)
Proceeds from new long-term debt issued	290,079	319,273
Interest earned on sinking funds	(11,510)	(7,002)
Change in reporting for bond premium/discount for financial instruments	39,839	0
Debt principal repayments:		
Net long-term debt	(136,442)	(129,766)
Mortgages payable	(10,646)	(10,249)
Capital lease obligations	(6,977)	(6,630)
Cash provided by financing activities	164,343	165,626
Change in cash and cash equivalents		
Increase in cash and cash equivalents during the year	518,684	72,754
Cash and cash equivalents, beginning of the year	782,034	709,280
Cash and cash equivalents, end of the year	\$1,300,718	\$782,034

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

THE CITY OF OTTAWA

Consolidated statement of remeasurement gains and losses

For the year ended December 31, 2023

(dollars in thousands)

	2023
Accumulated remeasurement gains, beginning of the year	\$0
Unrealized remeasurement gains (losses) attributable to:	
Other comprehensive income (loss) of subsidiary corporation	(1,379)
Endowment fund equities	40,206
Net change in remeasurement gains for the year	38,827
Accumulated remeasurement gains, end of the year	\$38,827

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

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

1. Nature of business

The City of Ottawa (the “City”) was created through provincial legislation on December 20, 1999 and commenced operations on January 1, 2001.

The City is responsible for providing municipal services such as employment and financial assistance; long-term care; community services and libraries; emergency and protective services including police, fire and ambulance; and transportation, utilities and public works, including roads, sewers and wastewater, drinking water, waste collection and disposal.

As sole shareholder of Hydro Ottawa Holdings Inc. (“Hydro Ottawa”) and the Ottawa Community Housing Corporation (“OCHC”), the City also provides hydro and housing services to the residents of Ottawa. In 2009, Build Ottawa (formerly known as the Ottawa Community Lands Development Corporation) and the Manotick Mill Quarter Community Development Corporation (“MMQCDC”) were created for the purpose of promoting and undertaking community improvements in the City by managing real property. The MMQCDC was dissolved as of March 31, 2023.

2. Significant accounting policies

Basis of accounting

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements of the City reflect the assets, liabilities, revenue and expenses for the activities of all committees of City Council (“Council”) and the following boards, Business Improvement Areas (“BIA”) and entities:

The Police Services Board	The Heart of Orleans BIA
The Ottawa Public Library Board	The Carp Road Corridor BIA
The Ottawa Board of Health	The Carp Village BIA
The Ottawa Community Housing Corporation	The Vanier BIA
Manotick Mill Quarter Community Development Corporation	The Manotick BIA
Build Ottawa (formerly known as Ottawa Community Lands Development Corporation)	The Sparks Street Mall Authority
The Centretown BIA (formerly known as the Bank Street BIA)	The Somerset Village BIA
The Westboro Village BIA	The Preston Street BIA
The Sparks Street BIA	The Byward Market BIA
The Somerset Street Chinatown BIA	The Downtown Rideau BIA
The Glebe BIA	The Barrhaven BIA
	The Wellington West BIA
	The Kanata North BIA
	The Bells Corners BIA
	The Kanata Central BIA

All interfund assets, liabilities, revenue and expenses have been eliminated.

Hydro Ottawa and its subsidiaries are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (*see note 5*). These corporations follow International Financial Reporting Standards (“IFRS”). Under the modified equity basis, the business enterprise’s accounting policies are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income or loss of the enterprise is recorded directly to the City’s remeasurement gains and losses and net debt.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

School boards

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements as school boards are separate entities and the City does not control or have any involvement in the operations of school boards.

Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions on such areas as asset retirement obligations including landfill closure and post-closure liabilities, employee benefits liabilities, property tax assessment appeals, legal claims provisions, liabilities for contaminated sites, and contributed tangible capital assets.

In addition, the City's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

These estimates and assumptions are based on the City's best information and judgement and actual amounts may differ significantly from these estimates.

Revenue and expenses

Revenue and expenses are reported on the accrual basis of accounting, which recognizes revenue as it is earned and measurable; expenses are recognized as they are incurred and measurable, as a result of receipt of goods or services.

Tax revenue

Annually, the City bills and collects property tax revenue for municipal purposes, provincial education taxes on behalf of the Province of Ontario (the "Province"), payment in lieu of taxes, local improvements and other charges (*see note 19*). The authority to levy and collect property taxes is established under the *Municipal Act, 2001*, the *Assessment Act*, the *Education Act*, and other legislation.

Property tax revenue and associated receivables are recognized when they meet the definition of an asset and a revenue; the tax is authorized; and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction. Government transfers are recognized in the fiscal years during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

In addition, the City provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

Fees and user charges

Fees and user charges relate to transit fares; utility charges; water, wastewater, and solid waste; licensing fees; fees for use of various programming; and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Development charges

Development charges are one-time fees levied by the City on new residential and non-residential properties to help fund a portion of the growth-related capital infrastructure. The authority to introduce development charges is provided by provincial legislation, and the operational details and schedule of charges are outlined in the City's by-law. Development charges are determined and accounted for by type of service component. The amount of charges varies by dwelling type and by location within the City reflecting different actual costs of establishing and providing the service. The underlying intent of development charges is that growth pays for growth and that the financing of capital costs required to service new growth does not place a burden on existing taxpayers.

Actual funding transfers to capital projects are made in accordance with regulations that stipulate that development charges may only be applied to projects when costs are incurred. Growth-related spending authority is approved annually as part of the City's budgeting process, with only those capital projects included in the current Development Charges Background Study being eligible for funding. Development charge fund balances are monitored annually through the capital budget approval process to ensure they are in compliance with the overall policies adopted by Council. Development charges are recognized as revenue when the related expenses are incurred.

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Investment income

Investment income is recorded as revenue in the period in which it is earned. Investment income also includes income for the City's Endowment Fund and is invested in accordance with the investment policy and procedures adopted by Council.

Other revenue

Other revenue includes revenue from land sales, cash in lieu of parkland, and other miscellaneous revenue. Amounts received relating to revenue that will be earned in a subsequent year are deferred and reported as deferred revenue.

Financial instruments

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loan receivable, accounts payable and accrued liabilities, accrued interest, net long-term debt, mortgages payable and other liabilities.

The City uses derivative financial instruments consisting of bank swaps to reduce its exposure to interest rate risk related to its debt. The City does not use financial instruments for trading or speculative purposes.

The City uses bank swaps to manage commodity price fluctuations. These bank swaps are used to set a fixed price for a specific quantity over a defined term and settle on specific dates commensurate with the defined term. Swaps result in a payment or receipt of funds to or from the counterparty to the transaction. Gains (receipts) or losses (payments) are recognized in the same period as the delivery of the underlying commodity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of 90 days or less from the date when the securities are purchased.

Investments

Equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are recorded at amortized cost less amounts written off to reflect a permanent decline in value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations and accumulated surplus.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Investments (continued)

Investments consist of authorized investments pursuant to provisions of the *Municipal Act* and comprise financial instruments issued by the Canadian government and Schedule I, II, and III banks, as well as asset-backed securities and eligible commercial paper. Included within investments are specific investments for the endowment fund consisting of Canadian equities and corporate bonds as authorized by Provincial Regulation 438/97. All investments are in accordance with the Investment Policy approved by Council. Investments with original maturity dates of more than 90 days are classified as investments on the consolidated statement of financial position. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment will be written down to recognize the loss. Any write-down would be included in the consolidated statement of operations and accumulated surplus.

Foreign currency transactions

Transactions involving foreign currencies are converted into Canadian dollar equivalents using rates of exchange in effect at the time of the transactions.

Loan receivable

A loan receivable is recognized by the City on its consolidated statement of financial position when the City has the contractual right to receive cash from the borrower. The loan receivable is initially recorded at cost. If circumstances warrant the revaluation of a loan, the City will report the loan receivable net of any related valuation allowance/write-down. Changes in valuation allowances, if applicable, will be recognized in expenses in the consolidated statement of operations and accumulated surplus. Interest revenue on a loan receivable is recognized when earned and is reflected in the consolidated statement of operations and accumulated surplus.

Deferred revenue

Certain amounts are received in advance pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected in advance for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year during which the related expenses are incurred provided eligibility criteria and stipulations have been met.

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Employee benefit plans

The City has adopted the following policies with respect to employee benefit plans:

- (a) The costs of post-employment benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.
- (b) The costs of post-retirement benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs, and plan investment performance.
- (c) Past service costs for plan amendments related to prior-period employee services are accounted for in the period of the plan amendment. The effects of gain or loss from settlements or curtailments are expensed in the period during which they occur. Net actuarial gains and losses related to employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefits are discounted using current interest rates on City-issued long-term bonds.
- (d) The costs of workplace safety and insurance obligations are recognized as a liability when the event that obligates the City occurs. The liability is actuarially determined and is based upon an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees.
- (e) The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Pension agreements

The City has adopted the following policies with respect to pension agreements:

- (a) The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.
- (b) The actuarial valuation is determined using the projected unit credit method prorated on credited service. It is also based on management's best estimates and assumptions that include assumptions for employee retirement ages, salary escalation, and plan investment performance, which are used for discounting benefits. Plan assets are valued using a market-related value, determined over a three-year period.

Legal claims and contingencies

Estimated costs to settle legal claims and possible legal claims are determined based on available information. Where the costs are deemed to be likely and can be reasonably estimated, claims are reported as an expense on the consolidated statement of operations and accumulated surplus and a liability on the consolidated statement of financial position. Where costs are deemed not to be determinable, no liability is reported on the consolidated statement of financial position.

Contaminated sites

Criteria to recognize a liability for contaminated sites are as follows:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the standard;
- (iii) The City is directly responsible or accepts responsibility for the contamination;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

When all the criteria for recognition are met, the City accrues a liability for the estimated amount of future remediation costs of contaminated sites no longer in productive use.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Asset retirement obligations

Asset retirement obligations (“ARO”) are costs expected to be incurred as a result of the retirement or disposal of a tangible capital asset (“TCA”). An ARO must be recognized on the statement of financial position when all the following criteria are met:

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

The most substantial portion of the ARO liability for the City stems from the removal of asbestos in several of the buildings owned by the City. The ARO liability for removal of asbestos has been based on previous abatement work and costs incurred for representative projects and has been recognized under the modified retroactive method. The City has also identified associated costs related to the asbestos removal and calculated a cost per square foot, which was applied to the remaining buildings built before 1991.

Landfills are subject to existing requirements for closure and post closure activities on retirement of the landfill. The majority of the City’s landfills are no longer in productive use. For these assets, the costs of retirement are expensed. For active landfill sites, as there is still a future benefit to be gained, the costs are included as an ARO. The estimated costs to close and maintain solid waste landfill sites are based on future expenses for 25 years.

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital asset is being amortized in accordance with the depreciation accounting policies outlined below. A discount rate was not applied to the ARO liability calculation.

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

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 beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives, as follows:

Asset - Useful life - Years	Minimum	Maximum
Buildings and improvements	20	100
Linear roads	50	75
Linear water/wastewater	50	100
Linear Light Rail Transit ("LRT")	30	100
Land improvements	50	200
Machinery, plant and equipment	5	50
Vehicles	3	20

Assets under construction are not amortized. All assets start amortization in the month following the in-service date.

(b) Contributed tangible capital assets

Contributed tangible capital assets represent assets that are donated or contributed to the City by developers and are recognized as revenue in the year the assets are contributed based on fair market value at the date of contribution.

(c) Intangible assets

Intangible assets and natural resources are not recognized as assets in the consolidated financial statements.

(d) Interest capitalization

The City's tangible capital asset policy does not allow for the capitalization of interest costs incurred by the City associated with the acquisition or construction of a tangible capital asset.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Non-financial assets (continued)

(e) Leases

Leases are classified as operating or capital leases. Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and recorded as a liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(f) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Reserves

Reserves comprise funds set aside for specific purposes by Council (*see note 17*). Reserves set aside by legislation, regulation, or agreement are reported as deferred revenue on the consolidated statement of financial position.

Contractual rights and obligations

Contractual rights reflect future rights to economic resources arising from contracts and/or agreements that will result in both an asset and revenue in future fiscal periods. For further details regarding the City's contractual rights for long-term property leases, please see note 18(m).

Contractual obligations represent obligations that will result in liabilities upon the completion of agreed-upon terms specified in contracts and/or agreements in future fiscal periods. For further details regarding the City's contractual obligations, including the nature, extent and timing of these types of transactions, please see note 18.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

2. Significant accounting policies (continued)

Future accounting pronouncements

Standards effective for fiscal years beginning on or after April 1, 2023 (in effect for the City for the fiscal year ending on December 31, 2024):

PS 3400 Revenue (“PS 3400”) proposes a framework that includes two categories of revenue – exchange transactions or unilateral transactions. Revenue from an exchange transaction is recognized when the public sector entity has satisfied the performance obligation(s). If no performance obligation is present, it would be unilateral revenues. Unilateral revenues are recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim on economic resources.

PS 3160 Public Private Partnerships (“P3s”) (“PS 3160”) identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

PSG-8 Purchased Intangibles provides guidelines on accounting and reporting for purchased intangibles. Concurrently, PS 1000 Financial Statement Concepts has been amended to remove the prohibition against recognizing intangibles purchased in an exchange transaction in public sector financial statements.

The City continues to assess the impacts of the above future standards.

3. Accounts receivable

Accounts receivable comprise the following:

	2023	2022
Taxes	\$141,536	\$129,307
User charges	56,665	62,543
Government transfers:		
Federal government	152,083	395,332
Provincial government	125,301	447,449
Trade	131,860	142,368
Total accounts receivable	\$607,445	\$1,176,999

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

4. Investments and financial risk management

Investments

Investments comprise the following:

Investments at amortized cost	2023
Federal government bonds	\$738,454
Provincial government bonds	383,539
Municipal government bonds	302,620
Corporate (fixed income)	4,494
Externally managed endowment fund – fixed income	80,322
Other	89,983
	1,599,412
Equities at fair value	
Externally managed endowment fund	124,664
Total Investments	1,724,076

Investments at amortized cost	2022
Federal government bonds	\$770,110
Provincial government bonds	448,879
Municipal government bonds	333,822
Corporate (fixed income)	18,533
Externally managed endowment fund	159,690
Other	65,543
Total	\$1,796,577

Included in the City's municipal government bonds portfolio are City of Ottawa debentures at coupon rates varying from 4.60% to 5.30% (2022 – 4.60% to 5.30%) with a carrying value of \$56 (2022 – \$56).

The holdings of the endowment fund are managed by external portfolio managers engaged by the City and are in accordance with the investment policy and procedures adopted by Council. Based upon market value, as at December 31, 2023, the endowment fund was distributed between cash and treasury bills 2.0% (2022 – 3.2%), fixed income 46.7% (2022 – 47.2%) and equities 51.3% (2022 – 49.6%).

“Other” consists of units of the One Investment Program equity portfolio operated by a subsidiary of the Municipal Finance Officers' Association of Ontario, as well as a Guaranteed Investment Certificate (GIC).

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

4. Investments and financial risk management (continued)

The average yield on investments held as at December 31, 2023 is 1.66% (2022 – 1.39%). Investments mature from January 19, 2024 to December 1, 2048 (2022 – January 27, 2023 to December 1, 2048).

According to the investment policy for the endowment fund adopted by Council, investment earnings are paid to the City at the lesser of 6.5% and the actual earnings of the endowment fund, provided that the market value of the fund is not reduced below the original \$200,000 investment. In 2023, \$6,000 (2022 – \$6,200) was distributed from the endowment fund to the City.

Financial risk management

The City's activities expose it to a range of financial risks from its financial instruments. These risks include credit risk, liquidity risk and market risk (including interest rate risk, currency risk and equity price risk).

a) Fair value measurement

Financial instruments measured at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurement:

Level 1: Financial assets are measured based on quoted prices in active markets for an identical asset.

Level 2: Financial assets and liabilities not quoted in active markets are measured based on discounted cash flow or other valuation methodologies making maximum use of directly or indirectly observable market data.

Level 3: Financial assets and liabilities not quoted in active markets are measured based on discounted cash flow analysis techniques or other valuation methodologies where significant inputs are not based on observable market data.

Investment assets	Level 1	Level 2	Level 3	Total
Equities in Endowment Fund	\$124,664	\$0	\$0	\$124,664

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

4. Investments and financial risk management (continued)

b) Credit risk

The investments are subject to indirect exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they are due.

The following are the investments in interest-bearing financial instruments, and the exposure to credit risk.

Credit rating	AAA	AA	A	BBB	B and under	Total
As at December 31, 2023	\$978,987	\$452,231	\$59,557	\$0	\$0	\$1,490,775

c) Liquidity risk

Liquidity risk is the risk that the City will not be able to meet its financial obligations as they become due. Management of liquidity risk seeks to ensure that even under adverse conditions, the City has access to immediate cash that is necessary to cover payables, withdrawals and other liabilities. The following is a maturity analysis of the investments.

Maturity	<1 year	1-5 years	5-10 years	>10 years	Total
As at December 31, 2023	\$451,650	\$862,269	\$140,117	\$36,739	\$1,490,775

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

4. Investments and financial risk management (continued)

d) Market risk

Market risk is the risk that changes in interest rates and other price risks will affect the City's net result of operations or the fair value of its holdings of financial instruments.

(i) Interest rate risk

The City holds interest-bearing financial instruments. The investment is therefore exposed to interest rate risk, as the value of interest-bearing financial instruments will fluctuate with changes in interest rates.

The following sensitivity analysis summarizes a 1% increase/decrease in interest rate on the fair value of the City's fixed income investment.

	<u>Increase (decrease) in fair value</u>	
	Change in	2023
	interest rate	
Interest-bearing financial instruments	-1%	\$37,209
Interest-bearing financial instruments	+1%	(\$37,209)

(ii) Equity price risk

The City holds equity financial instruments in its Endowment Fund and is therefore exposed to equity price risk as the value of equity financial instruments will fluctuate due to changes in equity prices.

The following sensitivity analysis summarizes a 1% increase/decrease in price index change on the fair value of the equity financial instruments.

	<u>Increase (decrease) in fair value</u>	
	Change in	2023
	price index	
Equities	+1%	\$1,560
Equities	-1%	(\$1,560)

(iii) Currency risk

The City believes it is not subject to significant currency risk from its financial instruments as it holds insignificant amounts in foreign currencies.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

4. Investments and financial risk management (continued)

e) Changes in financial risk exposures

The City's financial risks arising from its financial instruments have not changed significantly in the year. Management believes that its financial risks are appropriately mitigated and do not pose a significant risk to the City's operations. There have been no significant changes in the policies, procedures and methods used to manage these risks in the year.

5. Investment in government business enterprise

Investment (100% owned) in Hydro Ottawa

The following table provides condensed supplementary financial information for Hydro Ottawa under IFRS:

Assets (As at December 31)	2023	2022
Current assets	\$230,042	\$207,253
Capital assets	2,191,770	2,105,237
Other assets	188,818	171,514
Total assets	2,610,630	2,484,004

Liabilities (As at December 31)	2023	2022
Current liabilities	567,443	480,211
Other liabilities	1,513,518	1,476,849
Total liabilities	2,080,961	1,957,060
Net assets	\$529,669	\$526,944

Net assets consisting of investment in Hydro Ottawa (As at December 31)	2023	2022
Common shares (100%)	\$228,453	\$228,453
Retained earnings	297,601	293,497
Accumulated other comprehensive income	3,615	4,994
Net assets	\$529,669	\$526,944

Results of operations (For the year ended December 31)	2023	2022
Total revenue	\$1,194,425	\$1,169,649
Total expenses	1,170,321	1,129,975
Net income	\$24,104	\$39,674

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

5. Investment in government business enterprise (continued)

The City, as holder of common shares in Hydro Ottawa, is entitled to receive dividends as declared by Hydro Ottawa's Board of Directors. Dividends in the amount of \$20,000 (2022 – \$23,700) were received in 2023 related to 2022 operations. Dividends totalling \$20,000 have been declared and are to be received in 2024 related to Hydro Ottawa's 2023 operations. During the year, the City purchased electricity from Hydro Ottawa at prices and terms approved by the Ontario Energy Board. In addition, the following transactions took place during the year:

Services purchased from Hydro Ottawa by the City	2023	2022
Energy management consulting	\$4,203	\$ 6,041
Other services	19,216	18,700

Fees paid to the City by Hydro Ottawa	2023	2022
Property taxes, fuel, permits and other services	\$4,448	\$5,844

As at December 31, 2023, Hydro Ottawa's accounts receivable include \$16,725 (2022 – \$15,857) due in respect of the transactions above, while Hydro Ottawa's accounts payable and accrued liabilities include \$206 (2022 – \$259) due to the City and its subsidiaries.

6. Loan receivable

	2023	2022
Loan receivable	\$204,630	\$212,012

In 2017, the City executed an Assignment and Assumption Agreement with the long-term lenders for Stage 1 of the light rail project. With this agreement, the long-term lenders transferred all their rights and obligations under the existing credit agreement with Project Co (borrower) to the City (assignee). The loan receivable was issued at an interest rate of 4.89% and matures on June 30, 2047. Loan repayments, consisting of principal and interest, are received on a quarterly basis. With each payment, the principal amount of the loan is reduced and the interest portion of the payment is recorded by the City as interest revenue.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

6. Loan receivable (continued)

Principal payments	
2024	\$7,731
2025	7,984
2026	7,928
2027	8,696
2028	8,315
2029 and thereafter	163,976
Total	\$204,630

In 2023, interest revenue of \$10,242 (2022 – \$10,593) on the loan receivable has been reflected as investment income on the consolidated statement of operations and accumulated surplus.

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	2023	2022
Trade payables and accruals	\$1,490,158	\$1,517,868
Payroll accruals and deductions	147,729	144,292
Total accounts payable and accrued liabilities	\$1,637,887	\$1,662,160

8. Deferred revenue

Deferred revenue, set aside for specific purposes by legislation, regulation or agreement, comprises the following.

	2023	2022
		(Restated – note 25)
Deferred revenue – Obligatory reserve funds:		
Development charges	\$805,613	\$794,366
Building code	25,664	31,987
Cash in lieu of parkland	97,567	86,454
Federal gas tax transfers	167,770	120,305
Provincial gas tax transfers	73	95
Deferred revenue – Other:		
Other government transfers	197,003	123,984
Other deferred revenue	111,328	110,488
Total deferred revenue	\$1,405,018	\$1,267,679

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

9. Employee future benefits and pension agreements

Employee future benefits and pension agreements liabilities comprise the following:

	2023	2022
Employee future benefits	\$753,452	\$714,194
City of Ottawa Superannuation Fund cost of living adjustment liability	19,506	18,290
Total employee future benefits and pension agreements	\$772,958	\$732,484

(a) Employee future benefits

Employee future benefit liabilities of the City as at December 31, 2023, with comparative information for 2022, are as follows:

	2023	2022
Post-retirement benefits	\$244,783	\$245,281
Post-employment benefits	399,904	383,286
Workplace Safety and Insurance Board ("WSIB")	108,765	85,627
Total employee future benefits	\$753,452	\$714,194

The defined benefit plans relating to post-retirement and post-employment provide a variety of benefits to retirees and active and long-term disabled employees, including income, medical, dental, and life insurance; workers' compensation; and sick leave benefits.

The City is a Schedule 2 employer under the *Workplace Safety and Insurance Act* and, as such, assumes full responsibility for financing its workplace safety insurance costs. The accrued obligation represents the present value of future benefits on existing claims.

The continuity for post-retirement, post-employment, and WSIB benefits for 2023 is as follows:

Employee future benefits continuity	Post-retirement	Post-employment	WSIB	Total
Balance, at the beginning of the year	\$245,281	\$383,286	\$85,627	\$714,194
Current service costs/cost of new claims	7,016	56,974	33,287	97,277
Interest cost	6,954	14,314	9,390	30,658
Amortization of actuarial losses (gains)	(5,454)	(5,545)	13,608	2,609
Prior period cost of plan amendment incurred in current year (Firefighters)	0	0	14,339	14,339
Benefits paid	(9,014)	(49,125)	(47,486)	(105,625)
Balance, at the end of the year	\$244,783	\$399,904	\$108,765	\$753,452

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

9. Employee future benefits and pension agreements (continued)

(a) Employee future benefits

In 2023, WSIB expanded the list of presumptive cancers for firefighters and fire investigators to include thyroid and pancreatic cancers, retroactively to January 1, 1960. This resulted in a plan amendment of \$14,339 determined as at December 31, 2023.

Expenses for post-retirement and post-employment benefits and WSIB in the amount of \$144,883 (2022 – \$95,480) are recorded on the consolidated statement of operations and accumulated surplus.

The liability for post-retirement and post-employment benefits is calculated based on an estimate of future outlays required under contractual agreements with various City employee bargaining units. These estimates are based on a number of assumptions regarding the expected costs of benefits, which are dependent on the demographic makeup of the various groups, future interest rates, and inflation rates.

The liability for WSIB is calculated based on an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees. The City engages the services of an actuarial consulting firm to provide a determination of the City's obligation for post-retirement and post-employment benefits, as well as for WSIB benefits.

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The liabilities for post-retirement and post-employment benefits reported in these consolidated financial statements are based on a valuation as of September 30, 2023 with an extrapolation to December 31, 2023. The liability for WSIB benefits reported in these consolidated financial statements is based on a valuation as of December 31, 2021 with an extrapolation to December 31, 2023.

Gains or losses are generated each year due to changes in assumptions and corrections or clarifications to the plan design previously provided by the City. These gains or losses are amortized over the expected average remaining service life of the related employee groups beginning in the year following the gain or loss. Amortization of the 2023 actuarial gain of \$8,638 (2022 – gain of \$85,205) for post-retirement and post-employment benefits will commence in fiscal 2024. Amortization of the 2023 actuarial loss of \$136,018 (2022 – loss of \$127,740) for WSIB will commence in fiscal 2024.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

9. Employee future benefits and pension agreements (continued)

(a) Employee future benefits

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit cost for post-retirement, post-employment benefits and WSIB are as follows:

	Accrued Benefit Obligation		Benefit Expense	
	2023	2022	2023	2022
Non-pension post employment/post retirement				
Discount rate	3.80%	4.10%	4.10%	2.20%
Initial weighted average health care trend rate	4.76%	4.75%	4.75%	4.68%
Ultimate weighted average health care trend rate	4.00%	4.00%	4.00%	4.00%
Year ultimate rate reached	2040	2040	2040	2040
WSIB				
Discount rate	3.80%	4.10%	4.10%	2.20%
Inflation (CPI)	4.40%	6.50%	3.80%	2.00%
Health care	6.50%	6.00%	6.00%	4.00%

An employee benefits reserve has been established to help reduce the future impact of employee future benefit obligations. As at December 31, 2023, the balance in the employee benefits reserve was \$89,719 (2022 – \$85,511) (see note 17).

(b) Pension agreements

(i) Ontario Municipal Employees' Retirement Fund

The City makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer pension plan, on behalf of most of its employees.

The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. The City's contribution to the OMERS plan for 2023 totalled \$142,249 (2022 – \$136,790) for current services and is included as an expense on the consolidated statement of operations and accumulated surplus. These contributions were matched with identical employee contributions for both years.

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

9. Employee future benefits and pension agreements (continued)

(b) Pension agreements (continued)

(i) Ontario Municipal Employees' Retirement Fund (continued)

As OMERS is a multi-employer pension plan, the City does not recognize in its consolidated financial statements any share of the pension plan deficit of \$7,571,000 (2022 deficit – \$6,100,000) as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed for past service to OMERS for the year ended December 31, 2023 totalled \$916 (2022 – \$1,054) and is included as an expense on the consolidated statement of operations and accumulated surplus.

(ii) City of Ottawa Superannuation Fund

The City sponsors the City of Ottawa Superannuation Fund ("COSF"), a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. With the introduction of OMERS, the COSF became a closed group in 1965. As at December 31, 2023, there were no active members and 394 pension recipients (2022 – 415 pension recipients). Pension payments during 2023 amounted to \$13,879 (2022 – \$14,619). No employee or matching employer contributions to this pension plan for current service were required in 2023 or 2022. Employer contributions for past service were nil in 2023 (2022 – nil).

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

9. Employee future benefits and pension agreements (continued)

(b) Pension agreements (continued)

(ii) City of Ottawa Superannuation Fund (continued)

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are fully recognized in the year in which they are incurred. The reported accrued benefit liability (asset) is as follows:

City of Ottawa Superannuation Fund	2023	2022
Pension fund assets – end of the year	\$112,908	\$126,731
Accrued benefit obligation – end of the year	103,597	108,089
Plan surplus	9,311	18,642
Unamortized actuarial gains (losses)	0	(1,381)
Valuation allowance	9,311	20,023
Accrued benefit liability (asset)	\$0	\$0

Expenses (income)	2023	2022
Amortization of actuarial (gains) losses	\$11,626	\$(12,870)
Pension interest income	(914)	(695)
Change in valuation allowance	(10,712)	13,565
Total pension-related expenses (income)	\$0	\$0

There is no remaining active employee service life in this plan.

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 2.10% (2022 – 3.00% per year for two years and 2.00% thereafter) and the discount rate for the plan was estimated at 4.75% per year (2022 – 4.90% per year).

The accrued benefit obligations and benefit cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

9. Employee future benefits and pension agreements (continued)

(b) Pension agreements (continued)

(ii) City of Ottawa Superannuation Fund (continued)

The City pays for the indexation of COSF from 55% of inflation to 100% of inflation. This top-up to the cost of living adjustment is approved each year through the City's budget process. The estimated pension obligation if the indexation provided by the City stops after January 1, 2024 is \$19,506 (January 1, 2023 - \$18,290). This amount is included in the total employee future benefits and pension agreements liabilities on the consolidated statement of financial position.

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated December 31, 2021 quantified a surplus of \$13,656 on a going concern basis.

The market value of the assets of the plan as at December 31, 2023 amounted to \$108,852 (2022 – \$115,210).

A full valuation allowance on the plan surplus has been recorded as it is uncertain that the City will have the unconditional right to benefit from the surplus at the time of windup of the pension plan.

(iii) Ottawa-Carleton Regional Transit Commission Employees' Pension Plan

The City sponsors the Ottawa-Carleton Regional Transit Commission ("OC Transpo") Employees' Pension Plan, a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. Effective January 1, 1999, OC Transpo adopted the OMERS pension plan for all employees and new hires to accrue future benefits. Members retiring with both pre-1999 and post-1998 service will receive pension incomes under both plans. Net pension payments during 2023 amounted to \$34,059 (2022 – \$33,570). No employee or matching employer contributions to this pension plan for current service were required in 2023 or 2022. Employer contributions for past service were nil in 2023 (2022 – nil).

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

9. Employee future benefits and pension agreements (continued)

(b) Pension agreements (continued)

(iii) Ottawa-Carleton Regional Transit Commission Employees' Pension Plan (continued)

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are partially recognized in the year in which they are incurred, and the remainder are recognized in the following two years. The reported pension asset is as follows:

OC Transpo Employees' Pension Plan	2023	2022
Pension fund assets – end of the year	\$621,868	\$633,027
Accrued benefit obligation – end of the year	479,548	491,949
Plan surplus	142,320	141,078
Unamortized actuarial gains	5,186	18,038
Valuation allowance	137,134	123,040
Reported pension asset	\$0	\$0

Expenses (income)	2023	2022
Amortization of actuarial gains	\$(6,264)	\$(15,458)
Pension interest income	(7,830)	(7,244)
Change in valuation allowance	14,094	22,702
Total pension-related expenses (income)	\$0	\$0

The expected average remaining active employee service life of this plan is three years.

The market value of the assets of the plan as at December 31, 2023 amounted to \$606,228 (2022 – \$575,479).

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 2.10% (2022 – 3.00% per year for two years and 2.00% thereafter), the discount rate for the plan was estimated at 5.70% per year (2022 – 5.55% per year), and long-term salary forecasts for actuarial purposes were estimated at 2.25% for 2024 and 3.00% thereafter (2022 – 2.25% per year for 2023 and 2024 and 3.00% thereafter).

The accrued benefit obligations and benefits cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

9. Employee future benefits and pension agreements (continued)

(b) Pension agreements (continued)

(iii) Ottawa-Carleton Regional Transit Commission Employees' Pension Plan (continued)

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated January 1, 2022 quantified a solvency surplus of \$56,866. In 2023, the City contributed an amount of nil (2022 – nil) to the plan. With a surplus in the plan, no solvency special payments were required in 2023, and the City was able to reduce the total amount outstanding under the letter of credit by \$13,075 for 2023, bringing the balance down to nil (from \$13,075 in 2022) as allowed under the applicable legislation.

A full valuation allowance on the plan surplus has been recorded as it is uncertain that the City will have the unconditional right to benefit from the surplus at the time of windup of the pension plan.

10. Asset retirement obligations

The City's liabilities with respect to its asset retirement obligations ("ARO") are as follows:

Asset retirement obligations	2023	2022
		(Restated – note 25)
Buildings	44,582	44,161
Landfills	29,832	28,565
Other	1,785	1,833
Total	76,199	74,559
Asset retirement obligations – continuity	2023	2022
Opening balance	74,559	73,346
Changes in estimates	1,688	1,213
Remediation	(48)	0
Total	76,199	74,559

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

11. Contaminated sites

Due to the implementation of PS 3280, it was determined that the liabilities related to inactive landfill sites would now fall under the contaminated sites liability.

Contaminated sites

Contaminated sites are a result of a contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environment standard. The liability relates to sites that are not in productive use and for which the City is responsible or has accepted responsibility for remediation, future economic benefits will be given up, and costs can be reasonably estimated.

Liabilities are recorded for the estimated costs related to the management and remediation of contaminated sites where the City is likely to be obligated to incur costs. The liability estimate includes costs that are directly attributable to remediation activities and reflects the costs required to bring the site up to the current environmental standard for its use prior to contamination. The assumptions used in estimating the liability include a unique assessment of the depth of soil to be removed and disposed of for each property as well as excavation, trucking and backfilling soft costs.

The City recognized an estimated liability of \$7,330 (2022 – \$6,769) for remediation of 34 (2022 – 34) contaminated land sites based on the estimated costs of removal and replacement of contaminated soil.

Inactive landfill sites

The City has identified 44 inactive or closed landfill sites. Of the total, 15 sites require ongoing monitoring over the post-closure period of 25 years. Post-closure care activities for landfill sites will involve surface and groundwater monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the inactive or closed landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 3-year average rate of 3.68% (2022 – 4.10%) and discounted to current dollars using the City's average long-term borrowing rate of 4.43% (2022 – 4.23%). The estimated present value of future expenditures for post-closure care for inactive sites as at December 31, 2023 is \$11,813 (2022 – \$14,562).

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)**11. Contaminated sites (continued)**

	2023	2022
Existing contaminated sites	\$7,330	(Restated – note 25) \$6,769
Inactive landfill sites	11,813	14,562
Total	\$19,143	\$21,331

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

12. Net long-term debt

- (a) Net long-term debt reported on the consolidated statement of financial position comprises the following:

	2023	2022
Installment and sinking fund debentures issued at various rates of interest ranging from 0.00% to 6.00%, and maturing from 2024 to 2053	\$3,128,630	\$2,943,734
Stage 1 light rail private debt, including credit assignment and assumption agreement offset by loan receivable	487,199	499,210
Bank loan agreements and interest rate exchange agreements	14,332	17,233
Total value of sinking fund deposits, which have accumulated to the end of the year to retire sinking fund debentures included in the above amount	(324,612)	(248,595)
Total	\$3,305,549	\$3,211,582

- (b) Principal payments in future years, based upon settlement date, net of interest to be earned on sinking funds, are as follows:

2024	\$145,714
2025	145,631
2026	133,163
2027	115,796
2028	100,586
2029 and thereafter	1,636,784
Total	\$2,277,674

Principal payments will be funded from tax and rate-supported operations. It is estimated that interest to be earned by the sinking fund will amount to approximately \$988,036, which together with the amount of \$2,277,674 shown above, and net unamortized debt premium/ discount of \$39,839 will be used to retire the outstanding total debt of \$3,305,549.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

12. Net long-term debt (continued)

The City has entered into interest rate swap agreements to manage the volatility of interest rates. The City converted notional floating rate debt totalling \$14,332 (2022 – \$17,233) to fixed rate debt with interest rates ranging from 1.705% to 5.92%. The related derivative agreements are in place until the maturity of the debts in 2025 and 2031.

These interest rate swaps qualify, and have been designated by the City as cash flow hedging items against the floating rate long-term debt. If the interest rate swaps were cancelled as at December 31, 2023, the City would receive the market value of \$751 (2022 – \$1,062).

The City has entered into bank swap agreements to improve budget certainty for commodity costs. As at December 31, 2023, the City had set bank swaps in place to hedge 40,800,000 litres (2022 – 30,000,000 litres) of diesel fuel for the 2024 and 2025 calendar years with expiry dates ranging from January 2024 to December 2025 (2022 – June 2023 to January 2024). These swaps were not measured at fair value because the quantities of the fuel purchases are in accordance with the City's expected usage requirements. If the commodity swaps were cancelled as at December 31, 2023, the City would pay the swap counterparty the market value of \$2,561 (2022 – City would receive the market value of \$4,276).

- (c) As part of the public-private partnership arrangement, the Rideau Transit Group ("RTG") had obtained \$225,000 of debt financing and \$75,000 of equity financing to pay for the construction of the light rail project. At the revenue service availability date, the City started to repay the total of \$300,000 to RTG as part of the capital annual service payments and substantial completion payments over the life of the light rail. This long-term debt is at an interest rate of 6.47% and will mature on May 24, 2048.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

12. Net long term debt (continued)

- (d) In 2017, the City executed an Assignment and Assumption Agreement with the long-term lenders for Stage 1 of the light rail project. With this agreement, the long-term lenders transferred all their rights and obligations under the existing credit agreement with Project Co (borrower) to the City (assignee), and in exchange, the City issued debentures in the equivalent principal amount with the equivalent repayment profile and interest rate to the long-term lenders. The debentures issued by the City were at an interest rate of 4.89% and mature on June 30, 2047.

Principal payments in future years for the combined amount of Stage 1 light rail debt, including the assignment and assumption agreement noted above, are as follows:

2024	\$12,647
2025	13,271
2026	13,548
2027	14,684
2028	14,655
2029 and thereafter	418,394
Total	\$487,199

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

13. Mortgages payable

	2023	2022
Mortgages payable on housing properties at various rates ranging from 1.70% to 6.75% guaranteed by the Canada Mortgage and Housing Corporation with maturity dates ranging from 2024 to 2073 and debentures payable to Infrastructure Ontario maturing from 2036 to 2053 with interest rates ranging from 2.71% to 4.96%	\$391,230	\$313,877
Total	\$391,230	\$313,877

- (a) Public housing debentures issued by Canada Mortgage and Housing Corporation in the amount of \$762 (2022 – \$1,409) related to OCHC have not been included in these consolidated financial statements as they are the responsibility of the Province.

Mortgages and forgivable loans on housing properties are governed by operating agreements with the Province and/or Canada Mortgage and Housing Corporation and involve no direct or indirect obligation to the City. With respect to the debenture payable to Infrastructure Ontario of \$246,437 (2022 – \$239,425), per OCHC's direction, the City has transferred directly to Infrastructure Ontario amounts equivalent to the annual principal and interest payments owing on the debentures of \$15,472 (2022 – \$15,472). These payments form part of the annual subsidy provided by the City to OCHC, which is calculated based on OCHC's annual information return.

In 2023, two OCHC properties were refinanced after detailed appraisals were conducted. The revised appraisals allowed OCHC to borrow additional funds while maintaining the same annual payments on the debt for the refinanced properties, providing \$13,481 of funding to be utilized for future capital repairs.

- (b) Principal repayments in future years are as follows:

2024	\$11,214
2025	11,767
2026	12,235
2027	12,469
2028	11,229
2029 and thereafter	332,316
Total	\$391,230

The principal payments in 2023 totalled \$10,646.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

14. Other liabilities

Other liabilities comprise the following:

	2023	2022
Brownfields	\$60,092	\$58,902
Total other liabilities	\$60,092	\$58,902

Brownfields

Brownfields are abandoned, vacant or underutilized properties where past actions have resulted in actual or perceived environmental contamination and/or derelict or deteriorated buildings. They are usually, but not exclusively, former industrial or commercial properties.

The Ottawa Brownfields Community Improvement Program is a framework that promotes brownfield development within the City. The program contains financial incentives that encourage the remediation, rehabilitation and adaptive reuse of brownfield properties in Ottawa. The brownfields program is a grant equivalent to 100% of the incremental municipal property tax increase for up to 10 years based on a percentage of eligible costs. The applicants will initially pay for the entire cost of rehabilitation. When the City receives the incremental property taxes that result from the rehabilitation project, the City will reimburse the applicant in the form of an annual grant based on the executed legal agreement and the parameters of the applicable program.

The liability of brownfields is estimated by calculating the present value stream of the relevant incremental property tax for up to 10 years for each property site. The incremental tax is the difference between the projected property tax and the current property tax for each property site.

The estimated present value of future expenditures for brownfields as at December 31, 2023 is \$60,092 (2022 – \$58,902). Estimated total undiscounted expenses for brownfields amount to approximately \$69,000 (2022 – \$67,981).

Estimated brownfield payments	
2024	\$1,654
2025	6,504
2026	8,345
2027	6,027
2028	5,787
2029 and thereafter	31,775
Total	\$60,092

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

15. Capital lease obligations

The City leases the following facilities as detailed below:

Capital lease obligations	Office building	Paramedic services building	Shenkman Arts Centre
Total lease term	24 years	30 years	30 years
Lease term end date	February 2026	December 2035	January 2039
Interest rate	6.00%	5.79%	4.99%
Purchase option	\$10,000	nil	nil

Future minimum payments for the above capital leases are as follows:

Future payments	Office building		Paramedic services building		Shenkman Arts Centre		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	5,353	947	858	724	1,161	1,433	7,372	3,104
2025	5,674	625	906	675	1,280	1,372	7,860	2,672
2026	11,050	0	956	622	1,502	1,304	13,508	1,926
2027	0	0	1,010	567	1,683	1,224	2,693	1,791
2028	0	0	1,066	509	1,840	1,138	2,906	1,647
Thereafter	0	0	9,289	1,643	21,802	5,708	31,091	7,351
Total	\$22,077	\$1,572	\$14,085	\$4,740	\$29,268	\$12,179	\$65,430	\$18,491

The \$11,050 of principal repayments for the office building in 2026 includes the \$10,000 purchase option.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

16. Tangible capital assets

Cost	Buildings and improvements	Infrastructure			Land	Land improvements
		Linear roads	Linear water/wastewater	LRT		
Balance, beginning of year	\$2,431,481	\$4,698,245	\$7,819,481	\$1,708,321	\$2,981,398	\$791,316
Additions	107,832	338,925	525,637	0	46,955	53,384
Disposals	(134)	(19,176)	(14,281)	0	(243)	(4,143)
Balance, end of year	2,539,179	5,017,994	8,330,837	1,708,321	3,028,110	840,557

Accumulated amortization	Buildings and improvements	Infrastructure			Land	Land improvements
		Linear roads	Linear water/wastewater	LRT		
Balance, beginning of year						
Disposals	(134)	(16,967)	(5,979)	0	0	(3,364)
Amortization expense	44,396	101,856	92,515	29,002	0	16,782
Balance, end of year	1,192,131	2,012,443	1,898,773	125,347	0	339,672
Net book value, end of year	\$1,347,048	\$3,005,551	\$6,432,064	\$1,582,974	\$3,028,110	\$500,885

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

16. Tangible capital assets (continued)

Cost	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2023	Total 2022 (restated - note 25)
Balance, beginning of year	\$1,877,937	\$1,610,647	\$3,748,418	\$27,667,244	\$26,032,278
Additions	63,011	71,022	562,479	1,769,245	1,688,570
Disposals	(5,477)	(20,030)	(10,614)	(74,098)	(53,604)
Balance, end of year	1,935,471	1,661,639	4,300,283	29,362,391	27,667,244

Accumulated amortization	Machinery, plant and equipment	Vehicles	Assets under construction	Total 2023	Total 2022 (restated - note 25)
Balance, beginning of year	787,771	650,432	0	6,748,462	6,380,471
Disposals	(4,799)	(17,415)	0	(48,658)	(33,023)
Amortization expense	45,642	81,776	0	411,969	401,015
Balance, end of year	828,614	714,793	0	7,111,773	6,748,463
Net book value, end of year	\$1,106,857	\$946,846	\$4,300,283	22,250,618	\$20,918,781

Assets under construction

During 2023, the City acquired \$1,769,245 (2022 – \$1,688,570) of assets under construction. As assets were placed into service, transfers in the amount of \$1,206,766 (2022 – \$860,552) were made from assets under construction to the respective asset classes to arrive at a net balance of \$562,479 (2022 – \$828,018) disclosed above.

Works of art and historical treasures

Council approved a Public Art Program (“PAP”) in 1985 to maintain and circulate the City’s corporate art collection. The City’s PAP collection includes over 1,700 works of art. The City also owns the Firestone Art Collection, consisting of 1,605 historical Canadian works of art produced from 1900 to 1980, which is housed and managed by the Ottawa Art Gallery. Works of art are not recorded in the City’s consolidated financial statements.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

16. Tangible capital assets (continued)

Contributed tangible capital assets

The value of contributed tangible capital assets received during 2023 amounts to \$488,087 (2022 – \$469,303) and is included in additions disclosed above.

17. Accumulated surplus

Accumulated surplus consists of individual fund surpluses, reserves, and equity in government business enterprise (“GBE”).

Accumulated surplus comprises the following:	2023	2022
		(Restated – note 25)
Invested in tangible capital assets	\$18,712,107	\$17,509,168
Capital fund – unfinanced capital outlay	80,966	277,921
Endowment fund	198,470	153,751
Employee future benefits and pension agreements	(772,958)	(732,484)
Asset retirement obligation liabilities	(76,199)	(74,559)
Brownfields	(60,092)	(58,902)
Contaminated sites	(19,143)	(21,331)
Other	(95,009)	(105,484)
Total before reserves and equity in GBE	17,968,142	16,948,080
Discretionary reserves		
Environmental services	131,939	177,919
Transit	6,303	39,586
Housing	84,708	103,619
Employee benefits	89,719	85,511
Tax stabilization	98,942	72,518
Parking	20,073	19,838
City wide	47,481	99,400
Corporate fleet	(724)	3
Other	23,926	23,077
Total discretionary reserves	502,367	621,471
Equity in GBE (note 5)	529,669	526,944
Accumulated surplus	\$19,000,178	\$18,096,495
Accumulated surplus is comprised of:		
Accumulated surplus - operations	\$18,961,351	\$18,096,495
Accumulated remeasurement gains	38,827	–
	\$19,000,178	\$18,096,495

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

18. Contingencies, commitments and contractual rights

- (a) Through the course of its normal operations, the City becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is difficult to predict. A provision for these claims has been recorded in the consolidated financial statements based on management's best estimate, based upon an analysis of specific claims and historical experience with similar claims. Any amendment to amounts accrued will be recorded once new information becomes available. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. If the outcome of a claim is undeterminable, then no liability accrual is recorded, and any additional losses related to these undeterminable claims will be recorded in the period during which the liability becomes determinable. Amounts recorded in the accounts have not been separately disclosed in the consolidated financial statements as disclosure may adversely impact the outcome.
- (b) The City has the following future contractual obligations for capital works:

2024	\$1,583,565
2025	251,092
2026	132,206
2027	49,349
2028	63
2029 and thereafter	347

- (c) The City is committed to the following future payments under operating lease agreements for buildings and equipment:

2024	\$21,023
2025	15,802
2026	12,500
2027	8,672
2028	6,014
2029 and thereafter	24,426

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

18. Contingencies, commitments and contractual rights (continued)

- (d) On August 30, 2019, Stage 1 of the O-Train Confederation Line achieved Revenue Service Availability (“RSA”) and the maintenance contract became effective on that date. The City has committed to making a series of monthly service payments during the 28-year maintenance and service term ending May 2048. Commitments for Monthly Service Payments (“MSP”) for capital construction costs deferred beyond the construction period, as well as for maintenance costs associated with the light rail system and vehicles, began on the RSA date. Annual payments will be adjusted as service levels change, and a portion will be adjusted for inflation, in accordance with the project agreement. The City has also committed to a series of payments for life-cycle costs, and for maintenance costs that will vary with service kilometres.
- (e) As at December 31, 2023, Hydro Ottawa had total open commitments amounting to \$167,673 for the period from 2024 to 2030. The commitments relate to a call centre services agreement, distribution-related construction projects, overhead and underground services, and other services related to Hydro Ottawa’s operations.
- (f) The City has commitments for the purchase of ice rental time for annual amounts of \$956, \$6,202 and \$15,234, which are paid in two installments in accordance with three public-private partnership agreements. These commitments are set to expire in 2027, 2034 and 2043, respectively.
- (g) The City has entered into guarantees of loans amounting to \$132,720 arranged to provide financing for the development of ice rinks, the construction of a paramedic headquarters facility, the development of an arts centre, and Lansdowne Park roof replacement under public-private partnerships. The City’s guarantees for ice rinks, the paramedic facility and Lansdowne roof replacement also cover the borrowers’ obligations under interest rate derivative agreements to manage the volatility of interest rates. The total amount outstanding under guarantees as of December 31, 2023 is \$99,446. The City has converted floating rate debt in the amount of \$98,830 for fixed rate debt ranging from 2.849% to 6.49% on four guarantees. The related derivative agreements are in place until the maturity of the debts in 2044. The City’s guarantee of the loan in connection with the arts centre facility does not involve interest rate derivative agreements since the loans are on a fixed interest rate basis.
- (h) On June 28, 2010, Council authorized a payment covenant guarantee that may require the City to make annual payments of up to \$1,463 in respect of a loan in the amount of \$20,700 for the construction and operation of a trade and exhibition centre. The covenant agreement was signed by the City on April 15, 2011 and expires on April 15, 2041. No payments have been made on this guarantee in 2023 (2022 – nil).

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

18. Contingencies, commitments and contractual rights (continued)

- (i) On October 12, 2012, the City entered into an agreement with Ottawa Sports and Entertainment Group (“OSEG”) to revitalize Lansdowne Park. The Master Limited Partnership agreement was established to manage the construction and future net positive cash flows that will be distributed based on a waterfall of priorities as set out in the agreement. The net positive cash flows will be distributed with priority to life-cycle reserves, then OSEG Partners return on and of contributed equity, and then to the City for return on deemed equity, with any remaining cash balances to be evenly split between the City and OSEG. In 2020, Council approved a ten-year extension to the agreement to December 31, 2054.
- (j) In 2017, Council and the Ottawa Public Library Board approved the City partnering with Library and Archives Canada to build a new joint facility that brings together the creative services of a public library and the public services of a national library and archives. The final design plans of the joint facility were approved in April 2021 and the City’s Supply Services branch, in May 2021, released the tender for the construction of the joint facility. As at the end of 2023, construction of the new facility was ongoing. Construction is planned to continue until late 2025, with the official opening taking place in 2026. The Library and Archives Canada portion of the building is funded by the federal government. For the City’s portion of the building, capital costs incurred up to December 31, 2023 were \$90,654. Future commitments for the City portion of the building amount to \$103,950 for 2024 to 2026 inclusive.
- (k) On August 10, 2022, the City entered into a credit agreement with the Canada Infrastructure Bank of up to \$380,000 in order to finance the Zero Emission Buses (“ZEB”) Program. The credit facility bears 1% interest per annum, and it is to be repaid over the useful life of the ZEBs (15 years) commencing one year following the first operation of the ZEBs. The first ZEBs are expected to go into service in the fall of 2024. As of December 31, 2023, the City has borrowed \$1,693 related to this credit agreement.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

18. Contingencies, commitments and contractual rights (continued)

- (l) In March 2019, the City entered into agreements with private partners for the two extensions of the Stage 2 LRT Projects: Trillium Line Extension (“TLE”) and Confederation Line Extension (“CLE”). The CLE project further consists of two phases, the extension of the LRT line to the east (“CLE East”), and the extension of the line to the west (“CLE West”). The TLE extension project is being delivered as a design, build, finance and maintain project, while the CLE extensions are being delivered as a design, build, and finance project, and the maintenance component of the extended line will be delivered by the current contractor for the existing Confederation Line.

For the TLE extension, the City has outstanding commitments totalling \$30,484 related to the ongoing construction costs. Upon substantial completion, the City must repay \$25,918 related to the construction costs that were funded by the private partner and \$136,126 plus interest will be paid over the 27-year maintenance period. During the maintenance period, the City is also committed to a series of monthly payments to cover the maintenance and life-cycle requirements, as well as insurance, administrative, and legal/accounting costs.

For the CLE extension, the City has outstanding commitments totalling \$679,885 related to the ongoing construction costs. Upon substantial completion of the CLE East extension, the City must repay \$80,000 related to the construction costs that were funded by the private partner. Upon substantial completion of the CLE West extension, the City must repay \$176,446 related to the construction costs that were funded by the private partner. During the combined 30-year maintenance term, the City is also committed to a series of payments to cover the maintenance and life-cycle requirements for the combined Stage 1 and Stage 2, as well as insurance, administrative and legal/accounting costs.

- (m) Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City’s contractual rights arise out of contracts entered into for long-term property leases and rental arrangements where the City is the lessor. Contractual rights are not recognized in the consolidated financial statements until revenues or assets are received. The estimated amount of contractual rights is \$13,163 assuming no lease renewals or counterparty default.

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

19. Taxes available for municipal purposes

	2023	2022
Property taxes	\$2,495,047	\$2,384,994
Payment in lieu of taxes	211,998	168,400
Local improvements and other charges	26,307	23,629
Less: education taxes	(450,419)	(439,806)
Total taxes available for municipal purposes	\$2,282,933	\$2,137,217

20. Expenses by object

The consolidated statement of operations and accumulated surplus represents the expenses by function; the following classifies those same expenses by object:

	2023	2022
Salaries, wages and employee benefits	\$2,053,816	\$1,951,824
Contracted and general services	500,274	490,301
Materials, equipment and supplies	669,777	665,117
Interest charges	146,856	145,220
Rent and financial expenses	88,693	90,063
External transfers	721,994	624,564
Interfunctional	(40,723)	(40,039)
Amortization of tangible capital assets	411,968	401,015
Loss on disposal	23,182	19,147
Total expenses	\$4,575,837	\$4,347,212

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

21. Segmented information

Consolidated schedule of segment disclosure

For the year ended December 31, 2023

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$2,282,933	\$0	\$0	\$0	\$0	\$0
Government transfers – provincial	12,273	18,284	83	201,588	3,303	161,177
Government transfers – federal	230	38,912	5,896	167,307	652	315
Fees and user charges	20,710	78,681	33,357	136,430	505,012	3,134
Contributed tangible capital assets	0	0	96,664	0	367,498	0
Development charges	2,442	8,338	30,428	86,361	28,435	0
Fines and penalties	23,179	29,801	0	2,001	0	0
Other	113,855	2,838	513	1,992	15,591	173
Total revenue	2,455,622	176,854	166,941	595,679	920,491	164,799
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	102,687	594,638	145,683	368,756	94,723	198,720
Contracts and general services	7,949	72,007	113,501	90,575	127,268	15,981
Materials, equipment and supplies	27,403	64,828	93,144	125,223	72,662	24,671
Interest charges	268	1,509	19,244	69,271	29,821	824
Rent and financial expenses	18,989	14,712	8,304	29,117	9,362	4,812
External transfers	(104)	12,059	(116)	(18,672)	5,084	(181)
Interfunctional	(43,747)	(16,215)	(14,094)	8,062	44,728	8,706
Amortization	981	13,708	123,778	104,143	124,181	5,118
Loss (gain) on disposal	1,256	1,074	3,918	4,580	9,175	323
Total expenses	115,682	758,320	493,362	781,055	517,004	258,974
ANNUAL SURPLUS (DEFICIT)	\$2,339,940	\$(581,466)	\$(326,421)	\$(185,376)	\$403,487	\$(94,175)

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

21. Segmented information (continued)

Consolidated schedule of segment disclosure

For the year ended December 31, 2023

	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
REVENUE					
Taxes	\$0	\$0	\$0	\$0	\$2,282,933
Government transfers – provincial	536,639	100,477	3,748	0	1,037,572
Government transfers – federal	633	52,374	4,053	164	270,536
Fees and user charges	18,730	84,417	60,568	18,824	959,863
Contributed tangible capital assets	0	0	22,635	1,290	488,087
Development charges	150	1,180	1,686	11,236	170,256
Fines and penalties	0	0	67	0	55,048
Other	176	15,688	13,735	11,837	176,398
Total revenue	556,328	254,136	106,492	43,351	5,440,693
	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
EXPENSES					
Salaries and benefits	193,064	65,921	236,708	52,916	2,053,816
Contracts and general services	17,323	5,374	44,470	5,826	500,274
Materials, equipment and supplies	27,138	143,934	78,714	12,060	669,777
Interest charges	406	10,905	11,428	3,180	146,856
Rent and financial expenses	(3,617)	3,638	3,417	(41)	88,693
External transfers	496,932	191,192	11,041	24,759	721,994
Interfunctional	(10,230)	1,369	(7,158)	(12,144)	(40,723)
Amortization	2,192	13,079	23,984	804	411,968
Loss on disposal	922	141	1,513	280	23,182
Total expenses	724,130	435,553	404,117	87,640	4,575,837
ANNUAL SURPLUS (DEFICIT)	\$(167,802)	\$(181,417)	\$(297,625)	\$(44,289)	\$864,856

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

21. Segmented information (continued)

Consolidated schedule of segment disclosure

For the year ended December 31, 2022 (restated – note 25)

REVENUE	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Taxes	\$2,137,217	\$0	\$0	\$0	\$0	\$0
Government transfers – provincial	24,014	16,381	2,496	405,417	8,214	189,579
Government transfers – federal	1,074	54,740	5,882	207,538	694	2,347
Fees and user charges	20,820	74,202	30,900	108,412	470,407	2,270
Contributed tangible capital assets	0	0	86,081	0	363,618	66
Development charges	4,966	1,383	28,536	104,904	20,943	0
Fines and penalties	21,836	22,891	0	2,000	0	0
Other	124,160	2,642	297	5,935	6,517	196
Total revenue	2,334,087	172,239	154,192	834,206	870,393	194,458
EXPENSES	General Government	Protection	Roads, Traffic and Parking	Transit	Environmental Services	Health Services
Salaries and benefits	104,933	544,816	137,444	335,178	92,634	229,452
Contracts and general services	11,202	80,273	85,122	92,141	124,669	16,586
Materials, equipment and supplies	29,142	63,662	89,459	119,374	63,033	20,720
Interest charges	343	1,557	19,396	67,113	29,680	882
Rent and financial expenses	16,033	8,863	9,967	21,926	6,284	3,654
External transfers	(716)	11,921	(319)	(1,851)	5,035	(290)
Interfunctional	(39,492)	(15,675)	(18,824)	21,302	37,408	7,263
Amortization	1,051	13,563	118,008	106,521	117,631	5,039
Loss (gain) on disposal	0	404	5,615	3,701	9,525	(17)
Total expenses	122,496	709,384	445,868	765,405	485,899	283,289
ANNUAL SURPLUS (DEFICIT)	\$2,211,591	\$(537,145)	\$(291,676)	\$68,801	\$384,494	\$(88,831)

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

21. Segmented information (continued)

Consolidated schedule of segment disclosure

For the year ended December 31, 2022 (restated – note 25)

REVENUE	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Taxes	\$0	\$0	\$0	\$0	\$2,137,217
Government transfers – provincial	439,980	127,357	5,419	609	1,219,466
Government transfers – federal	155	29,925	24,465	399	327,219
Fees and user charges	17,094	84,109	46,489	18,489	873,192
Contributed tangible capital assets	65	0	18,202	1,271	469,303
Development charges	263	3,464	2,074	1,886	168,419
Fines and penalties	0	0	64	0	46,791
Other	118	35,260	14,647	7,920	197,692
Total revenue	457,675	280,115	111,360	30,574	5,439,299
EXPENSES	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
Salaries and benefits	180,169	61,567	215,179	50,452	1,951,824
Contracts and general services	19,026	7,713	46,279	7,290	490,301
Materials, equipment and supplies	25,680	171,531	71,029	11,487	665,117
Interest charges	521	11,180	11,606	2,942	145,220
Rent and financial expenses	379	7,100	4,013	11,844	90,063
External transfers	391,632	186,582	10,941	21,629	624,564
Interfunctional	(10,811)	(630)	(9,611)	(10,969)	(40,039)
Amortization	2,113	12,741	23,652	696	401,015
Loss (gain) on disposal	41	0	9	(131)	19,147
Total expenses	608,750	457,784	373,097	95,240	4,347,212
ANNUAL SURPLUS (DEFICIT)	\$(151,075)	\$(177,669)	\$(261,737)	\$(64,666)	\$1,092,087

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

21. Segmented information (continued)

The City is responsible for providing a wide range of services to its citizens, including police, fire, ambulance, public transit and water.

The City reports on functional areas and programs in its consolidated financial statements similar to the reporting reflected as part of the Ontario Financial Information Return.

These functional areas represent segments for the City, and expanded disclosure by object has been reflected in the above consolidated schedules of segmented disclosure.

A brief description of each segment follows:

- General government consists of Council, administration, and Ontario Property Assessment.
- Protection consists of police, fire and other protective services. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, by maintaining law enforcement, and preserving peace and good order.
- Roads, traffic and parking include parking, signs and signals, streetlights and the maintenance of roads within the City.
- Transit services provide local public transportation for citizens. They also include other transportation services such as planning and development.
- Environmental services include water supply and distribution, wastewater treatment, storm sewer systems and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- Health services include paramedic and health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- Social and family services include social assistance, long-term care and childcare services. Social assistance services determine, issue and monitor clients' eligibility for financial, social and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Childcare services provide subsidized childcare spaces and provide funding for wage subsidy, pay equity, and special needs.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

21. Segmented information (continued)

- Social housing, with the partnership of 120 community-based agencies, provides a range of services, including housing, emergency shelters, outreach, search and stabilization to people in the community.
- Recreation and cultural services include parks and recreation, culture and libraries. Parks and recreation services develop and deliver high-quality recreational programs and develop and maintain recreation facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Culture services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.
- Planning and development services manage urban development for residential and business interests, as well as infrastructure and parks.

Program support costs for expenses have been allocated to other functions using guidelines and methodologies reflected in the Ontario Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

Condensed supplementary segmented information of the Ottawa Public Library Board is provided in note 28 to fulfill a condition of the City's contribution agreements with the Province of Ontario.

22. Public liability insurance

The City self-insures for public liability claims up to a specific amount, and outside coverage is in place for claims in excess of these limits.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

23. Budget amounts

Budget data presented in these consolidated financial statements is based upon the 2023 operating and capital budgets approved by Council on March 1, 2023. Council-approved budgets are prepared on a modified accrual basis, which differs from budget amounts reported on the consolidated statement of operations and accumulated surplus, which are prepared in accordance with Canadian public sector accounting standards. The table below reconciles the approved budget with the budget figures reported in these consolidated financial statements using the accrual basis of accounting.

Budget reconciliation

Revenues	
Adopted budget operating and capital	\$5,517,474
Contributed tangible capital assets	441,038
Timing differences between capital budget and spending	421,176
Consolidated entities	233,592
Reclassification of investment income	32,000
Hydro Ottawa Holding Inc. equity pickup	14,300
Transfers from reserves	(789,962)
Proceeds of debt issued	(245,656)
Reclassifications and eliminations	(38,186)
Total budgeted revenues for financial statement purposes	\$5,585,776
Expenses	
Adopted budget operating and capital	\$5,517,474
Timing differences between capital budget and spending	339,545
Amortization	440,498
Consolidated entities	233,592
Change in other obligations to be funded in future years	(20,322)
Change in employee future benefits and pension agreements	(42,844)
Acquisition of tangible capital assets	(1,068,300)
Transfers to reserves	(750,918)
Debt principal repayments	(152,395)
Reclassifications and eliminations	(38,086)
Total budgeted expenses for financial statement purposes	\$4,458,244
Budgeted annual surplus	\$1,127,532

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

24. Related party transactions

The City enters into transactions with its subsidiary corporations in the normal course of business, under terms and conditions similar to those that apply to unrelated parties. Related party transactions with Hydro Ottawa are disclosed in note 5 and related party transactions with OCHC are disclosed in note 13. These transactions are measured at their exchange amounts.

25. Restatement of comparative information

The City adopted new public sector accounting standards on a retrospective basis that became effective for the year ended December 31, 2023, which required restatement of the affected financial statement line items for the prior period.

In addition, the City identified an item that had not been properly recognized or presented in the financial statements as described below. As a consequence, the related item has been corrected in each of the affected financial statement line items for the prior period.

The following notes summarize the impact on the consolidated financial statements.

Adoption of new accounting standards on a modified retrospective basis

PS 3280 – Asset Retirement Obligations

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3280. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The City adopted PS 3280 on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

The City removed the landfill liability that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 on January 1, 2023. The liability represents the required closure and post-closure care for the active landfill sites owned by the City. The liability was measured as of the date of purchase of these sites, when the liability was assumed.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

25. Restatement of comparative information (continued)

Adoption of new accounting standards (continued)

PS 3280 – Asset Retirement Obligations (continued)

On January 1, 2023, the City recognized an additional asset retirement obligation relating to several buildings owned by the City that contain asbestos. The liability was measured as of the date of purchase of these buildings, when the liability was assumed. The City chose not to discount the liabilities.

In accordance with the provisions of this new standard, using the modified retrospective method, the City reflected the following adjustments at January 1, 2022:

	Transitional Adjustments				
	Pre-ARO Jan 1, 2022	ARO Adjustment	After ARO, Jan 1, 2022	2022 ARO	Dec 31, 2022
Statement of financial position					
Asset Retirement Obligation - Tangible Capital Asset	0	48,453	48,453	0	48,453
Asset Retirement Obligation - Accumulated Amortization	0	(32,911)	(32,911)	(738)	(33,649)
Net addition to capital assets	0	15,542	15,542	(738)	14,804
Statement of operations and accumulated surplus					
ARO expense - Difference between ARO Landfill (PS3280) and Landfill (PS3270)	0	868	868	0	0
ARO expense - Non Tangible Capital Assets	0	1,554	1,554	0	0
Amortization Expense - ARO	0	0	0	738	738
Accretion Expense adjustment - ARO Landfill	0	0	0	(591)	(591)
Total expenses	0	2,422	2,422	147	147

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

25. Restatement of comparative information (continued)

Correction of an immaterial prior period error

The City has adjusted the comparative information for an immaterial prior period error relating to the recognition and presentation of transfers of gas tax funds from the Government of Canada and the Province of Ontario under their respective gas tax agreements.

The City applies Public Sector Accounting Standard PS 3410 *Government Transfers* which is applicable to the recognition, measurement and presentation of the gas tax funds received by the City. The City first adopted PS 3410 in its 2013 annual financial statements, and at the time, took the accounting position that the transfers of gas tax funds should be recognized as revenue in the period the transfers were authorized based on an interpretation that the gas tax agreements did not contain sufficient stipulations restricting the use of the gas tax funds to create a liability at the time of receipt. As such, gas tax transfers were recorded in government transfers revenue in the period received and presented in accumulated surplus.

During the current year, the City reviewed this accounting position with respect to gas tax funding including reviewing the practices of Ontario major cities. The City identified that the interpretation with respect to the sufficiency of stipulations restricting the use of the gas tax funds was inconsistent with that of the other Ontario major cities. The City determined that the past recognition and presentation of the transfers of gas tax funds as revenue in the period received was in error and has corrected this immaterial prior period error in the comparative information as follows:

- (i) Decreased accumulated surplus and increased deferred revenue by \$120,400.
- (ii) Decreased government transfers revenue by \$22,884 and investment income by \$1,094.
- (iii) Decreased accumulated surplus, beginning of the year by \$96,422.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

25. Restatement of comparative information (continued)

Effects of the restatement and correction

The effect of the restatement for the adoption of new accounting standards and the correction of the immaterial prior period error are as follows:

Consolidated Statement of Financial Position				
As at December 31, 2022	As previously reported	Correction of immaterial prior period error	Adoption of new accounting standards	As restated
Deferred revenue	\$1,147,279	\$120,400	\$0	\$1,267,679
Landfill closure and post-closure	38,838	0	(38,838)	0
Contaminated sites	6,769	0	14,562	21,331
Asset retirement obligations	0	0	74,559	74,559
Total liabilities	7,244,298	120,400	50,283	7,414,981
Net debt	(2,749,732)	(120,400)	(50,283)	(2,920,415)
Tangible capital assets	20,903,977	0	14,804	20,918,781
Total non-financial assets	21,002,106	0	14,804	21,016,910
Accumulated surplus	18,252,374	(120,400)	(35,479)	18,096,495

Consolidated Statement of Operations and Accumulated Surplus				
For the year ended December 31, 2022	As previously reported	Correction of immaterial prior period error	Adoption of new accounting standards	As restated
Revenue:				
Government transfers	\$1,569,569	\$(22,884)	\$0	\$1,546,685
Investment income	74,237	(1,094)	0	73,143
Total revenue	5,463,277	(23,978)	0	5,439,299
Total expenses	4,347,065	0	147	4,347,212
Annual surplus	1,116,212	(23,978)	(147)	1,092,087
Accumulated surplus - operations, opening	17,132,487	(96,422)	(35,332)	17,000,733
Accumulated surplus - operations, ending	18,252,374	(120,400)	(35,479)	18,096,495

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)**25. Restatement of comparative information (continued)****Effects of the restatement and correction (continued)**

Consolidated Statement of Net Debt				
For the year ended December 31, 2022	As previously reported	Correction of immaterial prior period error	Adoption of new accounting standards	As restated
Annual surplus	\$1,116,212	\$(23,978)	\$(147)	\$1,092,087
Amortization of capital assets	400,276	0	739	401,015
Change in net debt	(158,106)	(23,978)	592	(181,492)
Net debt, opening	(2,595,301)	(96,422)	(50,875)	(2,742,598)
Net debt, ending	(2,749,732)	(120,400)	(50,283)	(2,920,415)

Consolidated Statement of Cash Flows				
For the year ended December 31, 2022	As previously reported	Correction of immaterial prior period error	Adoption of new accounting standards	As restated
Annual surplus	\$1,116,212	\$(23,978)	\$(147)	\$1,092,087
Amortization of capital assets	400,276	0	739	401,015
Increase in deferred revenue	135,505	23,978	0	159,483
Increase in landfill closure and post-closure liability	2,038	0	(2,038)	0
Increase (decrease) in liabilities for contaminated sites	(15)	0	89	74
Increase in asset retirement obligations	0	0	1,357	1,357
Cash provided by operating activities	1,186,643	0	0	1,186,643

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

26. Adoption of new accounting standard on a prospective basis

PS 3450 – Financial Instruments, PS 2601 - Foreign Currency Translation, PS 1201 - Financial Statement Presentation, and PS 3041 - Portfolio Investments

On January 1, 2023, the City adopted Canadian public sector accounting standards PS 3450, PS 2601, PS1201 and PS3041. These standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

PS 1201 has resulted in the addition of a new financial statement called the statement of remeasurement gains and losses that is separate from the statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when the City includes the results of government business enterprises.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices. Adoption of PS 3450 has resulted in the City using fair value for the valuation of its equity holdings within the endowment fund investment because those equities have prices quoted in active markets. This adjustment to fair value of \$40,206 is reflected as an increase to investments and a corresponding increase of \$40,206 in the consolidated statement of remeasurement gains and losses. In addition to the above, the statement of remeasurement gains and losses also includes the share of other comprehensive loss from its subsidiaries of \$1,379 (note 5). As a result of the above, accumulated remeasurement of gains (losses) at the end of December 31, 2023 was \$38,827.

The adoption of PS 2601 and PS 3041 did not have a material impact on the City's consolidated financial statements.

27. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

28. Condensed supplementary segmented information

Ottawa Public Library Board

The following table provides condensed supplementary segmented information for the Ottawa Public Library Board (the "Board") to fulfill a condition of the City's contribution agreements with the Province of Ontario. The activities of the Board are included in the recreation and cultural services segment in note 21.

Statement of financial position

As at December 31, 2023, with comparative information for 2022

Financial position	2023	2022
Financial assets	\$55,845	\$45,300
Liabilities	49,867	47,332
Net assets (debt)	5,978	(2,032)
Non-financial assets		
Tangible capital assets	36,003	37,886
Total non-financial assets	36,003	37,886
Accumulated surplus	\$41,981	\$35,854

Statement of operations and accumulated surplus

For the year ended December 31, 2023, with comparative information for 2022

Revenue	2023	2022
City of Ottawa	\$61,723	\$58,280
Province of Ontario - Ministry of Tourism, Culture and Sport:		
Operating funding (Public Library Operating Grant)	1,210	1,210
Pay equity funding (Public Library Operating Grant)	170	170
Development charges	(7)	123
Other	1,241	813
Total revenue	64,337	60,596
Expenses		
Operating expenditures	58,210	55,649
Total expenses	58,210	55,649
Annual surplus	6,127	4,947
Accumulated surplus, beginning of the year	35,854	30,907
Accumulated surplus, end of the year	\$41,981	\$35,854

THE CITY OF OTTAWA

Notes to the consolidated financial statements
December 31, 2023 (*dollars in thousands*)

28. Condensed supplementary segmented information (continued)

Comparative information

The comparative information provided in the above condensed supplementary segmented information has been reclassified to conform with the financial statement presentation adopted in the current year.

As disclosed in note 18(j), the City is constructing a new joint library with Library and Archives Canada and receives reimbursement of a portion of the costs under a contribution agreement. In prior years, the City presented the related capital expenditures and funding in its segmented reporting of the Board. In the current year, the City decided to change its presentation and not include these amounts in the Board's segmented information. As a result, the comparative amounts have been adjusted as follows: tangible capital assets decreased by \$65,496, revenue decreased by \$16,253 and accumulated surplus, beginning of year decreased by \$49,243.

2022 Investment Report

Presented To:	Finance and Administration Committee
Meeting Date:	June 20, 2023
Type:	Correspondence for Information Only
Prepared by:	Liisa Lenz Financial Support & Budgeting
Recommended by:	General Manager of Corporate Services

Report Summary

This report provides information regarding the investment activities for the year and certifies that all investments made in the year 2021 followed both City's Investment Policy (Bylaw 2010-246F) and Ontario Regulations 655/05.

Relationship to the Strategic Plan, Health Impact Assessment and Community Energy & Emissions Plan (CEEP)

This report refers to operational matters and has no direct connection to the Community Energy & Emissions Plan.

Financial Implications

There are no financial implications associated with this report.

Background

In accordance with the City's Investment Policy (Bylaw 2010-246F), there is a requirement that the Treasurer present an investment report to Council annually.

This report summarizes the investment activities for the year and certifies that all investments made in the year 2022 were in compliance with both the policy and the Ontario Regulation 655/05.

The City of Greater Sudbury's investment portfolio, at cost, was as follows:

	December 31, 2022	December 31, 2021
Long Term Investment	\$149,999,243	\$137,950,459
Short Term Investment	\$521,399,388	\$412,567,128
Total Investment Portfolio	\$671,398,631	\$550,517,587

The breakdown of these investments is as follows:

	December 31, 2022	December 31, 2021
Canadian Bonds	\$2,403,553	\$0
Provincial Bonds	\$122,015,709	\$162,586,978
Municipal Bonds	\$12,908,581	\$13,308,611
Term Deposits, GIC's, etc	\$534,070,788	\$374,621,998
Total	\$671,398,631	\$550,517,587

During the year, 89 (2021 - 55) separate investment transactions were completed. Interest earned on investments, excluding capital gains, plus interest earned on average daily bank balances, yielded an average rate of return of 2.31% (2021 – 1.27%).

Interest earnings of \$5,216,188 (2021 - \$2,462,826) were credited to reserve and trust funds. The balance of investment income was earned by capital and operating funds. In accordance with the investment policy, the investment income earned by the capital fund was attributed to the operating fund. Including interest earned from the bank, other sources, and capital gains, the operating fund was credited with \$11,713,039 (budget \$5,005,000) interest revenue, the most significant factor in the 2022 operating surplus. In 2021, \$5,058,103 of interest revenue was credited to the operating fund.